GLOBAL POWER SHIFTS AND TURKEY-EU RELATIONS IN THE AGE OF HYBRIDITY

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International order is undergoing a sea change. The re-emergence of China as a potential hegemonic actor raises serious questions about the nature and future of global governance. Her massive economic transformation over the last four decades with almost 10 percent average annual growth – which the World Bank describes as “the fastest sustained expansion by a major economy in history” – catapulted China into the new powerhouse of global production.1 In 1978, 90 percent of China’s population was struggling to survive on less than $2 a day. In 2018 only less than 1 percent earns below $2.2 China’s share of world GDP (on purchasing power parity terms) “rose from 2.3 percent in 1980 to an estimated 18.3 percent in 2017.”3 The rise of the “rest,” for sure, is not confined to China. On a broader scale, the share of BRICS in the world gross national product increased from 15.4 to 30.4 percent between 1997 and 2017.4 As a result, some scholars have already declared “the end of the American era”5 in which the U.S. does no longer constitute the textbook definition of a hegemon.6 The growing impact of non-Western states is likely to weaken the key pillars of the existing international order – liberal democracy and free market economy as well. These large non-Western economies rely on distinct political economy models that prescribe active state intervention, neo-mercantilist investment and trade policies, and illiberal political governance models. The EU as a “market power” is also a key actor that can potentially inform global shifts and help design a future liberal international order.7 Yet the EU muddles through multiple crises,

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1  According to 2019 World Bank data “China has contributed around 30% of global growth in the past eight years.” See, https://www.worldbank.org/en/country/china/overview
7  For the conceptualization of the EU “as a market power” see Chad Damro, “Market power Europe,” Journal of European Public Policy 19:5 (2012), pp. 682-699.
which would have long-lasting consequences in terms of its institutional architecture and relations with the external world. The EU has always been a staunch supporter of liberal international order and at times a norm-setter in regional politics. However, with the recent rise of nationalist-populist parties in several member and candidate states the core EU values – pluralist democracy and the rule of law – are now under serious threat. This makes “reverse transformation” – i.e., the power of the illiberal periphery to influence the liberal core – a real possibility for the first time since the inception of the European integration project.4 This paper argues that the international system has entered an “age of hybridity,” which is ontologically fragmented, normatively inconsistent, and institutionally incoherent.5 The fragmented nature of global governance is likely to shape the future trajectory of the EU and its relations with third countries. The debate on the changing modus operandi for Turkey-EU relations is a case in point.

The main argument is advanced in three steps: The first part offers an analysis of the political economy transformations in the international system. The second part explores multiple crises of the EU and problematizes the possibility of a reverse transformation within the context of global power shifts. The final part analyses Turkey-EU relations in the age of hybridity. The main argument is that differentiated integration—based on core EU values and common interests—appears as a second-best but most conceivable strategy to steer a course out of the recurring crisis mode in Turkey-EU relations.

LINEAGES OF A POST-WESTERN INTERNATIONAL ORDER

The 2008 global financial crisis (GFC) marked a watershed in global political economy, not only because it revealed the deep flaws of the mainstream economic paradigm but also accelerated the power shifts from Western to non-Western economies—a trend already underway for a few decades. Arguably, what is more important than the redistribution of material power, the GFC unsettled the main parameters of global governance, which, in different ways, affect the liberal international order and the future of the European integration project.

The post-GFC international order reflects an “age of hybridity.” To start with, the emergent order is increasingly post-Western and multi-polar. There is quasi-consensus in the literature that power is now more diffused, the relative material capacity of the U.S. as hegemonic actor is in decline, and the non-Western economies are on the rise.6 That is not the entire story, though. In the age of hybridity, the global economic governance regime is increasingly “loosely coupled,” which is “characterized by the rise of new actors, the decentralization and fragmentation of authority, and the declining influence of policy paradigms.”7 The post-cold war liberal international order until the GFC, particularly the development regime was “tightly coupled.”8 Accordingly, well-connected.epistemic communities endorsed neoliberalism as the most credible development paradigm and key international organizations such as the IMF and the World Bank compelled developing countries to adopt market-oriented reforms. The U.S., as the unique hegemomic actor in the post-cold war era, also invested heavily in expanding the boundaries of the free market economy and liberal democracy both on a bilateral basis and through multilateral institutions.

The GFC, however, significantly changed this equilibrium. The failure of the West to fix the problems of the global economy through conventional mechanisms and the increasing capacity of developing countries to make their voices heard paved the way for the emergence of more inclusive governance institutions—such as G-20, although the achievements of the newly established governance platforms remain limited. The Bretton Woods institutions (the IMF and the World Bank) were also reformed to give more vote shares to hitherto underrepresented actors, even though the improvements were hardly revolutionary. Further inclusion of new actors, along with the serious crisis of the free market paradigm, diluted the previously “tightly coupled” global governance regime. This is because non-Western powers, such as Russia, China, and India, while they do not categorically reject economic globalization, advocate a multi-order world (not only multi-polar) that carves space for alternative paradigms of state-market relations.

The main template of the liberal international order has been the proposition that liberal democracy and free market economy establish the safest and fastest ways to ensure economic and political development in an interdependent world. The GFC, however, dealt a severe blow on this assumption by pushing liberal democracies into “a state of acute crisis,” as Öniş notes.9 Whereas the countries that put the liberal policy compact into practice plunged into the deepest economic crisis since the Great Depression of interwar years, some of the emerging countries with different varieties of state capitalist models, in relative terms, seem to weather the unprecedented financial turmoil. As a result, the World, once again, is witnessing the growing influence of state in national economies—this time in a subtle and selective globalist manner. To be clear, the performance of emerging powers has been quite fragmented, as economic growth in some BRICS countries (such as India and China) proved much more robust and stable than others (such as Brazil and Russia). The instability in the global South raises serious questions marks about the staying power of state capitalism as an alternative development paradigm but this does not shackle their growing leverage in post-crisis global economy. State capitalism has two main characteristics that makes it an alternative to democratic capitalist paradigm endorsed by the West. First, from an economic angle, state capitalism prescribes active government intervention as a permanent feature of economic activity. Rather than considering it as a regulatory night-watchman only, adherents to this paradigm envisage the state as a ‘market maker,’ picking up winners and losers through generous government subsidies, weaponized taxation policies, lucrative public tenders, foreign trade schemes and national champions.10 The state capitalists are inclined to expand their reign over markets through direct/indirect control over regulatory bodies and central banks. Second, from a political angle, state capitalist models, in most cases, rely on illiberal-
ism and executive aggrandizement, rather than political pluralism and expansion of individual rights and freedoms. In order to achieve rapid growth, the argument goes, they foster power centralization in the hands of a few ruling elite “under the disguise of swift decision-making and effective policy implementation.” Thought long-term sustainability of these models appears dubious,16 it seems that in a world of hybridity imbued with uncertainty and anxiety, they are gaining ground as against mainstream models.17 As Mounk and Foa report, today the countries ranked “not free” constitute 33 percent of the world income up from 12 percent three decades ago. This is telling concerning the fortunes of democratic capitalism as this level “matches the level they achieved in the early 1930s, during the rise of fascism in Europe, and surpassing the heights they reached in the Cold War when Soviet power was at its apex.”18

The emergent age of hybridity, as a result, leads to a “loosely coupled” governance regime with heterogeneous political-economic norms, fragmented institutions, and weakening of the West in global governance. On the one hand, in this emerging architecture of international order, non-hegemonic actors find more policy space to pursue strategic autonomy in their domestic and foreign policies. As a result, alternative economic paradigms and flexible foreign policy partnerships appear to be the new normal in ever-changing alliance politics. On the other hand, this brings about significant uncertainty and instability in the global system. Policy-makers in the advanced and developing economies alike seem to be more inclined to weaponize interdependence,20 pursue neo-mercantilist geo-economic policies,21 and foster bilateral partnerships at the expense of rule-based multilateralism that constituted one of the key institutional pillars of the liberal international order.22

THE MULTIPLE CRISIS OF THE EU: A REVERSE TRANSFORMATION?

What does this age of hybridity mean for European integration and the EU’s role in global affairs? It is important to state at the outset that despite gloomy predictions of realist international relations scholars the EU has become one of the key international actors in the post-cold war era.23 The European leaders first introduced the euro as the official currency of the eurozone members, which proved a bold step towards completing the single market and building a supranational monetary union. Second, the big bang enlargement to bring in Central and Eastern European countries (CEE) as members catapulted the EU into a prominent actor seeking influence beyond Western Europe. The synchronized steps of deepening and enlargement boosted confidence on the part of the European elite regarding the future of the integration project to the extent that some pundits declared the EU as the driving force “to run the 21st century.”24

Given the success of the European integration project in the early 21st century, the remarkable downturn over the last decade caught analysts by surprise. First, Southern Europe plunged into a severe economic crisis – probably, the worst recession in their peacetime history. As figure 1 shows the post-2010 turned into a “lost decade” for peripheral economies in the EU as the purchasing power of citizens of those countries either dwindled or stagnated. Then, two key

Figure 1. GDP per capita (ppp, constant 2010 US$)

Source: Author’s figure based on World Bank, World Development Indicators

In retrospect, the EU proved highly successful in terms of transforming its illiberal periphery. The Southern European countries – Greece, Spain and Portugal – managed to break away from their authoritarian past and consolidated their respective liberal democracies in the Mediterranean flank. Then, following the collapse of the Soviet Union, the EU leverage, empowering domestic pro-reform coalitions, became an important tool to democratize the CEE countries. Poland and Hungary, took an awkwardly illiberal turn. The prime minister of Hungary, Viktor Orbán, even declared his intention to build an illiberal state in the heartland of Europe.26 The Kaczyński government in Poland, likewise, systematically undermined the rule of law and freedom of the media since 2015. As a result, in the case of Poland the EU had to resort to its Article 7 (known as the “nuclear option”), which is triggered when there is a “clear risk of...
a serious breach” of the core EU values, such as “freedom, democracy, equality, the rule of law and respect for human rights.”28

What went wrong? What explains the unexpected downturn in the EU? One should take the dislocations in global political economy into account to contextualize domestic reorientation in European politics. First, the global financial meltdown and the Eurozone crisis reduced the appeal of the liberal governance model. The GFC, for sure, was not the first shock the world economy went through in four decades of neoliberal globalization. However, 2008 financial turmoil was rather different because, for the first time since the Great Depression of 1929, almost all advanced capitalism economies plunged into a synchronized stalemate. The crisis, therefore, revealed the systemic failures of the neoliberal paradigm, leaving little space to blame individual states on the ground of fiscal profligacy and domestic failures.

The problems in the Eurozone proved more complex, as it exposed the flawed architecture of the monetary union. The single currency area has been an asymmetric contract since its inception. The monetary policy has become supranational with the establishment of the European Central Bank. However, member states have retained almost full autonomy in the field of their national fiscal and social policies. The asymmetry further deepened due to the incompatible varieties of capitalism in the Eurozone. Whereas the Northern core – such as Germany, the Netherlands, Finland, and Austria – boosted their competitive capacity over the last two decades, the growth in Southern periphery was primarily a result of expanding domestic consumption in creditor economies, institutionalizing fiscal transfer mechanisms and completing a banking union, the core states under German leadership relied on techno-managerial cost-cutting measures imbued with a moralistic discipline.29 The Eurozone, as a result, managed to grow only 0.4 percent between 2009 and 2016, while the rates were 7.4 percent in India and 8.3 percent in China.

The citizens in crisis-ridden countries, combined with the pressures of the migration issue, were increasingly alienated from the core EU governance model. The nationalist-populist parties started to gain ground across several EU member states, which gradually undermined liberal democracy. Lührmann and Lindberg point that it is difficult to quantify the contemporary wave of autoritarization, as the illiberal ruling elites subvert the electoral rules and skew the playing field in a gradual way that avoids complete rupture of the institutional order. The competitiveness gap financed through cheap foreign credits coming from the Northern economies in a free capital regime and paved the way for dependent development. As the Eurozone crisis triggered a sudden stop of foreign capital flows the peripheral economies were pushed to the brink of collapse.

The post-crisis management performance of the EU also proved highly chaotic in a political climate where the sense of urgency and short-termism crowded out strategic response and reform. The creditor states of the Eurozone insisted on massive austerity measures in return for financial support to the debtor countries, which prolonged the latter’s economic recovery by dwindling the purchasing power of the middle classes. Rather than addressing the institutional flaws – through expanding domestic consumption in creditor economies, institutionalizing fiscal transfer mechanisms and completing a banking union, the core states under German leadership relied on techno-managerial cost-cutting measures imbued with a moralistic discipline.29 The Eurozone, as a result, managed to grow only 0.4 percent between 2009 and 2016, while the rates were 7.4 percent in India and 8.3 percent in China.

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China, on the other hand, pursues a less blazed and subtler strategy. Parallel to the global power shifts Beijing has become a key investor and trade partner for crisis-ridden European economies. For instance, according to Bloomberg, "China has bought or invested in assets amounting to at least $318 billion over the past 10 years [in Europe] – 45 percent more China-related activity than the U.S." China launched the 16+1 platform with CEE and Western Balkan countries to expand infrastructure and technology investments in the region. As part of this 16+1 initiative Beijing has invested some $15.4 billion in infrastructure since the formation of the platform in 2012. If China’s expanding investments in the CEE and Balkan countries are considered along with the Belt Road Initiative, the increasing presence of Beijing in the European periphery leads to political concerns regarding the future of democratic capitalism in Europe. The Chinese money entices particularly illiberal leaders, because, as highlighted in a different context, "unlike Western lenders, China does not require its partners to meet stringent conditions related to corruption, human rights, or financial sustainability." As expected, Chinese leadership offers lucrative trade and investment opportunities in return for political support. Hungary, which strives hard to cultivate closer economic ties with China, for instance, "derailed the EU’s consensus by refusing to sign a joint letter denouncing the reported torture of detained lawyers in China" in March 2017. The Czech Republic, a country that used to be critical of human rights violations in China, has adopted a pro-Chinese stance with the leadership change in 2014. The new Czech president, denouncing "submissive attitude of the previous government towards USA and the EU," expressed his willingness to develop close cooperation with Beijing. The European Commission, in one of its recent strategy documents, labelled China as "a systemic rival promoting alternative models of governance." The new President of the European Commission, Ursula von der Leyen also urged the EU to act more proactively in the Balkans by pointing to Russia and China as actors willing to "fill the gap" if the EU "fail[s] to do so." The EU’s multiple crises and the challenge of the non-Western powers jointly inform a new cleavage structure in Europe: liberal core vs. illiberal periphery, which brings about the possibility of reverse transformation – i.e., the power of the illiberal periphery to influence the liberal core for the first time in the history of European integration. The emergent illiberal bloc appears to have three-layers. The nationalist-populist governments in some member countries such as Hungary and Poland constitute the first layer. The ascendance of the far-right parties in core EU states, such as the Alternative for Deutschland (AfD) in Germany and Le Pen’s National Front in France, constitute the second layer. Although these parties are not powerful enough to win elections, they still attract an increasing number of voters and push the central parties towards more assertive anti-migrant and protectionist policies. The final layer can be conceptualized as the "liberal outsiders" such as Russia, China and, perhaps, the U.S. with the election of Donald Trump as the 45th American president. It is important to note that the illiberal outsiders do not seek the dissolution of the EU; rather they seem to advocate a new type of European architecture by transforming it from within. Also, the emergent illiberal bloc does not pose a coherent ideological alternative to the liberal core. The level of coordination among those three layers seems rather limited in the current context. Furthermore, the contest is still wide-open, especially given the fact that the political agenda of the nationalist-populist parties does not offer comprehensive solutions to the complex challenges of contemporary Europe. Still, they are likely to be resilient unless the European political elite and the core EU institutions assume a more forceful leadership stance to address existing challenges.

**TURKEY-EU RELATIONS: TOWARDS "DIFFERENTIATED INTEGRATION"?**

The emergent wave of reverse transformation, along with global power shifts, is likely to alter the institutional architecture of the EU and its modality of cooperation with external actors in the foreseeable future. Although the sources of the EU’s multiple crises are divergent, they jointly point towards the weakening of the liberal core. It is rather striking that Euro- sceptic far-left and far-right parties are on the rise even in core EU countries such as Germany and France. The Brexit referendum also demonstrates the consequential impact of nationalist-populism gaining currency in Europe. In a hybrid international order, the U.S. is increasingly cutting Europe loose as a political, economic, and security project. The fragmentation in the transatlantic regime, the increasing influence of the Russia-China axis in the EU’s sphere of interest, and domestic illiberal backlash is paving the way for a renewed debate on the alternative institutional architecture(s), including the porous models of internal and external integration – also called differentiated integration.

Differentiated integration has a long history in European studies. The concept, however, has been a backwater in the literature, probably, because of the unsolved assumption that "differentiated integration would erode over time [...]. treaties signed outside the treaties would eventually be brought within them [and] intergovernmental pillars and methods would converge on community ones." This is, arguably, due to the strong belief in the transformative capacity of the liberal EU project discussed in the previous section. However, more flexible integration schemes have become a norm rather than an exception recently, which is expected to grow in a post-Brexit European Union.

The modifications in the EU institutional structure would have major effects on Turkey-EU relations as well. Turkey had close ties with the EU since 1963 as an associate member. It has been a candidate country for membership since 1999 and an acceding state since 2005. Although its membership prospects remain very low due to a variety of reasons beyond the scope of this
For Turkey, on the other hand, the EU is her largest investment and trading partner. It is true that Ankara has developed closer relations with some of the key non-Western powers over the last decade at the expense of its relations with the EU. However, Turkey’s growing rapprochement with Russia and, more cautiously with China, is not likely to be a total substitute for its relations with the West. The EU and the U.S. continue to be Turkey’s principal economic partners despite all the anti-Western rhetoric that currently possesses the public. This is due to Turkey’s current political economy structure. The current account deficit constitutes a structural problem in the Turkish economy and the inflow of foreign capital proves critical to sustain economic growth. The EU-U.S. share in Turkey’s total trade is still more than 50 percent. Foreign direct investment stock from the West made up 68 percent of total in 2018, despite a constant decline over the last two decades (see Table 1). On the other hand, Turkey’s total trade with BRICS increased to more than $50 billion in 2017 – almost 38 percent of Turkey’s total trade with the EU. However, the export-import balance is highly skewed in favour of the BRICS group, the Russia and China in particular, as Turkey’s total export to those countries in the same period was only $7.3 billion. Turkey’s total trade deficit was almost $77 billion in 2017, and remarkably, BRICS accounts for 60 percent of it.14 Turkey’s foreign trade relations with the EU appear to be on a more balanced and sustainable path, as Turkey’s total exports to the EU represented 87 percent of its total imports from the EU, compared to 13.6 percent for the BRICS countries. For Russia, the same figure is 15 percent and for China, 14 percent.15

Their criticism of the Western-led international order unifies Turkey and the Russia-China axis. However, Turkey needs to improve its technological capacity to produce high-value added goods and cope with the rising competition in the non-Western world, which paradoxically, requires closer ties with the West. In 2018, high-value added exports in Turkey’s total manufactured exports constituted 2.3 percent suggesting that investment flows from the West prove critical not only in terms of financing Turkey’s current account deficit but also for much-needed technology transfers and sustainable economic growth (see Table 1). Even though state capitalism is making its way into Turkish political economy and the EU muddles through a series of crises, institutional cooperation with the EU remains vital for both sides. That being said, the odds of Turkey becoming EU member remain the lowest since 1999. The EU seems hesitant to fulfill its promises even to the Western Balkans countries, which were included in the EU’s next enlargement agenda. French President Emmanuel Macron stated this by publicly declaring that Europe is “on the edge of a precipice” and urged the EU leaders to “wake up.” At a critical juncture that institutional reform is the sine qua non to make the EU “fit for purpose,” any meaningful cooperation between Turkey and the EU is likely to fall short of membership whatever the actual state of play.

It is true that Turkey-EU relations are embargoed in a complex web of path-dependent geopolitcal and identity-related problems. Under these circumstances it will take more than political entrepreneurship and political conditionality to overcome existing stalemates. It is also true that, in the words of Krastev and Holmes, the “imitation imperative” – that is, “importing liberal-democratic institutions, applying Western political and economic recipes, and publicly endorsing Western values,”16 seems to be inverted in Europe. The current shifts in the EU hint that the member and candidate countries are more likely to find exit routes in an increasingly post-Western international order. Turkey’s recent quest for strategic autonomy from the West can also be interpreted in this context. However, as discussed above, Turkish political economy cannot afford abandoning multi-layered ties with the West. Ankara’s recent rapprochement with Russia and China cannot address Turkey’s developmental and societal concerns in a ‘bit-driven

### Table 1. Turkey – basic macroeconomic indicators

<table>
<thead>
<tr>
<th>Year</th>
<th>GDP (USD)</th>
<th>GDP per capita (USD)</th>
<th>Current account deficit/GDP</th>
<th>FDI flows (USD, billion)</th>
<th>The EU-US share in total trade (%)</th>
<th>The EU-US share in FDI stock (%)</th>
<th>High-tech/manufactured exports</th>
<th>External debt (FX)/GDP*</th>
</tr>
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<tbody>
<tr>
<td>2002</td>
<td>238</td>
<td>10,851</td>
<td>-0.3</td>
<td>0.6</td>
<td>57</td>
<td>92</td>
<td>1.8</td>
<td>54.8</td>
</tr>
<tr>
<td>2008</td>
<td>764</td>
<td>12,127</td>
<td>-5.2</td>
<td>19.9</td>
<td>43</td>
<td>84</td>
<td>1.9</td>
<td>36.3</td>
</tr>
<tr>
<td>2012</td>
<td>934</td>
<td>10,985</td>
<td>-4.7</td>
<td>13.1</td>
<td>42</td>
<td>82</td>
<td>1.8</td>
<td>38.9</td>
</tr>
<tr>
<td>2014</td>
<td>859</td>
<td>10,863</td>
<td>-3.7</td>
<td>13.3</td>
<td>46</td>
<td>79</td>
<td>2.3</td>
<td>37.7</td>
</tr>
<tr>
<td>2016</td>
<td>863</td>
<td>9,631</td>
<td>-3.8</td>
<td>13.3</td>
<td>51</td>
<td>74</td>
<td>2.5</td>
<td>64.9</td>
</tr>
<tr>
<td>2018</td>
<td>766</td>
<td></td>
<td>-3.5</td>
<td>13.3</td>
<td>51</td>
<td>68</td>
<td>2.3</td>
<td></td>
</tr>
</tbody>
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Source: World Bank Development Indicators and Turkish Statistical Institute, Institute of International Finance.

15 Ibid., p. 4.
16 Aylay Nahi, “Explaining Turkey’s interest in BRICS,” Asia Times, August 2, 2018
17 Data retrieved from Republic of Turkey, Ministry of Trade
knowledge economy. Similarly, in the face of new geopolitical challenges and NATO “is suffering from brain-death” in the words of the French President, the strategic cost of abandoning Turkey would prove too high for the EU.

Then, the question is: if full membership is not on the horizon in the relevant future and if conventional political conditionality falls short of incentivizing the Turkish ruling elite, how could parties steer a course out of the recurring crisis mood in bilateral relations? This brings about differentiated integration, undergirded by democratic norms and values, as a new modus operandi for Ankara and Brussels. The trade and investment regime through a modified customs union arrangement, visa and migration regime through a series of interrelated agreements, and foreign policy and security regime through institutionalized decision-making mechanisms appear to be the main areas where large winning coalitions can be formed on both sides. The renewed co-operation, however, should keep core EU values and norms – i.e., pluralist democracy, rule of law, and rule-based market economy – as key organizing principles guiding Turkey-EU partnership. This would help Turkey uphold democracy and rule of law at home and sustain economic competitiveness abroad. A renewed dialogue with Turkey based on core values and common interests would also contribute to the EU’s capacity in the age of hybridity increasingly shaped by power politics. The institutional and legal underpinnings of differentiated integration in Turkey-EU relations, however, still remain a work in progress. As Müftüler-Baç points out, “this could only occur if the legal and institutional framework of the EU is altered.”

In conclusion, it is not far-fetched to suggest that the main agenda in Turkey-EU relations would be pondering the technical and political enablers of new partnership modalities in bilateral relations to avoid rupture. Whether a new co-operation framework could be crafted still remains an open-ended question. In effect, it all boils down to the capacity and political willingness of the European leaders to re-structure the EU to make it remain relevant in an increasingly post-Western international order and to the Turkish ruling elite to decide on which side they think Turkey should stand in the age of hybridity.

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