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TROUBLE ON THE TRACKS: AVERTING THE TURKEY-EU “TRAIN-WRECK”

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SUMMARY

- With the European Parliament decision to “freeze” accession talks, Turkey’s decades-long engagement with Europe is in crisis.
- In 2016 Turkey-EU relations took a step forward, with a historic deal on refugee resettlement, but also a step back, with a sweeping crackdown in the wake of the failed 15 July coup and global criticism of Turkey’s human rights situation.
- Instead of populism and resentment, both Europe and Turkey need to develop “strategic patience” to anchor Turkey to Europe. Turkey’s history has been an ebb and flow between Westernisation and nativist reaction. It is important for the EU to think long-term about Turkey.
- One way to bypass the current impasse might be to offer Ankara an upgraded customs union, with political benchmarks for market access. Despite tensions, Turkey and the European Council should think about their shared interests and high degree of integration to avert a “train-wreck”.
- Difficulties aside, European leaders should visit Turkey soon. But they should also be aware that asylum seekers fleeing the crackdown will become an issue between Turkey and EU countries during 2017.

November 2016

These are critical days, perhaps the moment of truth for Turkey and Europe – together or apart? To be fair, the relationship between Turkey and the European Union has never been straightforward. Over five decades it has seen at least as many setbacks as it has advances. Yet, within the past year, this longest of courtships has slipped from a bid to “re-energise the accession process”, as declared by European leaders in autumn 2015, to the current debate within Europe over whether or not to “freeze” the negotiations. And all this by way of this year’s landmark agreement on refugee resettlement (with provisions for visa liberalisation – a real prize for Ankara), intense cooperation on terrorism, and a promising breakthrough on Cyprus.

July’s attempted coup in Turkey only served to complicate matters – instead of bringing Turkey more firmly to Europe it created great antipathy on both sides. In its wake, Turkish leaders expressed their anger at Western countries’ perceived lukewarm support for the democratically elected government. In turn, the Turkish government’s ensuing clampdown only served to rekindle concerns in Europe about the country’s human rights record. The accession process, though still in effect, came to be described as “moribund” by commentators in both Turkey and Europe. What was once a tool to transform Turkey now became a source of resentment for the Turkish and European public opinion.

Add to this talk of reintroducing of death penalty – a non-starter for Europe, the speedy rapprochement between Turkey and Russia, and the election of Donald Trump (Ankara is noticeably pleased at the result) in an ever more insecure international order, and both sides are left

questioning their commitment to the idea of a Turkey anchored to Europe like never before. On 24 November, the European Parliament voted to recommend a “temporary freeze” to the negotiations and in Turkey President Recep Tayyip Erdoğan is already calling for a “Trexit” referendum, hinting that Turkey may abandon its European track and enter the Shanghai Cooperation Organisation, alongside Russia, China, and the Central Asian republics.

Strategic depth and long-term vision are absent in much of the debate in Turkey and Europe. Populism and the tedium of the accession process have replaced what was initially once a “grand idea” for a strong and prosperous Europe – one with Turkey. Turkey’s own history over the past 200 years has been marked by an ebb and flow between forces of westernisation and illiberal nativist tendencies. The transformation of Turkey was always destined to be a long-term task with ups and downs. What seems like an inward-looking period today may easily be replaced by a pro-European orientation in a decade or less. But with a string of upcoming elections in Europe and legitimate fears about the future of the EU, no one has the patience for history lessons – or long-term perspective. What Turkey and Europe need is a belief in a joint future and the “strategic patience” to keep chugging along – and this is lost in today’s populist tug of war.

In short, when the European Council meets for its year-end summit in mid-December, leaders and member states will have to make critical strategic decisions on the future relations with Turkey.

Should Turkey and Europe divorce? Could they, even if they wanted to? Is it possible to salvage the existing moribund accession process – and for how long? Should Europe abandon the Copenhagen criteria and accept a transactional relationship with Turkey? Can a deal on Cyprus brighten this gloomy scene? With a burgeoning alliance with Russia and aspirations for Middle East leadership renewed after a Trump victory, is Europe still a desirable strategic goal for Ankara? And more importantly, should there be a search for alternatives to the accession process that can preserve the economic relationship while providing a more realistic framework for bilateral ties? These are all questions that Europe needs to deal with.

This paper takes a hard look at the reality of Turkey’s EU membership bid and its current relationship with Europe as we approach 2017 – with all its complexity and layers. It examines possibilities for the future and considers scenarios of how both sides might keep travelling in the same direction.

It is highly improbable that the December European Council summit will result in a rupture in relations between Turkey and the EU – as economic and strategic realities necessitate the preservation of the status quo. But this is not good enough. European engagement with Turkey is much too limited and reduced to bureaucratic efforts to avert crises. The accession process is in name only and the long-term strategic thinking is non-existent.

As this paper argues, to meet the challenges of this uncertain and unpredictable era, European and Turkish leaders need to develop a common vision for their future – realistic and forward-looking. This is not a romantic call to return to 2005 and start the accession process all over again. Neither a resurrected Ottoman empire nor a truly European Turkey are realistic options today. But between a whimpering death and doing nothing, there is a whole host of options to create a realistic, grounded process between Turkey and Europe that could be mutually beneficial, preserve a forward-looking perspective, and have credibility.

Where are we now – and how did we get here?

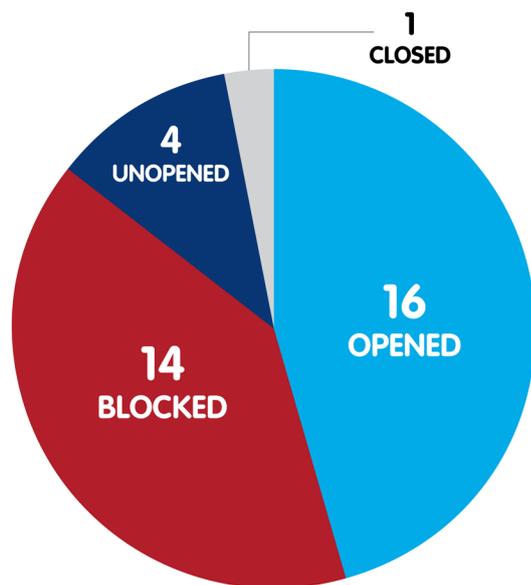
The engagement between Turkey and Europe has formally been going on for half a century, with little to show for it. This is where Turkey’s membership bid stood at the beginning of this year, 2016, more than a decade after the start of accession talks: out of 35 chapters of the *acquis communautaire*, the total body of EU law necessary to complete the accession process, just 16 have been opened and only one has been provisionally closed. Fourteen chapters are blocked from being opened by Cyprus or by the European Council on the grounds that Turkey has not met the obligations stipulated in the Ankara Protocols of 2005, which require that Turkey open its ports to goods from Cyprus as part of its customs agreement with the EU.

All this has a long prehistory, of course. Turkey’s efforts to join Europe formally started with an association agreement with the European Economic Community in 1963 and continued with a membership application in 1987. Since then, successive Turkish governments designated EU membership as a “strategic goal” in line with the modernising principles of the Kemalist republic. Turkey signed a customs union agreement with the EU in 1995 and was officially recognised as a “candidate” in 1999 at the Helsinki summit of the European Council. Turkey’s conservative Justice and Development Party (AKP) also did its share of lobbying the EU, particularly in its early days after coming to power in November 2003. Negotiations for full membership started in 2005, but since then there has been little progress for reasons to do with Cyprus – and resistance from some European nations using the conflict as a figleaf.

Even though Turkey’s European journey has proved to be tough, it has been marked with mutual benefits at all stages. During the first few years of the accession process in 2005-2010, Turkey worked hard to reform its laws and regulations to meet the *acquis*; Europe enjoyed its political leverage in a significant neighbouring country and a potential economic powerhouse on its doorstep. In 2010, the *Economist* called Turkey “The China of Europe”. Over the past decade, European investment and leverage in Turkey has soared, creating an interdependent economic sphere.

Soon after Nicolas Sarkozy came to power in mid-2007, negotiations with the EU became noticeably more difficult for Turkey. Under pressure from France, member states

Turkey's current progress on accession chapters



Source: European Commission

blocked more chapters due to the Cyprus matter. The last significant negotiation chapter opened in 2010. In 2012, after two years of practically no progress and simmering frustration in Ankara, EU commissioner Štefan Füle launched a “Positive Agenda” aimed at putting the stalled accession process back on track. But not much changed when it came to the internal dynamics of the EU.

The period 2005-2013 constituted reform years in Turkey; ironically during this period, European doubts mounted about accepting among its ranks a sizeable Muslim nation led by a conservative party in which the pace of democratisation was slow. Eventually for Turks, the inevitable conclusion was that Europe seemed to want Turkey close enough in its hemisphere, but not so close that it would become a real member of the club. While there were differences among the EU member states along the way (such as Britain and Italy being more supportive of the accession talks) the lull in 2010-2015 effectively sealed the fate of the process.

The loss of European perspective coincided with the domestic decline in Turkey. While the chicken-and-egg conundrum remains an impossible philosophical question, the truth is, in time, and under Europe’s watchful gaze, Turkey has grown decidedly more authoritarian even though the accession process was formally in place. The Gezi uprising of 2013 and the subsequent crackdown on secular dissidents created domestic criticism for most governments like Germany and stigmatised Turkish leadership in the public European discourse, including by nativist political parties, many of which hold strong anti-Turkish views.

Then, in March 2016, along came the high point: the refugee agreement between Turkey and Europe, which elevated Turkey’s ties with Brussels. This time a year ago, Europe

was pledging to “energise” Turkey’s accession process for “full membership.” Now, less than a year on, the European Parliament is talking about a “freeze.”

How did things unravel so fast? The answer lies in a summer night in July – a night the significance of which Europeans failed to grasp.

A night that changed everything

On Friday 15 July 2016, most Turkish citizens were finishing their dinner or sitting down for a favourite television drama when news started trickling through that the Bosphorus bridge had been closed. Shortly afterwards, the sound of helicopters and fighter jets flying over the skies of Ankara suggested that an extraordinary set of events was taking place. It soon became clear that a faction within the Turkish armed forces was attempting to seize power. The ensuing 12 hours turned into a horrifying episode for Turkish citizens: clashes between the military and the police, fighting among air force units, and firing on civilian demonstrators resisting the takeover. In the end, the pro-government forces prevailed and were able to avert the most significant coup attempt against a European democracy for decades.

July changed nothing in terms of the governing structure and the role of the ruling AKP in politics. But in many ways it changed everything about Turkey’s domestic situation, the consolidation of power in the hands of its strongman president, and relations with its Western allies – in particular the United States and Europe.

The Turkish government complained bitterly that Europe and Washington were late in their condemnation and showed no sympathy for the democratically elected leadership in Turkey. Ankara was outraged that in its hour of need, “the West” did not stand with the Turkish leaders – fuelling suspicions that Europeans and Americans would have preferred the putschists to succeed. Ibrahim Kalin, spokesman for President Erdoğan, tweeted in English on 17 July with the image of a BBC web story calling the president “ruthless”: “Had the coup succeed, you would have supported it, like in Egypt. You don’t know this nation but they know you.”

There may have been reasons, but no real excuse, for the sluggish European response. On the night of the coup, the European public was still reeling from the attack in Nice a day before, and events in Turkey were fast-moving. Travelling in Mongolia, EU foreign policy chief Federica Mogherini called Turkish foreign minister Mevlüt Çavuşoğlu in the early hours of 16 July to find out about the situation but also urge restraint in dealing with coup plotters. Mogherini may have been responding to widespread stories about harsh treatment of coup plotters on social media. But her call and subsequent tweet, “Call for restraint and respect for democratic institutions”, did not go down well in Ankara. Similarly when the coup was under way, the American secretary of state, John Kerry, said he hoped for “stability and continuity” in Turkey at a news conference in Moscow.

A day later, stronger condemnation of the putsch and support for Turkey's democratically elected government started pouring in from world leaders. But that was almost too late for a traumatised and emotionally fragile Ankara. The reaction to the coup had sown the seeds of distrust in an already difficult relationship between Turkey and its Western allies.

Things went downhill from there. The size of Turkey's post-coup crackdown – with the arrest of over 40,000 individuals, jailing of journalists, confiscation of property, and dismissal of more than 100,000 Turkish citizens from public posts – horrified the European public and governments. Many commentators in Europe thought that President Erdoğan had instigated the coup, some likening it to the Reichstag fire. In Ankara, European concerns about the government's crackdown were perceived as efforts to undermine its power. Turkey's extradition requests for Fethullah Gülen, the US-based cleric whom the Turkish government holds responsible for the coup, and for members of the Gülen community seeking asylum in Europe, went unmet. This drove a further wedge between a government that sees the anti-Gülen fight as an existential battle for survival and its Western partners that see the crackdown as a democratic deficiency.

Even before the coup, President Erdoğan's anger towards Europe was palpable in public speeches in which he regularly called Europe "insincere" and "dishonest" in its dealings with Ankara, and criticised Europe for providing patronage to the Kurdistan Workers' Party (PKK) networks in Europe. In June, President Erdoğan had threatened to hold a referendum on the accession process. "You are going crazy because Erdoğan is putting a mirror to your ugly face", he said to the EU. "That's why you are trying to get rid of Erdoğan. You promised us officially in 1963. You are still keeping us waiting. O Europe, I'll tell you why; you don't want us because we are a majority Muslim nation. We knew this. But just wanted to test your honesty."¹ The July coup just reinforced such sentiments within the Turkish leadership.

Complicating the picture are the recent arrests of senior Kurdish politicians, a crackdown on *Cumhuriyet* newspaper, one of Turkey's last remaining independent papers, and the recent introduction of the death penalty debate by President Erdoğan in the run-up to a possible referendum in April or May for an overhaul of Turkey's constitutional order to put in place a presidential system with sweeping powers.² While officially European representatives have only expressed "deep concern" about the arrests of deputies from the pro-Kurdish Peoples' Democratic Party (HDP), including co-chairs Selahattin Demirtaş and Figen Yüksekdağ, the anxiety in Brussels runs deeper. There have been calls to end the accession negotiations or the refugee deal with Turkey from politicians in Germany, Austria, Luxembourg, France, the Netherlands and elsewhere.

¹ "Erdoğan: Biz de AB müzakereleri için referanduma gideriz", IMC-TV, 22 June 2016, available at <http://imc-tv.net/erdogan-biz-de-ab-muzakereleri-icin-referanduma-gideriz/>.

² President Erdoğan has long made known his preference for a "Turkish-style" presidential system. A bill detailing the AKP's plans for a presidential system is expected to be introduced to the Turkish parliament this year. The ruling AKP has now formed a coalition with the ultra-nationalist Nationalist Action Party (MHP) to attain enough votes (330 deputies out of 550) to take this legislation to a referendum in April or May.

While these dramatic steps are unlikely to happen their echo inside Turkey created a similarly angry response from Turkish leaders like President Erdoğan. "People are afraid of the consequences", said one European politician about the tepid European response to the arrests in Turkey. In reality, the EU is in a bind, torn between taking a tough stance to uphold "European values" and triggering an irreversible separation with unwanted outcomes, like the end of the refugee agreement or the loss of economic ties.

The November progress report on Turkey's accession – the 11th such annual update – proved to be the most negative assessment to date.³ But it received very little attention in mainstream Turkish media, just like the ensuing European Parliament debates on free speech and the Kurdish situation in Turkey.

This is a situation where the European public, the European Parliament, media, and the decision-makers, who try to take a more pragmatic view behind closed doors, are all singing from different playbooks. But Turks hear just one song: the anthem for a child unborn.

The refugee crisis: An unexpected rapprochement

It all could have gone in a different direction and for a brief moment let us think about "the road not taken". In the summer of 2015, migrants fleeing Syria and other parts of the world streamed into Europe via Turkey. Given the frail state of Turkey's relations with Europe, the refugee crisis of 2015 could have been the coup de grâce to further push the two apart and seal the fate of Turkey's EU bid. But the crisis turned into an opportunity. What followed was the most significant advance for Turkey's EU accession process since 2010 – and perhaps a last-ditch effort to salvage the much-criticised framework for negotiations. At a mini-summit in October 2015, European leaders agreed to "re-energise" Turkey's accession process in return for its cooperation in stemming the flow of refugees. On 1 November, the German Chancellor, Angela Merkel, flew to Istanbul and met with President Erdoğan two days before the general election in Turkey, agreeing, in principle, to a European aid package of €3 billion and to revitalise the accession talks in return for a Turkish commitment to serve as gatekeeper for Syrian refugees. In December 2015, the European Commission opened a new accession chapter (Chapter 17 on Economic and Financial Matters) for the first time in five years. And, in March 2016, Turkey and the EU shook hands on a final arrangement for Turkey to take back migrants who had made their way to Greece, and secure its borders in return for €6 billion in refugee aid, visa-free travel for Turkish citizens (as early as summer 2016, but as soon as Turkey fulfils the 72 benchmarks), and revived talks on accession to the EU.

³ The European Commission no longer calls this a "progress" report but the term is still widely used. See "Turkey 2016 Report", European Commission, 9 November 2016, available at http://ec.europa.eu/enlargement/pdf/key_documents/2016/20161109_report_turkey.pdf.

Turkey's crackdown in numbers



370
NGOs
shut down

30 
days

length of time a
person can be held
without charge under
state of emergency

6

month state
of emergency

194 
journalists
arrested

114 
charged

76 
released



40,000
arrested



170
news outlets
shut down



10%
Erdogan's
presidential
guard arrested



30
TV stations
shut down



1,577
deans resigned from
Turkish universities

Two key figures were responsible for the serendipitous turn of events: Angela Merkel and former prime minister Ahmet Davutoğlu. By all accounts, Merkel developed a good rapport with her Turkish counterpart. Davutoğlu saw in the crisis an opportunity to advance the ailing accession process – and, in a roundabout way, return to the reform agenda in Turkey. The deal they crafted together clearly pushed the limits for Turkish entry to the Schengen zone at a time when the troubling human rights situation in Turkey had become a household topic in Europe. But it had also put an end to the flow of refugees in Europe.

Shortly after the refugee deal, in early May 2016 Davutoğlu was dismissed from his post by President Erdoğan, who, among other things, saw in the close relationship his lieutenant had developed with European leaders an effort to undermine his own power.

Had Davutoğlu stayed, the Turkish-European agenda would undoubtedly have looked very different today. “We had a deal”, a senior Turkish official involved in the negotiations said. “We were going to amend the anti-terror law and get visa-free travel”. His account is corroborated by an official from the European Commission who said that, despite the domestic problems in Turkey, the Commission was amenable to giving a green light to visa-free travel, with a strong likelihood that the European Parliament would approve the arrangement.

Visa-free travel carries huge symbolic importance for Turkish citizens but is unlikely to happen any time soon.⁴ Technically, visa-free travel in the Schengen zone for Turkish passports requires Ankara to meet 72 benchmarks and for the European Commission to recommend such a measure. Turkey has met all but five. The *sine qua non* for the European Commission is an amendment to the country’s anti-terror law, which is restrictive of free speech and has been used by prosecutors to imprison dozens of journalists on grounds that they are engaged in “terrorism propaganda”.⁵

Since the coup attempt in July, Ankara has hardened its position on the anti-terror law, President Erdoğan ruling out a change or an amendment on the grounds that Turkey was fighting several terrorist groups simultaneously – including Islamic State and the PKK. The pro-government media depicts European demands to change the law as covert support for terrorism against Turkey. Even though Turkey has established a working group with the Council of Europe – seen as a credible interlocutor by the Turkish government due to secretary general Thorbjorn Jagland’s quick condemnation of the coup and good relations with Turkish leaders – the reality of domestic politics makes it unlikely that a change on this front will take place.

⁴ Over the past two decades, a growing middle class in Turkey has become accustomed to holidays abroad, business trips, and educational exchanges. However, obtaining a Schengen visa remains difficult for most citizens. Travellers need to demonstrate financial resources, employment, insurance, real estate and other assets in order to prove that they will not become economic migrants.

⁵ The Committee to Protect Journalists (www.cpij.org) estimates that Turkey has outstripped China as the world’s top jailer of journalists with over 100 journalists in jail. These include prominent names from the secularist *Cumhuriyet*, from Gülenist outlets or members of pro-Kurdish media.

A Cyprus surprise?

Along this gloomy trajectory, the only bright spot in Turkey’s relations with Europe at the moment is the possibility of a settlement on Cyprus. Over the past two years, under the auspices of United Nations secretary-general Ban Ki-moon Turkish and Greek Cypriot leaders have quietly been working towards an agreement to unify the island. The talks have accelerated under UN special adviser to Cyprus, Espen Barth Eide, the former foreign minister of Norway, and are showing promising progress towards a unified bizonal, bicommunal federation – to be taken to a referendum in 2017 if the two sides can agree on the remaining details and a security structure for the island.

This is a momentous diplomatic effort and, if it were to succeed, would be a game-changer for Turkey and Europe. A solution on Cyprus would provide a boon for Turkey’s accession process – not least because it would pave the way for opening or finalising more than a dozen chapters currently blocked because of Cyprus and reboot Turkey’s accession process. “It’s all hinging on Cyprus. If there is a solution there, we can move forward. If not, we may as well shut down the EU ministry”, one senior Turkish official said. “Difficult to predict what will happen on Cyprus. But it certainly will open up a new page on enlargement”, a European diplomat cautiously agreed.

The good news is that Ankara has been supportive of reunification, as it was under the Annan plan of 2004, provided that it can extend security guarantees for the Turkish Cypriot community. For Turkish leaders, the benefits of a deal go beyond facilitating Turkey’s progress with the EU. Other advantages include being able to deploy over 30,000 Turkish troops on the island elsewhere, reducing the fiscal burden on the Turkish budget, and having access to recently discovered energy resources in the eastern Mediterranean to be explored by Turkey, Cyprus, and Israel.

The negotiations in early November between the two Cypriot communities made huge progress towards solving important issues like land and property. What remains are the security arrangements – and a definition for Turkey’s security relationship with the Turkish Cypriot community. While there is no set timetable for the talks, the optimistic scenario of a referendum early in 2017 could renew Ankara’s interest in Europe once again.

But what matters here more is the negative scenario. If there is a rupture in Turkey’s relations with Europe in December or any time before a referendum to approve any deal, the island, divided since 1974, may lose what many believe to be its “last chance” for unification.

Economic interdependence

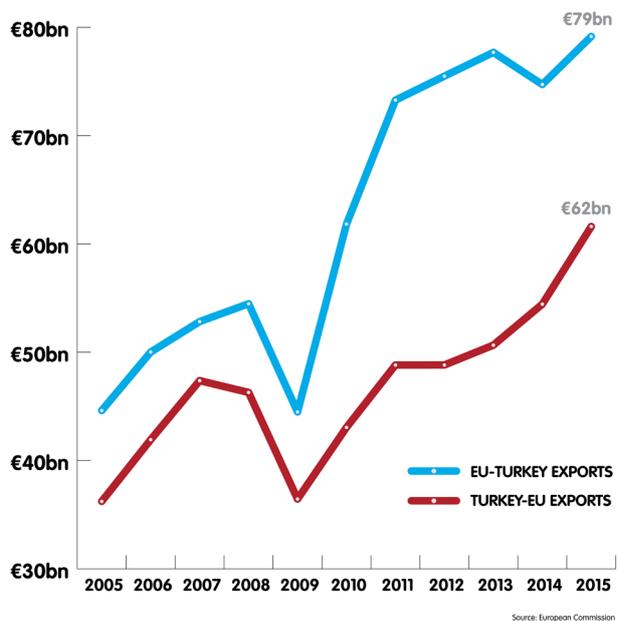
Even if they want to divorce politically, after two decades in the customs union, the Turkish and European economies are too interdependent to fully separate. Despite the fractiousness that endures in most aspects of relations, Turkey and Europe have been enjoying the benefits of free trade and market access. Since the late 1990s, with an upgrade to the European *acquis* in many sectors, Turkey became a key trading partner and a growing market for European companies. For much of the past decade, Turkey also experienced high growth rates and an impressive fiscal discipline. Where politics failed, economic incentives and a customs union provided the additional linchpins for the relationship.

Here is the extent of economic interdependence at a glance: Europe today is Turkey's largest trading partner, receiving roughly half of its exports. Turkey is Europe's fifth largest trading partner with \$140 billion in imports and exports.⁶ EU companies are the top investors in Turkey and European banks provide the bulk of financing for Turkey's infrastructure and health investments. In terms of direct investment into Turkey, 70-75 percent comes from EU companies.⁷ The customs union has helped Turkey adopt EU regulatory standards, provided preferential access to its internal markets, and increased the overall competitiveness of Turkish goods. According to Kemal Kirisci, at the Brookings Institution, this was the push that turned Turkey into a "trading state" for much of the past decade, facilitating its penetration into the global economy.⁸ Though it has taken a back seat for the moment, the economic interdependence between Turkey and the EU underpins much of their relationship and does not look set to weaken.

There is more. Turkey's secular business elite and leading business organisations like TÜSİAD have been the main proponents of the country's EU bid. TÜSİAD has a long-established presence in Brussels and effectively lobbies European institutions for greater integration – or, lately, to avert further decline in the relationship. The deterioration of relations has been taking its toll, not just on big businesses, but also smaller enterprises across Anatolia that are dependent on imports and exports from Europe. With rumours of a rupture in relations, the Turkish lira has steadily been losing value against the euro and the dollar.⁹ Turkey has also been having a difficult time enticing foreign direct investment over the past two years in part due to the unstable domestic situation.

Mehmet Şimşek, Turkey's minister in charge of the economy and a proponent of reform, has lately been warning against the impact of a rupture with the EU: "A Turkey that splits

EU-Turkey trade (2005-2015)



from Europe is a third world country [...] I was in Japan and the most common question is 'Will Turkey split from the EU? If you do, don't come to us' they say ... We have a spat with the EU every day but things continue. The EU situation is very clear-cut. It is in our interest to continue relations with the EU. I tell Europeans, 'Instead of this spat, come and let us start a dialogue. Splitting from Europe means FETO [an acronym used by Turkish law enforcement uses for Gülenists, Fethullahist Terrorist Organisation] succeeds.'¹⁰

A search for alternatives

"Half of our trade is with you. Seventy-five percent of our investments are from you. We cannot separate."

A Turkish leader to a visiting European delegation after the coup

"Both sides are waiting for the other to pull the plug."

European Commission senior official

"Turkey's bid to join the EU is a bad joke; but don't kill it."

Charlemagne column, the Economist, October 2016

This collection of statements captures the complicated set of facts and emotions that define the current state of Turkish-EU relations. It is tough to move ahead but tougher to divorce. It is u that a European Parliament resolution to "freeze" accession negotiations with Turkey will formally end the accession process. Ankara would likely respond with a counter-resolution from its own parliament. Technically, ending the accession process requires a unanimous vote by all EU member states, and for most of them this would not be a desirable development, including for Germany, Britain, Italy, Netherlands, and Spain. But, realistically, moving

⁶ "Client and supplier countries of the EU28 in merchandise value", European Commission, September 2006, available at http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_122530.pdf.

⁷ Information provided by Turkish official, private conversation. FDI from EU is 70 or 75 percent depending on sources. Investments add up to \$22 billion.

⁸ Kemal Kirisci, "The Transformation of Turkish foreign policy: The rise of the trading state", *New Perspectives on Turkey*, Volume 40, April 2009, pp. 29-56.

⁹ Tunca Öğreten, "Stratejist Cenk Sidar: 'Seküler hicret' var, ekonomik kriz AKP'yi götürülebilir", *Diken.com*, 16 November 2016, available at <http://www.diken.com.tr/sidar-sekuler-hicret-yasaniyor-ekonomik-kriz-akpnin-sonunu-getirebilir/>.

¹⁰ "Başbakan Yardımcısı Mehmet Şimşek: 3'üncü dünya ülkesi oluruz", *Hürriyet*, 11 November 2016, available at <http://www.hurriyet.com.tr/basbakan-yardimcisi-mehmet-simsek-3uncu-dunya-ulkesi-oluruz-40274345>.

forward is also nearly impossible – due to forthcoming elections in Europe, the possibility of the reintroduction of the death penalty in an upcoming referendum in Turkey, and overall criticism of Turkey’s domestic situation and emergency rule. Both Brussels and Ankara remain stuck – and are playing for time.

It is evident to policymakers both in Europe and in Ankara that an alternative form of engagement could ultimately replace –and thereby “save”– the formal accession process for full membership. Officially, Turkey rejects the idea of a new arrangement, insisting that Europe must live up to its obligations and continue negotiations. But in reality most officials privately concede that full membership is not a possibility at this point.

“There could be an alternative form of relationship; a special partnership like the EU has with Norway or Switzerland. But the offer first has to come from us”, one senior Turkish official said. “An open-ended accession process may not go anywhere. It’s not binding enough for the EU or motivating enough for Turkey. We need a more grounded, binding process with finality,” said another senior government official.

But what is a “binding process with finality” that could be as attractive enough to Turks and be of interest to the EU? What is the alternative to accession negotiations that seem, at best, frozen? What is in it for Europe?

The obvious answer under the current circumstances seems to be a free trade deal with a strong set of political criteria that will allow Turkey to return to the accession negotiations when its democracy is in better shape. This is usually referred to as an “upgraded customs union”.¹¹

In Turkey, much of the quiet exploration on the topic is carried out by the business lobby, with a tacit nod from the government. This is not because Turks want to give up on the EU, but because they are realistic enough not to count on membership any time soon. Organisations like TÜSIAD and TOBB (Turkish Union of Chambers and Bourse) already have experts and teams reviewing the possibilities of improving Turkish-EU trade agreements.

For Turkish officials and the business community, an upgraded customs union ideally should have the following features: free movement of people (not for work but for visa-free travel in the Schengen zone), the opening-up of European markets for certain Turkish agricultural products, access to the European service sector for Turkish companies, Turkey’s participation in the EU’s decision-making mechanisms regarding trade regulations, Turkish and European access to public procurement, and the preservation of full membership as a desirable outcome for the future. With these in mind, and under an appropriate formula for a future association, the Turkish government

could relinquish a stalled accession process, depending on the offer on the table.

But this is not enough. The EU cannot start simply treating Turkey as a far-off manufacturing base after all the history of accession negotiations. Such a trade deal would need to also include some political benchmarks to prevent further deterioration of Turkish democracy.

For Europeans, the advantage would be resetting a bitter and acrimonious process and building some leverage over Turkey. It would also be a popular move in some countries where there is a backlash against Turkey’s accession process. For Europe, the idea of an upgraded customs union is not just about giving Turkey access to European markets but a trade arrangement to benefit both sides. Since the beginning of the refugee crisis, Germany has been the lead member state in formulating policies towards Turkey. It was Merkel’s decision to solve the crisis by working with President Erdoğan that finally put an end to the stream of migrants to Europe. The future course of Turkey’s relationship with Europe will likely be shaped by a trilateral dialogue between the European Commission, Ankara, and Berlin.

Turkish and European officials are right to remain discreet about these ideas. “You can do it, but not call it [an alternative]”, a senior official from the EU said. “We can’t get out of the engagement”, he continued. “Both sides are waiting for the other to pull the plug. But the first one to do it will be blamed. In this situation, how do you start an alternative relationship? Well [...] you can start talking about other things, like the military cooperation, humanitarian aid, trade, et cetera – but not call it a new partnership.”

One formula is for future relations to involve two parallel tracks – the faltering accession process and a more functional customs union upgrade that will provide the real framework for the Turkish-EU relationship. If there is no “train wreck” in 2017 caused by either the return of the death penalty or an unfavourable political wind in Europe (like the election of an avowedly anti-Turkish accession candidate in a significant European member state such as Marine Le Pen in France) this transition could start as early as 2017.

But even under such an arrangement, Turkey needs to be given the option to move from one track to the other; that is, back to the accession table if in the future it meets the Copenhagen criteria. The arrangement needs to be formulated in careful terms so as not to extinguish Turkey’s chance of EU accession for future generations – a “waiting room” rather than simply “the end of the line”.

There is ample reason to formulate a customs upgrade as a “waiting room” as opposed to the end of the line. The future of Turkey and long-term prospects for its domestic evolution remain unknown. A significant portion of Turkish society continues to be pro-Western and support EU membership

¹¹ An early proponent and leading public advocate of this notion is the Turkish scholar Sinan Ülgen, president of Turkey’s EDAM and a fellow at Carnegie Europe. See, Sinan Ülgen, “A new era for the customs union and the business world”, Carnegie Europe, 1 October 2015, available at <http://carnegieeurope.eu/2015/10/01/new-era-for-customs-union-and-business-world-pub-62465>.

as an end destination.¹² Similarly, the future shape of the EU is also unknown. Under all scenarios, even in a multi-tier Europe, Turkey will remain an indispensable trading partner for the continent. In the end, an upgraded customs union or a “privileged partnership” might look like the only way to salvage this fragile relationship today. But, for the future and long-term strategic interests of Turkey and Europe, it is best not to sever ties or formally end the engagement.

What should Europe do?

Looking ahead, in this complicated and volatile climate for the Western world order, Turkey’s relationship with Europe will become more important than ever – both for Turkey itself and for the transatlantic order as we know it. While there is no appetite for deeper partnership in either Europe or Turkey today, the alternative – an unstable Turkey, aligned with Russia and faltering economically – is not in European interests.

Next year, 2017, will likely be the year where an “unstable stability” becomes the norm in Turkey. That is, the Kurdish war continues, social tensions and domestic dissent are unabated, but President Erdoğan’s leadership position remains predictably strong. Ruling out external factors, Erdoğan is likely to lead Turkey for the foreseeable future – without the possibility of an alternative leadership in sight. Europe cannot afford to ignore Turkey’s strongman.

There needs to be a higher level of engagement between Turkey and Europe regardless. No European head of state or leader has visited Turkey since the coup. European leaders should try to engage with Ankara to find formulas where the two can work together, or work around each other. In Europe, officials often rhetorically ask, “Does Erdoğan want to be in Europe?” and the answer is almost always implied to be “No”. However, European officials should not forget that Turkey’s road to Europe was never meant to be a short-term transition. Europe too is responsible for the delay in accession until 2013, when Turkey started moving away from the Copenhagen criteria. Despite the problems with its current domestic situation, some of Turkey’s frustration with Europe is also legitimate.

A face-saving solution that salvages the refugee deal, keeps Europe’s market share in Turkey and anchors Turkey to Europe is critical in this shaky global conjuncture.

Recommendations

There are a number of things Ankara and Brussels can do to circumvent the current deadlock and get to a better place in relations:

Engage at a higher level

That no leading European leader visited Turkey after the coup is unacceptable. While there are myriad problems with the Turkish government’s domestic conduct and attitude towards Europe, the EU has also not found the right channels of communication with Turkey. The discord during the aftermath of the coup continues. The European Parliament, the Commission, and member states all have differing emphases and messaging. There needs to be a better level of dialogue over the next few months.

Never close the door

Even with a European Parliament resolution recommending a “freeze” of accession negotiations, the relationship will not likely formally end. Despite the non-binding nature of the decision, it will still create huge an anti-European backlash inside Turkey. It is important for the European Council and even the parliament to speak directly to the Turkish public to explain the reasons and underline that its door remains open. It is also important for the European Council summit in December not to formally end the negotiations. Turkey’s future might look very different to its current state. In 10 or 20 years’ time Turkey might seem a more desirable partner, or Europe might evolve into a much looser federation that comfortably finds a place for Turkey. With this in mind, “membership” and “full membership” should always be kept in any alternative agreements for the future.

Upgrade the customs union

The existing customs union agreement between Turkey and the EU falls short of meeting Turkish industry’s expectations of a full market merger. There is a need for an “upgraded customs union” and this could salvage Turkish-EU relations in difficult times. It is important to finalise feasibility and impact studies and start the negotiations – but without ending the existing accession framework, for the reasons cited above. It is equally important to install political benchmarks (“incentives”) into this deal to guarantee against any further deterioration of Turkish democracy. In this endeavour, Turkey’s business community could take the lead. Its leading lobby, TÜSİAD, has a long-established presence in Brussels and commands respect as an advocate for Turkey’s reform process. A TÜSİAD-led initiative involving various industries, the banking sector and financial services could facilitate the work of the European Commission. TÜSİAD can also galvanise industry support inside Turkey, in particular from the service and financial sectors.

¹² In May 2016 Turkish media reported that support for the EU had soared as high as 75 percent, with the expectation that Schengen visas might be lifted for Turkish passport-holders. See “Türkiye’de AB’ye destek yüzde 75’e çıktı”, *t24*, 10 May 2016, available at <http://t24.com.tr/haber/turkiyede-abye-destek-yuzde-75e-cikti.339764>.

Help bring the death penalty debate to an end

Reintroduction of the death penalty would formally end Turkey's European quest and jeopardise Turkey's membership to the Council of Europe. Even if European leaders struggle to find a middle ground, such a regression in the Turkish penal code would be hard to explain to the European public – and would further reduce support for Turkey's accession. Although vehemently supported by President Erdoğan, many members of the cabinet oppose the death penalty. The European Commission and the Council of Europe need to directly lobby the Turkish parliament and business community about the devastating consequences of such a move.

Save a possible Cyprus deal

The UN-led talks for the reunification of Cyprus are showing promising signs and early in 2017 we could be on the brink of a landmark deal to unify Europe's last divided zone. Meeting in Switzerland in early November, Turkish and Greek Cypriots have narrowed their differences – including on property and land. Much of it comes down to a guarantor agreement and Ankara's willingness to pull its troops from the island – which Erdoğan has signalled he is willing to do under a new security arrangement for Turkish Cypriots. When they meet in December to decide on the fate of Turkey, European leaders should also consider the future of Cyprus. An escalation on the Turkish-European front would inevitably torpedo this historic step. A "freeze" or a downgrade in relations could make Ankara less motivated to make the difficult compromises for a deal.

Understand that leverage comes through engagement

Lately European officials often throw up their hands and say they have "no leverage" over Turkey. This is not true – thanks to economic ties and Turkey's integration with Europe through the *acquis*. Half of Turkey's exports are to Europe and 70-75 percent of its foreign direct investment is from the EU. These constitute a sizeable chunk in Turkey's GDP and they matter for a government whose political success for the past 14 years has stemmed directly from its economic management. Rather than lacking in leverage, Europeans seem unable to have consistent messaging, coordination and adequate engagement with Turkey. For example, private conversations with Turkish leaders are far more effective than public warnings, as was the case in the success of the refugee deal. European officials should know that engagement does not amount to "appeasement" of Ankara's domestic policies and that the lack of dialogue is not improving the situation in Turkey. The dialogue could be widened to include other stakeholders. It is important for the business community and civil society to join this dialogue and remind leaders in Turkey and Europe to acknowledge the value in the partnership.

Create a new team for engagement

Very few high-level visits from European leaders or officials have taken place since the coup. The Council of Europe has earned a status of trust due to secretary-general Thorbjørn Jagland's good relations with Turkish leaders and strong condemnation of the coup. But the Council of Europe cannot be a replacement for the official accession process with the European Commission. The EU should quickly identify an "Independent Commission on Turkey" similar to the one in the early days of Turkey's accession process. This should be made up of European politicians who have good access and relations with the Turkish leadership and pursue a parallel track of diplomacy.

Prevent rhetoric from escalating

Politicians freely indulge in anti-Turkish or anti-EU rhetoric in Europe and Turkey respectively, fuelling deep cultural enmity and nativist anger. With important votes approaching in Europe and Turkey in 2017, European and Turkish politicians should observe a "gentlemen's agreement" in terms of the limits of antagonistic speech. For Turks, the line should be not to characterise Europe's human rights concerns as efforts to "carve up Turkey" or "support for terrorism" as is often depicted by Turkish politicians and pro-government media today. For European leaders, even those vehemently opposed to Turkish membership, "Islam" or Turkey's religious character should not be the target. This provides ammunition to xenophobic sentiments inside Europe and is also deeply offensive to Turks inside Turkey and in Europe.

Think of Brexit

While it has often been said lately that the kind of relationship Britain establishes with the EU could form the basis of future association for Turkey, in reality the existing customs union arrangement is more advanced than anything Britain is being shown by Brussels today. "Turkey is trying to enter, they are trying to exit – no similarity", a senior European official said. Still, Turkish and British business associations could start coordinating their activities and sharing experiences. Turkey and Britain could also consider bilateral free trade negotiations for the future.

Reach out to ordinary Turks

Europe is still a desirable political reference for the educated middle class in Turkey. It is important for stakeholders in the Turkish-European relationship to create informal mechanisms of association outside the official accession process. These could be cultural exchanges, work-study programmes, civil society cooperation, and corporate sponsorships.

Refugees and asylum seekers

Despite public threats from President Erdoğan and the downturn in relations, the refugee deal with Europe will likely continue under the right formula. The Turkish government's preference is for the European financial support to be funnelled directly to government agencies, and to an extent this has started happening. The refugee issue gives Turkey major leverage over Europe's possible steps towards Turkey and this will continue to be the case. It risks turning Turkey's entire European orientation into a transactional relationship. But, as long as the transaction is on the table Turks will help keep migrants off European shores. However, in 2017 and 2018, there will likely be a different type of refugee issue emerge between Turkey and Europe. Though far fewer in number than the migrants from the Middle East, Turkish citizens escaping the post-coup crackdown will continue to seek political asylum in Europe – most notably Belgium, Germany, and Sweden. This group includes journalists, civil servants, officers, members of the Gülen community, and Kurds, and it will continue to be a source of tension with Turkey. Europe should openly communicate its asylum policy to Turkish officials.

Bring the United States to the table

In many ways, the Turkish-EU relationship is an extension of Turkey's partnership with the West, namely the US. The idea of anchoring Turkey to Europe was developed under the Clinton administration in the mid-1990s and it was Washington's push for Turkey's EU membership bid in Helsinki in 1999 that kick-started the accession process. It is therefore important to create forums where the trilateral dialogue continues – in particular in terms of regional strategies, the economy, counter-terrorism, and more. Turkey's relations with the US have also suffered over the past year – due to American support for Syrian Kurds and extradition demands on Fethullah Gülen, – but one of the early tasks of the incoming administration in 2017 will be fixing this very significant strategic partnership. Trilateral strategic dialogue and a discussion on trade and security would provide a catalyst in the difficult EU-Turkey track.

Increase anti-terror cooperation

Whatever happens in the accession framework, Turkey and Europe will remain key partners in combating terrorism and Islamist radicalism. Turkey has been a buffer between Europe and the unstable regions of the Middle East, and Turkish efforts in countering the threat from ISIS militants have made an invaluable contribution to Europe's security. This is one of the areas in which the partnership works well, but it is largely carried on as bilateral relations. Institutional culture and growing differences between Europe and Turkey in terms of the definition of "terrorist" still hinder intelligence cooperation on the issue. Continued cooperation and assistance to the Turkish national police in its fight against ISIS should be significant policy objectives for individual European governments.

Conclusion

Despite difficulties in the past and challenging times ahead, Turkey and the EU have not reached the end of the line. Tensions are currently running high, especially after a vote in the European Parliament to "freeze" negotiations and with upcoming elections in Europe and Turkey in 2017. The public rhetoric remains more combative than ever – and if left unattended will ruin a very significant strategic partnership.

But here is the silver lining for those who believe in a strong Turkish-European relationship: thanks to more than two decades of direct association (first the customs union, then the accession process) the two sides are too interdependent to sever ties completely. There is economic interdependence, a need to work together to counter regional threats such as ISIS and illegal migration, and a long history of symbiosis.

When European leaders meet in December, they should be cognisant of the longer-term view and the strategic needs on both sides – and so should not formally end Turkey's accession process. They should also be aware that even the most ardent critics of the Turkish government do not want a total collapse of negotiations for fear that an inward-looking Turkey would be worse than what is there now.

With a neo-imperial Russia posturing and uncertainty on the transatlantic front following the election of Trump, Europe is going through difficult times. No analytical assumption about the future, or the future of bilateral ties should be taken for granted. It is not in Europe's interest for Turkey to switch to the Russian axis, to become unstable, or to enter an economic crisis.

The good news is that between the two very extreme scenarios of "membership" and "rupture" of relations, there is a large space for different types of associations. Much depends on the economic realities, election results in Europe in 2017 and the decisions made by leaders on both sides of the table. It is more than possible that political support will be absent to achieve even smaller steps forward like an upgraded customs union or the full terms for visa liberalisation.

But, at root, there needs to be a desire in both Ankara and in European capitals to keep on moving forward together in some form. Even if both parties suspect they will never reach the final destination together, regular stops to plan out the next stage of the onward journey seems preferable to calling off the venture altogether.

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Acknowledgements

A real heartfelt thank you to all those within the ECFR system who have given me encouragement and discussed the ideas covered in this policy brief, in particular Fredrik Wesslau, Jeremy Shapiro, Vessela Tcherneva, Silvia Francescon, and Nikoleta Gabrovska. A big thank you to Carl Bildt whose faith in Turkey and the idea of long-term “strategic patience” have clarified my thinking. Special thanks to Sinan Ülgen for the same reasons and for his assistance in the corridors of Brussels. Kati Piri is the European Parliament's rapporteur on Turkey and I am grateful to her for her commitment to Turkish democracy and her sound analysis. Unnamed officials within the European Commission have also been very encouraging and extremely helpful in this report – I am heartened by their sincere goodwill towards Turkey.

A very special thank you goes to ECFR's publications team – Adam Harrison for his diligent editing, Gareth Davies for enlivening this commentary with figures and numbers, Jeremy Shapiro for his excellent direction and Conor Quinn for his focus on making this piece part of the larger public debate on Turkey.

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© ECFR November 2016

ISBN: 978-1-910118-96-2

Published by the European Council on Foreign Relations (ECFR),
7th Floor, Kings Buildings,
16 Smith Square, London,
SW1p 3HQ, United Kingdom

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