

**INSTITUT DU BOSPHORE PRESIDENT BAHADIR KALEAGASI AND VICE PRESIDENT LIVIO MANZINI
L'OPINION INTERVIEW**

(This is an unofficial translation of the article published in L'Opinion. Please click [here](#) for the original version in French.)

« If you touch the Turkey - Europe economic relationship, both sides will suffer »

L'Opinion, Pascal Airault, 09.12.2020

« Bahadır Kaleağası and Livio Manzini, close to Turkish business pledge:
Therefore, the debates should not be politicised. This is not worthy of a Europe that wants to be
geostrategic at the time of the pandemic and needs to live its economic sphere of influence. »



Bahadır Kaleağası is President of the Institut du Bosphore, a Franco Turkish Think Tank aiming reinforcement of Turkey – Europe relations and Livio Manzini is Chairman and CEO of Bell Holding and France Network President of Tusiad, Turkish Industry & Business Association.

L'Opinion: The European Parliament is pushing for economic sanctions against Turkey. How to restore a fairly deteriorated relationship?

B.K.: The strategic framework of the EU-Turkey relationship has been damaged due to failures on both sides. When there is no longer a common strategic vision or framework for institutional relations, political problems have harmful, random effects and sometimes get out of hand. We then fall into an anarchic relationship in which we see the European Parliament making proposals that are devoid of any logic, regardless of the divisions over regional crises and the deterioration of bilateral relations with countries such as France.

Turkey should not be taken away from its sphere of transformative influence initiated through the EU accession process. Turkey had succeeded in fulfilling the Copenhagen democratic criteria since 2004, had transposed more than 50 % of the EC acquis into its internal market, had converged to more than 95 % in foreign policy, including in advancing the peace plan in Cyprus before President Papadópoulos (Southern Cyprus) had opposed any reconciliation. From 2007, President Sarkozy blocked the chapters of the acquis

on democracy, the rule of law, justice, and foreign policy. But when you subtract parameters from an equation, it no longer works.

Turkey must be re-engaged in a constructive way by modernising the Customs Union that is negotiated in the 1990s - this is a request of BUSINESSEUROPE (Confederation of European Business). It covers industrial products and the implementation of Community legislative regulations. It must be extended to services, agriculture, public procurement, negotiate a dispute settlement system and adapt it to sustainable development goals (climate, digital, social policy, education, health). This will make it possible to reinstate conditionalities by specifying that the conclusion of a final agreement will only take place with a return to convergence in terms of democracy and foreign policy. This is, moreover, the way the accession process was originally conceived.

Isn't the business world a prisoner of the instrumentalization of disputes over Islam and regional crises?

L.M.: There are political differences. We regret the current turmoil, but the vision of the business world is quite different. Since the Customs Union, the Turkish economy has gradually become more closely linked to the European Community, particularly in terms of manufacturing products. In 2019, bilateral trade reached €140 billion. It is relatively balanced. Relations between Turkish and European companies are very good. A French or European company finds itself in a familiar environment in Turkey which has already transposed the EC acquis (commercial code, measures to protect business and investment). There are, of course, subjects of competition, snags on questions such as customs clearance, transporters' permits. But what separates us is nothing compared to what unites us. Turkish companies supply European companies which in return export machines, finished products, brands. This relationship creates wealth and jobs. To talk about sanctions from an entrepreneurial point of view is to shoot oneself in the foot. Our ties are such that if you touch the economic relationship, both sides will suffer.

Turkish calls for a boycott of French products do not seem to have been followed up...

L.M.: The Turkish consumer does not generally respond to boycott calls, even if a few isolated cases of withdrawal of French products have been observed in supermarkets. This was of short duration. Most of the time, the consumer does not know where the products come from. Many are produced in Turkey even if they are French brands. Carrefour is in a joint venture with a Turkish group which has most of the capital. There is a high level of interdependence.

B.K.: The integration process is creating markets in competitive areas (services, health, environment) where Turkey must comply with European law, especially in public procurement. This law is respected by the central government and local authorities, especially in the large municipalities managed by the opposition. Therefore, the debates should not be politicised. This is not worthy of a Europe that wants to be geostrategic at the time of the pandemic and needs to live its economic sphere of influence. Turkey is one of the closest countries to the EU. There are strategic interests, fundamental values to be preserved by the politicians. It is necessary to return to a logical reasoning supported by adequate communication. Turkey, for its part, must become aware of the importance of its relationship with the EU, not only politically but also economically.

What will be the impact of Brexit?

L.M.: The trade relationship between Turkey and the UK is important for our respective industries. Both countries are in favour of an extension of the free trade regime. Negotiations are very advanced even if Turkey will not be able to sign an agreement with London until it has concluded an agreement with the EU, which is our wish. Once this agreement is signed, Turkey will be able to do the same with the UK.

A "no deal" could affect the household appliances and audio-visual equipment sectors, the automobile, home textiles, clothing... In the short term, there should not be any major changes, even if there are a few customs duties to be paid in addition and a slowdown in certain trade flows. Strategic decisions of "relocalisation" are taken in the long term. If the situation were to worsen, companies will naturally ask themselves questions, but it is not said that all arrive at the same answer.

B.K.: Brexit is firstly a trade concern. Several Turkish production lines supplied and are supplied from England, France, Germany... We are dependent on the policies developed in Brussels and the future agreement between the EU and the UK. London will remain in the orbit and under the influence of EU decisions and directives, without being able to influence their elaboration. She will therefore lose sovereignty. Ankara must wait for the results of the Brexit for the implementation of its free trade agreement with the UK and the Conference on the Future of Europe. The latter provides for a reconfiguration of the European community into concentric circles with differentiated forms of integration. We will see where Turkey can find its place.

GDP doubled during the first years of Erdogan's mandate before running out of steam. Will the government be able to revive a growth dynamic?

B.K.: It all depends on macroeconomic policies. Until the pandemic, Turkey's public debt and budget deficit ratios were close to those of other EU countries. The health crisis has widened the budget deficit to finance health policies, aid to the poorest and companies affected by exchange rates, which is increasing their debt to Western groups. As a net importer of gas and oil, the balance of trade is suffering. Turkey must revive its tourism, attract more investment and export more technological products. It has no other choice than that of discipline and the revival of European integration. Its destiny is to be the Eurasian opening of Europe, which will have an impact on European economy and stability in the Caucasus, the Black Sea, and the Middle East. Since 1923, Turkey has been growing at around 5% per year. It remains to be seen whether the politicians will be bold, honest, communicative enough to make their activities bear fruit without being held hostage to extremist and populist political tendencies.

L.M.: We are encountering problems linked to the pandemic like the European countries. It will take some time to resolve them. But Turkey has the highest potential in Europe. The family unit is shrinking with the fall in the birth rate, household income is increasing, the effort to finance pensions is still reduced, and consumer aspirations are high. We have before us a golden age of 10 to 15 years where the socio-demographic indicators and growth (4% over the last fifteen years) are positive. The human fabric has vision, training, desire to do and character. Turkey will gradually come closer to the level of other European countries and improve the added value produced locally. She will also be able to take advantage of its difficult environment by participating in the reconstruction markets in Syria and Iraq, its 5th trading partner. Her vocation is to open towards Asia, the Middle East and increasingly towards Africa.

The health crisis is leading Western groups to relocate certain activities. Does Turkey benefit from this?

L.M.: We can already see the benefits even if these relocations will take time. The extended value chains, notably from China, present risks in this period of pandemic. To reduce their dependence on the Far East, Western groups are diversifying their sources of supply. The number of countries to which one can relocate is rather small. It requires good infrastructures of transport, telecommunications, mobility, human resources, an industrial fabric capable of producing volumes with economies of scale, and comparative advantages in terms of labour. Turkey meets all the criteria positively.

What will Joe Biden's come to power change for Turkey?

L.M.: The arrival of Joe Biden will bring a more predictable, more mature, and less volatile relationship, even though his administration should have higher expectations of human rights. We did not really know what we were referring to with Donald Trump, so we were not immune to a surprise. Yet our two countries have launched a common vision to reach \$100 billion in trade per year. It sounds a little crazy, but Turkey is working seriously on its implementation. This vision should result in a shift of some US supplies from China to Turkey. And an increase in Turkish purchases from American gas and plastics producers. Finally, there is the hope that with Biden, the bilateral relationship will be less tense and will have positive effects on regional trade with the return to a nuclear agreement with Iran.

B.K.: Relations will be more institutionalized, predictable, and easy to develop between Washington and its allies such as Ankara, Brussels, and Paris. The future American administration will return to multilateralism. The confrontation with China should be resolved by compromises. There should be a regeneration of the transatlantic partnership in which Turkey would try to participate, perhaps a new trans-Pacific partnership agreement, a return of the United States to the Paris Climate Treaty. All this was good news for the world, and therefore for Turkey. Europeans should promote proximity policies, affirm their identity and common security without calling NATO into question. This is a good thing, provided Turkey is not pushed out of Europe. 80% of Turkish citizens opt for European integration as their first choice. They do not believe in it much anymore, but there is still this desire. Europe must be aware of its value and must not destroy everything.