

# Understanding the present and future of EU - Turkey relations

Speech of Dr Adem Kumcu to the 25th Economic Forum

Krynica-Zdrój, Poland 8-10 September 2015

Dear Guests, Ladies and Gentleman,

It is an honour for me to be in such a prestigious venue and amongst such a distinguished group today to discuss a topic that – being a European with a Turkish origin - is clearly at the very core of my main interests. Both in my personal capacity and as President of UNITEE – the New European Business Confederation, I have always been a strong supporter of the establishment of ever closer and stronger ties between the EU and Turkey, not only for their long-time historic and cultural connection, but also for economic and geopolitical reasons. After all, the relationship between the EU and Turkey encompasses all the major current international events, from the European economic and financial challenges to the fight against international terrorism and the Islamic State, West – East relations, Energy issues and – last but not least – European identity in its role of bulwark for the international protection of human rights and individual freedom.

Nevertheless, relationships between Brussels and Ankara have historically been turbulent. Even more so since 2013: due to political and economic unrest, the accession negotiations started in 2005 have stalled and the two parts seem to be as distant as ever. On the other hands though, beyond the surface cooperation is still possible – and effective – in many fields, from security to trade. The current situation puts us in a position to ask ourselves some questions: **what is the state of the Turkey-EU relationship? Can it be revived? And what should we expect from the future?**

This are very important questions. In the time limits that have been accorded to me, I will try to give them satisfying and comprehensive answers: not an easy feat, I reckon, given the controversy and even misinformation which is so common on this topic. To fully understand the forces in motion, I think it is necessary to first briefly go through the political and economic situation in the country, and then see its impact on Ankara's policy towards Brussels, and viceversa.

## Domestic situation

Concerning Turkey's domestic situation, it has clearly been characterised for more than a decade by the dominance of the Justice and Development Party (AKP), headed by current President Recep Tayyip Erdogan. Since its first coming to power in 2002, AKP has repeatedly gained an electoral majority, giving the country an unprecedented stability which has allowed it to rule the country on an agenda of socially conservative, economically liberal policies and proximity to the EU. The party's success was accompanied by the fastest economic growth in the country's history: between 2002 and 2006, growth averaged 7.2 percent per year, making Turkey a star performer in an otherwise difficult region. Even in the years of the global financial crisis, Turkey was able hold up pretty well: in total, the economy grew with an average annual real GDP growth rate of 4.7 percent over the period of 2002 to 2014, the best performance in Europe. As a result, Turkey grew to become the 17th economy in the world.

It is not the purpose of this speech to analyse whether, as some critics say, it was the exceptional economic conjuncture that boosted AKP's electoral results, or if it actually was the opposite. It is a fact though that the first decade of AKP's rule represented some kind of a bliss: a strong government presiding over a strong economy, an awakening civil society in the middle of the world's hottest region. All this led some European observers to praise the Turkish model of a healthy country ruled by a moderate Muslim-inspired party.

Nevertheless, the bliss was not made to last: 2013 represented a turning point for Turkey and AK Party. On the 28th of May, a manifestation against the government's proposal to build a shopping centre in one of Istanbul's last remaining green spots quickly turned into a series of anti-government protests all over the country, reaching international headlines. The Gezi Park protests, as the movement has come to be known, gave way to the first serious challenge to AKP's rule in the country. Also, they marked the inauguration of a new, more authoritarian phase in the party's rule: In the months that followed the protesters were met by increasingly harsh responses from the government, causing 8,000 to be injured, 3,000 arrests and 8 deaths. The second big blow to the government's rule quickly followed: on the 17th of December 2013, in a massive anti-corruption operation, the Istanbul police arrested 47 people, among whom government officials and the sons of three Ministers.

After a first moment of trying to meet the protesters' requests through the introduction of a so-called 'democracy package', then Prime Minister Erdogan started to adopt an increasingly authoritarian posture, lashing out against the so-called 'parallel state' and foreign machinations. The purging of police officers, the much publicised laws on the judiciary and the internet, the imprisonment of hostile journalists, the growing criticism and intimidation of traditionally independent institutions such as the judiciary and the press; actions that didn't stop even after Erdogan triumphantly became Turkey's new president in August, the first one to be directly elected to the role. All this I looked at increasingly worried as a general erosion of the rule of law.

As to create a perfect storm, the domestic turmoil has been accompanied by a slow-down in the Turkish economy: the last quarter of 2014 saw a GDP growth of just 1,7%, much lower than expected. At the same time, inflation is high and rising, at 8,17%, with the Lira at a record low of 3,34 per dollar. The lacklustre situation of the Turkish economy is confirmed by a general worsening of its position in international ratings. According to the World Bank's Doing Business Index, Turkey is number 55 in 189 countries, thus losing four positions from 2014. Fitch, for their part, confirmed also for 2015 its rating of BBB-. The general uncertainty is keeping investors and companies from investing.

Again, I ask you to be well aware: it is difficult to point at the political instability and authoritarian behaviour as the sole cause of this breakdown, and we shouldn't be reductionists. There are deeper underlying causes, such as the inflammable international environment. The current instability in the MENA (Middle East and North Africa) region has endangered markets crucial for Turkey, such as Iraq or Egypt; on the other hand, the economic crisis still engulfing Europe does not help, since the EU is Ankara's biggest trade partner. And also, some of Turkey's woes are structural in origin, due to a construction-fuelled growth that is unsustainable on the long term without deep reforms.

Nevertheless, domestic instability's role in acting as a brake should not be underestimated, either: the actions of the last two years, highlighting wide-spread corruption, reducing transparency and the state of law, have had a paralysing effect on business and investors: all indexes testify a clear fall in the confidence of consumers and investors. And if the polarisation in place in the country's political system has on the one hand distracted the government from taking bold actions of economic reform, on the other it has highlighted and magnified the structural, underlying problems. The impossibility to reach a coalition agreement after last Parliamentary elections in June has not done much to help the markets settle. What Turkey needs now to get back on track is stability, transparency and comprehensive reforms; June elections, in this sense, look like a missed opportunity.

### **What did it entail for the relationship with the EU?**

Let me now go back to the question I asked at the beginning of this speech: what do the events I briefly resumed so far imply for the EU's relationship with Turkey?

At a first glance the situation does not look rosy: the EU institutions have followed with growing concerns the developments in the country and vehemently criticising Ankara's controversial behaviour. In its unusually harsh Progress Report 2015, the European Parliament showed its concern for the 'backsliding of democratic reforms', warning that Turkey currently does not meet the EU's expectations for a candidate country and denouncing the attacks on freedom of speech. The European Commission holds a similar opinion: according to their latest Country Report, "the government's response to allegations of corruption targeting high-level personalities, including members of the government and their families, raised serious concerns over the independence of judiciary and the rule of law."

To this criticism, the Turkish government has answered by accusing the EU of 'islamophobia' and in looking for alternative diplomatic routes: the most important – and worrying, for the strategic implications it will have – is the proposal to join the Shanghai Cooperation Organisation, in a move that will put Turkey closer to China and Russia. It does not come as a surprise, then, that the already battered accession negotiations have been put on hold. What is perceivable is a feeling of disillusion on the possibility of Turkey to soon join the EU.

Does this mean we should all dismiss a rapprochement between Brussels and Ankara as a far-fetched dream, detached and trumped by reality? I might sound as excessively optimistic, but I think the time to despair has not come yet. Sure, the obstacles are many, and a comprehensive solution depends on the political will of both parts. Nevertheless, I am convinced that Turkey and the EU are too important for each other not to proceed with some form of co-operation. As we all know, Turkey and the EU have already overlapping interests in fields as diverse as defense, energy supply, international security and trade, among others. What I, as President of UNITEE, am convinced about, is that cooperation with Turkey should continue where is possible, notwithstanding the freeze on the accession negotiations.

This is also the approach the European Commission is taking in its dealing with Ankara: to keep the collaboration open where possible, by not only focusing on the accession process but trying to support progress in other areas. This in the long-term, in the eyes of the EU, will help foster better relations and foster the accession process to restart in better conditions and increased trust.

In Europe, we cannot afford to lose Turkey. If you bear with me for some more, I will give you some examples of areas where this cooperation is not only still possible: it is thriving.

- *Energy*

The first sector of cooperation that comes to mind is **energy**. Energy certainly represents one of the top hot issues for the European Union and offers opportunities for long-term engagement, especially in a time in which Russia, one of the principal European gas suppliers, has become increasingly unreliable. Given its special geographic position, Turkey plays a key role as regional trade hub, bridging European markets to Middle Eastern and Caspian ones. In this sense, a stronger EU- Turkey partnership is clearly desirable for both sides, as it has been confirmed by the launching of the High Level Energy Dialogue earlier this year at the presence of the Turkish Minister for Energy and Natural Resources, Taner Yildiz, and the Vice-President of the European Commission for Energy Union, Maros Šefčovič.

In this vein, the recent (march 2015) launch of the construction of the Trans-Anatolian gas pipeline (Tanap), in the framework of the bigger Southern Gas Corridor, has a crucial meaning for Europe, as it shows Turkey's key role in diversifying European gas supplies, since it will transport gas from Azerbaijan to Europe, thus bypassing Russia.

- *Foreign Affairs and Security*

The second area of relevance for the EU-Turkey relationship is very timely. The current tragic events taking place in the Middle East have highlighted even more one fact we already knew to be true: not only Turkey is the second biggest army in the NATO alliance; due to its position, its history and its resources, it is also a **fundamental geostrategic ally** in many of the crises engulfing today's world. What is more, the current geopolitical crisis in bordering Syria and Iraq, generating the most serious refugee crisis since the Balkan Wars, has Turkey as its epicentre: Ankara is currently hosting 2 million refugees from the neighbouring countries, a number that makes EU countries pale in comparison. And that raises one point: in the current geopolitical situation, it is not only advisable for the EU and Turkey to work together; it is necessary for both parts, if they want to survive.

That is why, I cannot but judge with favour the fact that, after some years of wavering and hinting at establishing alliances away from the Western folds, finally Ankara has in the last months decidedly reaffirmed its belonging to the West and NATO: the first and most resounding example of this has been the decision to join the anti-Islamic State coalition, followed by actions against the Islamic State's position in Syria at the end of July.

It is too early to say whether this repositioning is made to last or is just an opportunistic choice, and the contemporary actions against the Kurds in Iraq shed some shadows on Ankara's motives. But, all things considered, it is vital for the EU to sustain Turkey's effort, by reaffirming the common fight against terrorism and for stabilisation. Furthermore, far from being the only sufferer from the refugee crisis, the EU has the moral duty to support Ankara in its reception of its huge number of refugees.

A first step in the right direction, showing how EU and Turkey can cooperate in fostering security, has been taken with the signature of the EU-Turkey readmission agreement on 16th December 2013 in parallel with the start of the visa liberalisation. The readmission agreement has entered into force on 1 October 2014.

- *Economy and trade*

Finally, I would like to mention the area that, according to me, bears the most promises of positive developments in the EU-Turkish relationship: **the economy**. It is clear to all of us that, as I mentioned above, Turkey needs to undergo deep reforms to have again a fully functioning economy: in the short term, to increase the transparency and restore the rule of law, allowing business to regain its trust. And in the long term, Turkey should undergo comprehensive reforms to foster its economic growth in a sustainable way, consisting of improving productivity. Unfortunately, this kind of reforms are possible only in the presence of a stable government with a strong popular support; a factor that is currently lacking in the country at the time.

Nevertheless, my experience at the helm of UNITEE has thought me that very often, economic exchanges have a privileged role in bringing countries and societies together. And in this respect, few economies are more integrated than Turkey and the EU's: the Union is the first trade partner for Ankara, both in terms of exports and imports. Also the opposite applies: for the EU Turkey represents a key trade partner (the fifth largest client and the seventh major supplier), providing EU with a net revenue of more 20 thousands millions Euros a year.

It is exactly in these data that the main path towards the rapprochement between Ankara and Brussels is indicated: exchanging trade, integrating economies today, can serve as a shortcut for favouring better political relationships tomorrow. After all, the majority of European businesses still manifest an interest in Turkey as an investment destination. And it is on this spirit that I cannot but salute the interest towards the renewal of the 20-year-old EU-Turkey Customs Union, recently manifested by both parts. Such a modernisation would bring new sectors, such as public procurement and services, into the agreement, thus allowing it to be more respondent to the needs of today's economy. And, as a consequence, it will bring about a closer dialogue on macro-economic measures, as proven last January, when the Commission put forward a proposal for a new "EU-Turkey Business Roundtable".

### **Conclusion**

From the overview I have made so far, I think we can propose an answer to the question of **whether relations between Turkey and the EU can be revived, or if they are destined to decline**. I think the results are mixed. If we base our judgement on whether Turkey will soon become part of the EU, it is clear there are many obstacles from both sides that are visible to everyone. Much is left to the political will to solve these tangles. As we all know, since the political scenario in Turkey is far from being clear, we will have to wait at least until the results of next elections on the 1<sup>st</sup> of November to know what will happen to the negotiations. And on the part of the EU, it is going through such a big identity crisis, looking constantly on the brink of collapse, that we should not be too surprised if not many steps are taken towards accession in the near future.

Nevertheless, there are still areas for collaboration, as I tried to illustrate during my speech. There is a need of a multi-level cooperation, made necessary by the strategic mutual relevance of Ankara and Brussels and by the overlapping of both entities' national interests: be it the fight against terrorism and the Islamic State, the refugee crisis or finding new energy sources.

Working together in small steps, towards achievable objectives, will help solve some of the challenges that are engulfing our corner of the world. But in doing that, the EU should not lose sight of the final objective: accession. Please, note that this is meant to be a two way street: not only Turkey has to turn into a fully-fledged prosperous, tolerant and democratic country; the European Union also has to make major efforts to keep its status of global bulwark for prosperity, tolerance and democracy. A constant cooperation on interests first will make the transfer of values easier, I am sure.

Because in the end, I truly feel that Turkey belongs to Europe. My vision for the future of Turkey is the same as the one expressed by the Nobel Prize Orhan Pamuk: "I see Turkey's Future as being in Europe, as one of many prosperous, tolerant, democratic countries". Turkey and the EU both already have the tools to make it happen. They just have to realise that.

I wish you great success and once more, thank you for this opportunity to share my thoughts with you.

Written by Giovanni Collot