



IKVM MONTHLY

ISSUE: 42 AUGUST-SEPTEMBER 2018

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4TH RAG MEETING REAFFIRMED TURKEY'S COMMITMENT TO EU REFORMS

Meeting after a three-year break, the RAG underlined Turkey's determination to step up political reforms in line with its EU membership perspective.

The 4th meeting of the Reform Action Group (RAG) was held on 29 August 2018, in Ankara under the chairmanship of the Minister of Foreign Affairs and Chief Negotiator Mevlüt Çavuşoğlu with the participation of Minister of Justice Abdulhamit Gül, Minister of Treasury and Finance Dr. Berat Albayrak and Minister of Interior Süleyman Soylu. Turkish Grand National Assembly's Committee on Foreign Affairs Chair Volkan Bozkır and Committee on EU Harmonisation Chair Mehmet Kasım Gülpınar, Chairman of the Turkey-EU Joint Parliamentary Committee İsmail Emrah Karayel and the Chief Ombudsman Şeref Malkoç were also present during the meeting.

The group, formerly called "Reform Monitoring Group," held its first meeting after a three-year break. Moreover, the RAG meeting in Ankara was significant for being the first of its kind following Turkey's transition to the executive presidency system.

RAG meetings have been instrumental in monitoring the implementation of reforms on the way to EU accession on the basis of Turkey's compliance with the political criteria as well as the developments concerning the chapters on judiciary, civil liberties, freedoms and security. During the previous period, many decisions in terms of accelerating Turkey-EU accession negotiations, reforming the judicial system, preparing proposals for political reforms have been made just after the so-called RAG meetings. Therefore, it is critical to take a snapshot of the meeting's outcomes.

The RAG, the Reform Agenda and Expectations

The RAG meeting took place just after the termination of the state of emergency. By ending



emergency rule, Turkey withdrew its derogations from Article 4 of the UN Covenant on Civil and Political Rights and Article 15 of the European Convention on Human Rights (ECHR). This step has been welcomed by the EU. The positive atmosphere has been reflected on the press conference held by the four ministers following the RAG meeting. The ministers started their remarks by underlining that utmost importance would be given to bolstering the EU Departments of the Ministries which are experienced in coordinating and conducting relations with the EU.

In terms of the justice sector, the ministers emphasised their expectations towards the updating

of the new Judicial Reform Strategy by the end of 2018, the main goal of which is enhancing the accessibility and quality of justice. As an integral part of this reform process, the competence of the Human Rights Compensation Commission was expanded by the legislation that entered into force on 31 July 2018. And, as agreed upon during the RAG meeting, bold moves targeting sexual harassment of children are foreseen in the near future.

Regarding the home affairs and internal security arrangements, the reforms foreseen would most probably tackle the issues of mobility and organised crime. The participants of the RAG meeting once again reaffirmed

the commitment to the Turkey-EU Statement and the refugee deal.

Lastly, ongoing key negotiation areas namely; the Turkey-EU Visa Liberalisation Dialogue, modernisation of the Customs Union as well as EU accession negotiations were brought to the agenda. Regarding visa liberalisation, Minister Çavuşoğlu pointed to the fulfilment of another Visa Liberalisation Roadmap chapter which has to do with the alignment of Turkish passports to EU standards. Currently, there remain 6 more criteria to be fulfilled. And Minister Çavuşoğlu, during the press meeting, called for *bona fide* from the EU side concerning the visa liberalisation issue. Furthermore, in regard to the

accession negotiations, chapters 23 and 24 covering the rule of law issues were brought to the table. The RAG called for the opening of those two chapters and as reflected in the press release issued by the Ministry of Foreign Affairs. It was underscored that the opening of those chapters would facilitate Turkey's reform and alignment efforts. As the final point, the RAG underlined with a tremendous enthusiasm that Turkey would continue its reform efforts with determination in the forthcoming period in line with its EU membership perspective. Turkey's commitment to increase the level of standards in the area of political reforms has been highlighted.



TURKEY-EU JCC TURKEY WING REPRESENTATIVES WERE RECEIVED BY PRESIDENT ERDOĞAN

President Recep Tayyip Erdoğan received the representatives of the Turkey-EU Joint Consultative Committee (JCC) Turkey wing. The delegation, which was led by the Union of Chambers and Commodity Exchanges of Turkey (TOBB) President M. Rifat Hisarcıklioğlu, was made up of Confederation of Turkish Tradesmen and Craftsmen (TESK) President Bendevi Palandöken, Confederation

of Public Servants' Trade Unions (MEMUR-SEN) President Ali Yalçın, HAK-İŞ Trade Union Confederation President Mahmut Arslan, Turkey Public Workers Unions Confederation (KAMU-SEN) President Önder Kahveci and Turkish Confederation of Employer Associations (TISK) President Kudret Önen. The reception was also attended by several ministers.



AYHAN ZEYTİNOĞLU RECONFIRMED AS IKV CHAIRMAN AT IKV GENERAL ASSEMBLY



Ayhan Zeytinoğlu was reconfirmed as the Chairman of IKV's Board of Directors during IKV's 56th General Assembly which was held on 30 July 2018. During the meeting, which was attended by representatives of the founder and trustee organisations

as well as supporting organisations and delegates, IKV Chairman Ayhan Zeytinoğlu delivered an opening speech on the foundation's activities in the period from July 2017 to July 2018.

At the opening of the General

Assembly, TOBB Vice-President Tamer Kiran, ISO President Erdal Bahçıvan and ITO Vice-President İsmail Kuralay representing the founder and trustee organisations delivered speeches. They pointed out that the EU membership perspective has become increasingly prominent and that IKV as "Turkey's EU expert" plays a crucial role in this process. Representatives of the trustee organisations recalled EU's significance in Turkey's foreign trade and foreign investment and voiced the business community's expectation for the revival of the EU accession process.

During his opening speech, Chairman Zeytinoğlu welcoming that Turkey-EU relations are on the course of normalisation pointed that visa liberalisation and the modernisation of the Customs Union could lead to a revitalisation in the relations.

Chairman Zeytinoğlu continued as follows: "Consequently, the essential

objective of the improvement in the relations is the realisation of full membership, which is our ultimate objective. Despite the existence of considerable opposition in the EU nowadays, we must remember that perceptions and decisions could change rapidly. In a world, in which we experience extremely rapid and dramatic changes in international conditions, Turkey's EU membership may be possible in the medium term, provided that the necessary conditions are met and political will exists. At this point, as representatives of civil society and the business community, we should closely monitor the EU and the world, examine the impacts of the developments in our country, and contribute to reaching EU norms and standards."

Finally, Chairman Zeytinoğlu indicated the following: "First of all, on behalf of all our dear founder

and trustee organisations' and particularly TOBB's valuable supports, as "Turkey's EU expert", we envisage to continue working hard with respect to our country's relations with the EU and focusing on international developments from the perspective of the development, democratisation and integration of our country in the global system. We will strive to meet our challenges and provide benefits which are well beyond what is expected of us."

IKV's new Board of Directors is composed of Ayhan Zeytinoğlu, Prof. Dr. Halûk Kabaaloğlu, Zeynep Bodur Okyay, Atilla Menevşe, Yavuz Canevi, Zeynel Abidin Erdem, Sedat Zincirkıran, Ali Sami Aydın, Nevzat Seyok, Levent Taş, Mehmet Kaya, Ömer Gülsoy, Süleyman Uyar, Yavuz Altun, İğninsu Kestelli, Simone Kaslowski and İsmail Gülle, while the Audit Committee is composed of Hasan Hüseyin Coşkun and Mustafa İçöz.

IKV CHAIRMAN PAID A VISIT TO THE TIM CHAIRMAN



IKV Chairman Ayhan Zeytinoğlu and Secretary General Assoc. Prof. Çiğdem Nas visited Turkish Exporters Assembly (TIM) and met with Chairman İsmail Gülle on 14 September 2018. In the context of

the visit, IKV Chairman Ayhan Zeytinoğlu conveyed his wish of success for İsmail Gülle, who has been elected as the chairman at the occasion of the 25th TIM General Assembly.

HEAD OF EU DELEGATION TO TURKEY AMBASSADOR BERGER VISITED IKV



Head of the EU Delegation to Turkey Ambassador Christian Berger visited IKV on 14 September 2018 and came together with IKV Chairman Ayhan Zeytinoğlu. In the meeting, during which recent developments in Turkey-EU relations were discussed, IKV

Chairman Zeytinoğlu gave information about IKV's research and activities for the upcoming period. During the visit, Ambassador Berger was accompanied by Head of Unit for Trade Bartosz Przywara and Sector Manager for Internal Market and Industrial Policy Ela Yazıcı İnan.

IKV AGENDA

“MEETING OF THE REFORM ACTION GROUP IS PROMISING FOR THE EU PROCESS”



led to a rapprochement with the EU. In particular, the cracks in Transatlantic Alliance under the influence of Trump's approach have impelled the EU to seek common alliance with the countries around its borders. We see the effects of this process in French President Macron's speech in which he proposes partnership with Turkey and Russia. However, as Turkey, we have to be on alert when the proposal of strategic partnership instead of full membership comes up. We have to demonstrate that for Turkey, the objective of full membership continues not in word but in action. In this respect, the gathering of RAG is an important indication.”

Lastly, Chairman Zeytinoğlu referred to some events that could be important for the revival of the EU process in the forthcoming days: “Our Foreign Minister will attend the Informal Meeting of EU Ministers of Foreign Affairs in Austria. Federal Minister for Foreign Affairs of Germany will visit Turkey. Our President will visit Germany at the end of September. It is also said that the Federal Minister of Economy of Germany will be visiting Turkey, with a delegation of business people. As a result, there are going to be intensive contacts with Germany, which has a great significance when it comes to opening up the doors of the EU. Germany is especially closely associated with investments and the business environment in Turkey. Germany has been leading those opposing the modernisation of the Customs Union. Therefore, a rapprochement with Germany could accelerate the modernisation of the Customs Union as well. Moreover, with the Syria Summit which is set to be held in September, and subsequently the Geneva talks regarding the Syrian constitution, the future of Syria is coming to the fore. We also expect opportunities for collaboration and joint work to arise between Turkey and the EU. If we can harmonise common values on the basis of common interests, this could help Turkey to solve these issues, enhance its standard of living and to get out of the middle-income trap.”

IKV Chairman Zeytinoğlu also addressed the expectations regarding RAG meeting: “RAG's agenda includes the fundamental rights and judiciary within the scope of Chapters 23 and 24 and political criteria, which are particularly significant during the EU accession process. The best step to take in order to overturn the view which has been mentioned in recent EU documents as “Turkey is getting further from the EU”, would be to realise this agenda. The revitalisation of the EU process would lead to the development and relaxation in the political sphere; it would enable the launch of the modernisation of Customs Union and would be instrumental in the development of a business climate favourable for foreign investments and the business world.”

The Reform Action Group (RAG), which carries significance in terms of Turkey's alignment with the EU, convened on 29 August 2018 with the participation of Ministers of Foreign Affairs, Justice, Treasury and Finance and the Interior following a three-year break. In a press release, IKV Chairman Ayhan Zeytinoğlu assessed the RAG meeting which is seen as an important step for the revitalisation of Turkey's EU process:

“The meeting of the RAG, which brings related ministries together as a platform overseeing Turkey's alignment with the EU particularly on the political criteria, after a three-year break is a very welcome development. I welcome it as a concrete indication that the EU has entered the government's agenda once again. Recently, especially in the face of US sanctions on Turkey, the support of the EU countries, particularly Germany and France, has

IKV PRESS RELEASE CONCERNING THE LATEST DEVELOPMENTS IN GLOBAL TRADE



IKV Chairman Ayhan Zeytinoğlu, in a press release following the Trump-Juncker meeting on 25 July 2018, stated that the reconciliation reached on the removal of tariffs, non-tariff barriers and subsidies for non-automotive industrial products and reducing bureaucratic obstacles and initiating dialogue on standards was pleasing, however this may provide temporary relief as there is still the possibility that tariffs for the automotive sector could be increased.

IKV Chairman Zeytinoğlu also emphasised that serious differences of opinion namely on Iran sanctions still persisted between the two sides. The EU had adopted a blockade law against the US' decision to impose sanctions on Iran which gives companies affected by Iran sanctions

compensation. In this regard, Chairman Zeytinoğlu pointed out to the overlap between Turkey and EU's approach and interests regarding Iran.

IKV Chairman Zeytinoğlu recalled that the trade wars triggered by Trump had put pressure on the EU and China urging them to take countermeasures which in turn have led to a rapprochement between them. Chairman Zeytinoğlu welcomed the two parties' liberal order promoting approach in terms of the restoration of the global architecture and the re-functionalisation of international organisations. But at the same time, as ensuring the continuation of the international liberal order without the US would be difficult; he stressed that all parties should cooperate to draw the US within the system again.

Lastly, Chairman Zeytinoğlu pointed to the temporary protection measures on the EU's importation of steel products by stating that the EU is resorting to temporary protection measures in order to prevent the steel products heading for the EU market which might eventually lead the EU to implement 25 percent tariff in case countries including Turkey exceed the determined threshold import. Therefore it would create a situation which would obstruct Turkey's steel exports from increasing, as steel imports are not a part of the Customs Union.

TIMELINE AUGUST-SEPTEMBER 2018

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	7	IKV Chairman Ayhan Zeytinoğlu issued a statement on the US decision to re-impose sanctions on Iran.
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Treasury and Finance Minister Berat Albayrak unveiled Turkey's new economic model.	9	
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	11	IKV Chairman Ayhan Zeytinoğlu commented on the messages of support coming from EU member states in the face of US sanctions.
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	15	The updated second edition of the IKV report entitled “Brexit and beyond: Future of EU Integration and Turkey” (in Turkish) was published.
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Turkey's Treasury and Finance Minister Albayrak met with the French Finance Minister Le Maire in Paris.	25	
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Foreign Minister Çavuşoğlu visited Lithuania.	27	
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4 th Reform Action Group Meeting	29	IKV Chairman issued a press release assessing the RAG meeting as an important step for the revitalisation of Turkey's EU process.
Foreign Minister Çavuşoğlu attended the Gymnich meeting.	30	
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Treasury and Finance Minister Albayrak visited the UK.	3	
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German Foreign Minister Maas visited Turkey.	5	
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Presidents of Turkey, Iran and Russia met in Tehran to discuss the future of Syria.	7	
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Trilateral Meeting of Foreign Ministers of Turkey-Romania-Poland	9	
	10	The IKV delegation came together with ICOC Secretary General Assoc. Prof. Nihat Alayoğlu.
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Commission President Juncker's State of the Union address	12	
	13	An IKV delegation visited TUSIAD Secretary General Dr. Bahadır Kaleağası.
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Central European leaders gathered in Bucharest for the 3 rd Three Seas Initiative Summit.	16	
	17	Head of the EU Delegation to Turkey Ambassador Berger visited IKV.
Opening of the 73 rd session of the UN General Assembly	18	
	19	
EU leaders met in Salzburg for an informal summit to discuss internal security, migration and Brexit.	20	
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	24	IKV Istanbul EU Information Centre's screening of the movie “Buğday” (Grain) on the occasion of EU Climate Action Week
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President Erdoğan's state visit to Germany	28	
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“THE SANCTIONS IMPOSED ON IRAN WILL STRAIN THE TURKISH BUSINESS COMMUNITY”

IKV Chairman Ayhan Zeytinoğlu issued a statement on 7 August 2018 following the re-imposition of US sanctions on Iran. Zeytinoğlu stated that the sanctions that have begun to be re-applied to Iran were critical for Turkey. IKV Chairman Zeytinoğlu, emphasising that Iran is the main transit country in Turkey's trade with Central Asia and its transportation to the Gulf countries, drew attention to the importance of economic and commercial relations with Iran.

IKV Chairman Zeytinoğlu stated: “It is a pity for us to be talking about the US sanctions on Iran in a very short time after the removal of the sanctions. Iran is an important neighbour in terms of both economic and commercial relations and energy imports. Iran is one of Turkey's most important regional trade partners and major energy

suppliers.”

Pointing out to Turkey's sensitivities, IKV Chairman Zeytinoğlu added: “We are anxious regarding the damage which the sanctions on Iran will cause on Turkish economy. Even in the past, it was Turkey which was damaged the most by the similar sanctions on Iraq and Iran. We don't want to encounter a similar situation. The relevant institutions should carry out the necessary work in order to prevent our country from being damaged by possible sanctions.”

IKV Chairman Ayhan Zeytinoğlu also commented on the joint statement made by the EU, France, the UK and Germany on 6 August 2018 regarding the US sanctions on Iran, that they are committed to protecting European companies which do business with Iran.

According to Zeytinoğlu, Trump's

decisions to move the US embassy to Jerusalem and to withdraw from the nuclear deal have deepened the rift between the US and Europe. IKV Chairman indicated that it is positive that a consensus has been reached during US President Trump's meeting with European Commission President Jean-Claude Juncker regarding the trade of non-auto industrial goods; however he underlined that this does not mean that all problems were resolved.

Zeytinoğlu also pointed out that trade agreements between the EU countries such as France, Germany, Italy and Spain along with private companies with Iran are worth around 600 billion dollars. Zeytinoğlu stated: “The relations international powers and global companies have built with Iran following the nuclear deal



are not temporary but are based on multi-faceted interests. In this regard, it is difficult for Trump's Iran policy to receive the expected support from the

international community, especially from the EU. Contrary to assumptions, global capital would not profit in this orientation.”

“CUSTOMS UNION IS IMPORTANT IN THE NORMALISATION PROCESS WITH THE EU”



IKV Chairman Ayhan Zeytinoğlu made a statement concerning the central role of the Customs Union in the normalisation of Turkey-EU relations. After having reminded that talks for the modernisation of Turkey-EU Customs Union could not start due to political reasons, IKV Chairman Ayhan Zeytinoğlu emphasised that with the end of the state of emergency and the transformation to the new system as well as the improvement in the relations with the EU Member States, a new era started for the normalisation in Turkey-EU relations. Chairman Zeytinoğlu expressed his expectations for the acceleration of the reform

process and strengthening of the legal system, finally the revitalisation of the accession process.

In reference to the global developments in trade and the EU's trade policy, Zeytinoğlu emphasised that in spite of the protectionist moves led by the US President Donald Trump the EU aimed to increase its share in world trade, especially through FTAs. IKV Chairman also underlined the need for countries such as Turkey, which have a Customs Union with the EU, to accommodate these FTAs.

Referring to the special provisions annexed to the EU-Japan Economic Partnership Agreement

recognising products originating from San Marino and Andorra as EU products, IKV Chairman Zeytinoğlu underscored that a similar arrangement should also be made available to Turkey in EU's future FTAs.

Chairman Zeytinoğlu also expressed that safeguard measures should not be the subject of a well-functioning and equitable Customs Union and stated that both the EU and Turkey should leave the mutual application of these practices which is essential for the healthy functioning of the Customs Union.

IKV VISITED TUSIAD AND ICOC SECRETARIES GENERAL



The IKV delegation consisting of Secretary General Assoc. Prof. Çiğdem Nas, Research Director Çișel İleri and Strategy and Business Development Director Gökhan Kilit visited the Istanbul Chamber of Commerce (ICOC) and TUSIAD on 10 and 12 September 2018 respectively. The delegation met

with Secretary General Assoc. Prof. Nihat Alayoğlu of ICOC and Secretary General Dr. Bahadır Kaleağası of TUSIAD. During the meetings, current developments in Turkey-EU relations and opportunities for strengthening the links and cooperation between the two institutions were discussed.

“EU SUPPORT IN THE FACE OF US SANCTIONS HOLDS SIGNIFICANCE”



On 13 August 2018, IKV Chairman Ayhan Zeytinoğlu commented on the messages of support coming from EU member states such as Italy and Germany following US President Trump's decision doubling tariffs on steel and aluminium:

“Following US President Trump's decision for customs duties to be applied on steel and aluminium on Friday, two EU countries made statements which can be interpreted as support for Turkey. While criticising the decision that could endanger Turkey's economy further, Italian Foreign Minister Enzo Moavero noted that Turkey's drift into a crisis would have negative consequences for the balance of the Mediterranean. On the other hand, Federal

Minister of Germany for Economic Affairs and Energy Peter Altmaier emphasised that Trump's trade sanctions would put consumers at disadvantage first and foremost by undermining economic growth. The calls, which come from the EU and invite the US to behave more rationally, point to the negative consequences of trade wars. Turkey and the EU are also on the same page when it comes to sanctions which will be imposed on Iran. Turkey acting together with the EU on the continuation of liberal economic order is of utmost importance. These messages of support from the EU in the face of recent sanctions by the US are also promising for embarking on a new normalisation process with the EU.”

TURKEY-EU WATCH

PRESIDENT ERDOĞAN UNVEILED THE 100-DAY ACTION PLAN

President Recep Tayyip Erdoğan disclosed on 3 August 2018 the first 100-day action plan of Turkey's new presidential cabinet.



The action plan includes 400 projects in diverse sectors to be accomplished in the first 100 days of the presidential government. The action plan covers goals in various sectors such as foreign policy, defence, economy, transportation, tourism, education, finance, agriculture as well as environment.

President Erdoğan, in his speech for the presentation of the action plan, stressed the importance of developing a domestic industry pointing out that 48 out of 400 projects in the action plan are related to the defence industry.

Under the action plan the main goals are summarised as follows:

-Nearly 40 billion Turkish liras public finance will be managed under one account; around 4 billion Turkish liras

additional income will be generated;

-Istanbul's new airport will be operational on 29 October 2018;

-Environmental impact assessment of Canal Istanbul will be completed;

-The Great Istanbul Tunnel will be tendered for construction based on build-operate-transfer model;

-35 new countries and cities will be defined for rising foreign trade volume;

-The execution, plan, project follow up system will be established in the Presidency Complex;

-The first unit of Akkuyu nuclear power plant will be in 2023 and work for Sinop nuclear plant will continue;

-The list of a total of 3,000 megawatts of solar power plants with a total investment of about 4.8 billion dollars will be disclosed;

-The land allocation for the petrochemical plant with 1 billion dollars investment in Adana Yumurtalık will be done;

- Istanbul International Finance Centre Project will be launched;

-Chinese, Mexican and Russian markets will be prioritised;

-New generation special free zones will be built mainly in software, information technologies, health, education and film sectors;

-Mosul and Basra head consulates will be re-activated;

- A Turkish deputy commander will be assigned at NATO's Iraq mission;

-Domestically produced Turkish training plane HURKUS (Free Bird) will be listed under the Air Forces Command.

-Four new repatriation centres will

be established in Istanbul's Tuzla district, Kocaeli, Kırklareli and Iğdır provinces to combat irregular migration.

-New markets will be targeted in tourism sector, an action plan to increase China's share in the country's tourism market will be formed.

-In order to make Turkey a global brand in health, tourism, and international health services, a corporation will be established and number of health tourism companies will be increased.

-Turkish Space Agency will be established and works will be launched for indigenous 5G technology.

-Projects for indigenous satellites will be developed and a Space Technologies Optic system research centre will be opened.

TURKISH GOVERNMENT ANNOUNCED THE NEW ECONOMIC PROGRAM

Treasury and Finance Minister Berat Albayrak announced on 20 September 2018 the Turkish government's New Economic Program covering goals and guidelines for the period 2019-2021.



The New Economic Program lays out macroeconomic predictions and emphasises commitment to fiscal discipline to increase trust in the Turkish economy across global markets. The name of the three-year program originally known as "Medium-Term Program" was renewed as "New Economic Program" (NEP), as its content

was strengthened. The main aim is sustainable and healthy economic growth through strategies and measures pointed out in the program. The new program is based on three pillars namely; balancing, discipline and change.

As part of the rebalancing scheme, a stabilisation process is expected for next year

and 2020. Turkish economy is predicted to grow 3.8 percent in 2018, 2.3 percent in 2019, and 3.5 percent in 2020. With the goal of balancing the economy a gradual growth increase is foreseen and the Turkish economy expected to grow 5 percent annually from 2021 onwards. According to NEP, annual inflation rate is expected to continue to rise to 20.8 percent by the end of 2018, before moderating only slightly to 15.9 percent in 2019. For 2020 and 2021, the forecasts are more optimistic, with 9.8 percent in 2020 and 6.0 percent in 2021. The unemployment rate is predicted as 11.3 percent in 2018, 12.1 percent in 2019, 11.9 percent in 2020 and 10.8 percent in 2021. Turkey will generate 2 million new jobs by the end of the program period, with an unemployment rate target of 10.8 percent in 2021. The government predicts that the ratio of the budget deficit to the GDP will be 1.9 percent

this year and 1.8 percent in 2019, 1.9 percent in 2020 and 1.7 percent in 2021. According to the NEP, current account deficit is expected to be 4.7 percent this year, 3.3 percent in 2019, 2.7 percent in 2020 and 2.6 percent in 2021.

The second pillar of the program is fiscal discipline. Rebalancing process of the economy is envisaged through fiscal discipline and tighter budget discipline. The third pillar of the NEP will be the change in the economy via strengthening value-added production, increase in production capacity and exports in the long term. Finance Transformation and Change Office in the Treasury and Finance Ministry was established. This office comprising of members from other ministries will not only execute austerity measures and determine new ones, but also be responsible for finding new revenue boosting measures.

FOREIGN MINISTER ÇAVUŞOĞLU ATTENDED THE GYMNICH MEETING IN VIENNA

On 30-31 August 2018, Foreign Minister Mevlüt Çavuşoğlu participated in the informal meeting of the EU Foreign Ministers in Vienna. The informal meetings also known as the "Gymnich meetings", which take place every six months, provide an opportunity for EU foreign ministers to discuss key foreign policy issues in an informal setting. The Gymnich meeting, which was hosted by Austria, the current holder of the EU's rotating presidency, was also attended by the foreign ministers of other candidate states.

On 30 August, Foreign Minister Çavuşoğlu attended the reception hosted by the Austrian President, while on 31 August views on global and regional developments were exchanged during the Gymnich meeting bringing together EU member states and candidate countries.



Foreign Minister Çavuşoğlu together with his counterparts from other candidate states participated in the session on "Effective Multilateralism", the strengthening of which is among the key priorities of the EU Global Strategy

– the Union's fundamental strategy document for its Common Foreign and Security Policy. During the session, Foreign Minister Çavuşoğlu expressed the need to strengthen the vision of a united Europe that is the champion of multilateralism,

peace and prosperity, and stated that Turkey makes Europe and multilateralism stronger. On the sidelines of the meeting, Foreign Minister Çavuşoğlu met with Dutch Foreign Minister Stef Blok and Irish Foreign and Trade Minister Simon Coveney. Following his meeting with his Dutch counterpart, Çavuşoğlu announced that the re-appointment of ambassadors between Turkey and the Netherlands will take place as soon as possible in line with the decision to normalise bilateral relations between the two countries which were strained shortly before the Dutch general elections in March 2017. At the meeting between Foreign Minister Çavuşoğlu and his Irish counterpart, the two ministers agreed to improve bilateral economic and trade relations and increase high-level visits.

RELEASE OF TWO GREEK SOLDIERS MARK A NEW PERIOD IN TURKISH-GREEK RELATIONS

Relations between two immediate neighbours Turkey and Greece had been really tense since the beginning of the year because of mainly two controversial issues the governments confronted vis-à-vis their individual political interests. The first case bringing the countries one against the other was about eight Turkish ex-servicemen wanted by Ankara for their alleged role in the 15 July coup attempt who have requested asylum in Greece. Meanwhile, the discussions were continuing to keep in custody two Greek soldiers, for allegedly entering the Turkish military zone in the western Turkish province of Edirne's Pazarkule district on 2 March 2018, caused tension not only between Turkey and Greece but also in Turkey-EU relations. But in order to moderate the strained ties, Turkish

President Recep Tayyip Erdoğan and Greek Prime Minister Alexis Tsipras agreed to focus on mutual efforts to reduce tensions in the Aegean during NATO summit that took place on 11-12 July 2018 in Brussels.

Turkish court decided, in the aftermath of the judicial process on suspicions of illegal entry and attempted military espionage, to release the soldiers from custody on 14 August and the pair landed in Thessaloniki the next day. Greek Defence Minister Panos Kammenos argued that the release of soldiers would mark a new chapter for Greek-Turkish relations. Furthermore, Greek PM Tsipras describing the decision of the Turkish court as an "act of justice" expressed his wish to reinforce friendship, good neighbourliness and stability in the region.



MACRON'S COMMENTS ON TURKEY CAUSED CONTROVERSY



Speaking at a joint press conference in Helsinki in the aftermath of an official meeting with his Finnish counterpart Sauli Niinistö on 30 August 2018, French President Emmanuel Macron stressed once again the EU's need to develop better relationships with Turkey and Russia. Macron travelled to Helsinki, with the aim of discussing the military partnership with Finland and expressed his views about how to decrease the EU's military reliance on the United States. Ahead of his official visit to Finland, French President said during the Ambassadors Conference in Paris on 27 August that, instead of

granting Turkey EU membership the parties should develop a strategic partnership. Macron's statements came weeks after Trump's spurt at NATO Summit held in mid-July, accusing Germany of being "totally controlled by Russia" and threatening NATO allies to withdraw US' contribution from the alliance budget.

The French President underlined the importance of a stable region within Union's eastern borders, in economic and political meaning, insisting that the EU should pursue a "strategic partnership" with Turkey and Russia for its own defence. Turkish authorities reacted to the

arguments of Macron persistently questioning Turkey's EU membership and defining Turkey-EU relations solely within converging interests particularly based on trade and security domains. Hami Aksoy, the spokesperson of the Turkish Foreign Ministry, responded to Macron stating that the French President was far from understanding the realities of Turkish policy. Reminding that Turkey has been through a challenging period in the aftermath of the 15 July coup attempt, Aksoy stressed Turkey's determination to increase alignment with the EU *acquis* as a priority of the new executive presidential system.

TURKISH AND GREEK FOREIGN MINISTERS INAUGURATED THE GREEK CONSULATE IN IZMIR

Foreign Minister Mevlüt Çavuşoğlu and his Greek counterpart Nikos Kotzias, who was on an official visit to Turkey, inaugurated the renovated building of the Consulate General of Greece in Izmir on 4 September 2018. The consulate was closed in 2003 for restoration works; however the process faced delays due to the Greek economic crisis in the last decade. The two foreign ministers also discussed bilateral issues.

Speaking at the inauguration ceremony, while acknowledging

that the two countries had some difference of opinions, Foreign Minister Çavuşoğlu stated that Ankara sees dialogue and cooperation as building blocks in its relations with Athens. Foreign Minister Çavuşoğlu expressed the need to accelerate work to launch a ferry line between Izmir and Thessaloniki. Greek Foreign Minister Kotzias for his part voiced support for Turkey's EU membership and stated that he hoped the visa requirement for Turkish citizens would be lifted soon.



HIGH-LEVEL EXCHANGES

TURKISH PRESIDENT ERDOĞAN VISITED IRAN FOR SYRIA SUMMIT



On 7 September 2018, President Recep Tayyip Erdoğan visited Tehran on the occasion of Turkey-Iran-Russian Federation trilateral summit on Syria. President Erdoğan was accompanied by Turkish Foreign Minister Mevlüt Çavuşoğlu, National Defence Minister Hulusi Akar, Treasury and Finance Minister Berat Albayrak as well as chief of the National Intelligence Organisation (MIT) Hakan Fidan. The tripartite summit of the heads of state of Iran, Russia and Turkey, is the third of its kind to be held within the framework of the Astana process which was launched in January 2017 aimed at ending

the conflict and restoring security and stability to Syria. The previous meetings in the Russian resort city of Sochi and the Turkish capital, Ankara established de-escalation zones in several areas, including Idlib.

The summit's focus was on defining the limits and scope of the looming military operation of the Syrian Armed Forces for the recapture of the Idlib region, currently in the hands of the al-Qaeda allies the Nusra Front, as well as ensuring that Turkish interests are safeguarded. Ankara's concern over the current situation in Idlib is mostly related to the fact that Turkey is now hosting more than 3 million Syrian refugees

and any major escalation in Syria could result in a new wave of refugees fleeing to Turkey. A final statement was released following a joint press conference by the presidents of the Islamic Republic of Iran, the Russian Federation and the Republic of Turkey, reaffirming determination to continue cooperation until the full eradication of terrorist groups in Syria. The statement also emphasised the strong and continued commitment of the parties to the sovereignty, independence, unity and territorial integrity of Syria. The next round of Syria talks between the three countries' leaders will be held in Russia.

FOREIGN MINISTER MEVLÜT ÇAVUŞOĞLU PAID A VISIT TO LITHUANIA

Foreign Minister Mevlüt Çavuşoğlu paid an official visit to Lithuania on 28 August 2018. Minister Çavuşoğlu firstly conveyed President Erdoğan's best wishes and congratulations on the occasion of the Centennial of the Restoration of the State of Lithuania, at his meeting with President Dalia Grybauskaitė. President Grybauskaitė, on the other hand, remarked that as much as Turkey needs Europe, Europe also needs Turkey for reasons such as trade, security, migration.

During the meeting between

Minister Çavuşoğlu and Lithuanian Minister of Foreign Affairs Linas Linkevičius, both parties confirmed their commitment to deepen bilateral relations between the two countries. Çavuşoğlu also underlined that Turkey's ties with Russia should not be considered as an alternative to its relations with Lithuania, the EU or the US, whereas his counterpart Linkevičius underscored Turkey's importance as a NATO member and a key ally. He also conveyed his wish for direct communication in an atmosphere based on mutual trust. The signing of

the "Turkey-Lithuania Agreement on Reciprocal Promotion and Protection of Investments" was also announced during the press conference, along with Lithuania's calls for investments from Turkey.

Lastly, Çavuşoğlu met with Deputy Speaker Gediminas Kirkilas of the Lithuanian Parliament and held a meeting with Prime Minister Saulius Skvernelis of Lithuania, in which views on Turkey-Lithuania economic relations, fight against terrorism, and cooperation in NATO were exchanged.



GERMAN FOREIGN AFFAIRS MINISTER MAAS VISITED TURKEY



German Foreign Affairs Minister Heiko Maas paid his first visit to Turkey on 5-6 September 2018. The visit was important in terms of the restoration of the relations between Turkey and Germany as well as planning the forthcoming visit of President Erdoğan at the end of this month. The Minister of Foreign Affairs Mevlüt Çavuşoğlu welcomed his counterpart Maas and they together visited Turkish Grand National Assembly (TGNA). Following his meeting with Foreign

Minister Çavuşoğlu, the German Foreign Minister was received by President Erdoğan. Minister Çavuşoğlu and German Foreign Minister Maas held a joint press conference. Events in Idlib region marked Maas' meetings with Turkish President Tayyip Erdoğan and Foreign Minister Mevlüt Çavuşoğlu.

On September 6, Minister Çavuşoğlu and Minister Maas visited the German School of Istanbul on the occasion of the 150th anniversary of its foundation.

TURKISH FINANCE AND TRADE MINISTERS VISITED KEY EU CAPITALS

Turkish Treasury and Finance Minister Berat Albayrak held contacts in various EU capitals in late August and September. On 27 August 2018, Minister Albayrak visited Paris and met with his French counterpart Bruno Le Maire. Following their meeting, that took place amid market volatilities in Turkey and the tensions in the transatlantic partnership, the two ministers declared their intention to act together at the WTO against US tariffs. The ministers stressed the importance of Turkey-EU relations and expressed their will to boost bilateral trade from 14 billion euros to 20 billion euros.

On 3 September, Minister Berat Albayrak visited the UK to meet with Chancellor of the Exchequer Philip Hammond and Minister of State Alan Duncan. The minister announced the eagerness of the two sides toward the further development of bilateral cooperation after Brexit. Minister Albayrak also held meetings with senior representatives of the



world's largest financial institutions.

Minister Albayrak's visit was followed by a visit by Trade Minister Ruhsar Pekcan. On 11 September, Minister Pekcan delivered a speech in the first Turkey-UK Joint Economic and Trade Commission (JETCO) meeting after the Brexit decision. Minister Pekcan also met with the UK Minister of State for Trade Policy George Hollingbery and signed the JETCO Memorandum of Understanding with the Secretary of State for International Trade Liam Fox. Lastly, Minister Pekcan inaugurated the Turkish Trade Center in London.

On 21 September, Minister

Albayrak visited Berlin with a delegation of ministers and met with German Vice-Chancellor and Finance Minister Olaf Scholz and Economy and Energy Minister Peter Altmaier. In the joint press conference following the meeting, German Finance Minister Scholz stated that it was in Germany and Turkey's common interest to see Turkey continue its stable economic development. For his part, German Economy Minister Altmaier underscored the close economic cooperation between Turkey and Germany and said that they agreed to take steps to further enhance their economic relations.

US SANCTIONS SIGNAL RAPPROCHEMENT IN TURKEY-EU RELATIONS

Although the latest US sanctions on Turkey have adversely affected the Turkish economy, they have also presented an opportunity for a rapprochement between Turkey and the EU.

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The fear of trade wars in the global economy has been spreading due to US President Donald Trump's protectionist decisions which have been in return followed by condemnations and counter-measures by other countries and international organisations. One of the most controversial economic sanctions of US President against the rules-based international trade was tariffs on imported steel by 25 percent and on imported aluminium by 10 percent imposed in March. Turkey has also had its share of Trump's controversial policies and bilateral relations between the two countries have been passing through a tough period. Amid the deteriorating relations with the US, one of the most favourable developments Turkey has experienced in this period has been the increasing support given by the EU which shares a similar fate in the face of rising protectionism.

The Brunson Affair and the State of Play in Turkey-US Relations

To recall the recent developments in Turkey-US relations, Ankara had entered into intense negotiations with Washington in April and May to get exemptions from the tariffs on steel and aluminium imports but the efforts remained inconclusive. Afterwards, a list of 22 American goods for the imposition of equalised tariffs was submitted to the WTO on 21 May and these tariffs entered into force on 21 June 2018. In this context, retaliatory tariffs on alcoholic drinks by 70 percent, on cars by 60 percent and on tobacco by 30 percent have been levied.

Since the end of July, Turkey-US relations have witnessed another dispute due to the "Brunson affair" namely the US calls for the release of evangelical Pastor Andrew Brunson who had been indicted on charges of having links with terrorist organisations and has been moved to house arrest following a court decision. On 26 July, Vice-President of the US Mike



Pence and President Donald Trump threatened Turkey by mentioning that unless Pastor Brunson is released and allowed to go back to the US, Turkey should bear its consequences. Afterwards sanctions on Turkey's ministers of justice and interior to block having properties and making transactions in the US were announced on 1 August. Later on 10 August, US President announced on Twitter that tariffs on steel and aluminium imports from Turkey were doubled because of the depreciation of Turkish lira against the US dollar. Announcing that relations with Turkey were not good, Trump escalated the ongoing dispute with Ankara.

As regards the reflections of the Turkey-US spat on the Turkish economy, the downward trend of the lira, increasing inflation, rising foreign debt, declining purchasing power, raising risk perception and uncertainty has received greater attention. According to the Central Bank of the Republic of Turkey, the lira has lost almost 74 percent of its value against the dollar since the beginning of 2018. On the day of the US President's decision to double tariffs, the lira further declined by almost

16 percent. Following Trump's decision, President Recep Tayyip Erdoğan called for boycotting American electronic products such as cell phones and using national ones instead. Then, on 15 August the decision to double the tariffs that had been imposed in June on some American goods such as cars, alcoholic drinks, tobacco, rice, cosmetic products and coal was announced by Turkey.

EU's Support to Turkey in the Face of the US Sanctions

The strained Turkey-US links and rising economic sanctions have been instrumental in bringing Turkey and the EU together. As known, Turkey-EU relations have been going through a rough period with Turkey's accession talks having ground to a halt. This assessment was explicitly mentioned in the General Affairs Council conclusions of 26 June 2018 and the talks aimed at the modernisation of Turkey-EU Customs Union, which had been anticipated to start in the near future, were put on the shelf.

Against this background, economic sanctions imposed by the Trump administration on Turkey have

created an atmosphere that holds promise for a rapprochement in Turkey-EU relations. On 12 August, two days after Trump's decision to double tariffs, in an interview with *Bild am Sonntag* newspaper Germany's Economy and Energy Minister Peter Altmaier issued a support message for Turkey. After having criticised Washington's protectionist and pro-tariff perspective towards China and Turkey, Altmaier warned that higher prices resulting from tariffs hit consumers the most and threaten employment and global economic growth. Likewise, Turkey's importance as a NATO ally, Germany's willingness to rejuvenate economic relations with Turkey and Turkey's key role for EU's security were also between the lines of Altmaier's interview.

Similarly, German Chancellor Angela Merkel expressed the willingness of her country to see an economically prosperous Turkey. Moreover, Treasury and Finance Minister of the first cabinet of the executive presidency, Berat Albayrak, had a phone conversation with his German counterpart Olaf Scholz on 16 August. It was announced by the ministry that during the conversation, in which the US sanctions and their effects on Turkish economy were discussed, taking steps towards strengthening economic cooperation and starting reciprocal works for this purpose have been decided. In addition to Germany, another EU founding member, Italy, was among the countries that put support behind Turkey. During his interview with *Il Foglio* newspaper, Italian Foreign Minister Enzo Moavero Milanesi underlined Turkey's significance for the commercial balances in the Mediterranean and thereby called Europeans for solidarity with such an important economic partner.

Furthermore, the EP Turkey Forum backed up Turkey in the aftermath of US President's statement to double the tariffs. As known with its severe criticisms towards Turkey, the Forum stated that Trump's decision is illegal and not compatible with the WTO rules. In addition, the Forum called for the Washington administration to find a compromise based on constructive

diplomacy for its problems with Turkey. All of these positive messages from the EU at a time of strained relations have given hope for the future of Turkey-EU ties and the launch of the negotiations for the modernisation of the Customs Union.

What is more, in the near future there are some significant gatherings set to take place between key Turkish officials and their EU counterparts. The first of such meetings has taken place in early September when Minister for Foreign Affairs of Germany Heiko Mass paid his first official visit to Turkey. The visit that was described by Mass as "the start of the normalisation in Turkey-EU relations" carried great importance. Moreover, Treasury and Finance Minister Berat Albayrak will come together with his German counterpart Olaf Scholz on 21 September. Furthermore, at the end of the month President Recep Tayyip Erdoğan will go to Germany for a two-day visit. Lastly, Minister Altmaier is scheduled to visit Turkey with a business delegation at the end of October.

Although all of these steps from especially Germany can be considered as the search for normalisation in relations, the EU's expectations from Turkey to take concrete steps compatible with the full membership objective should not be overlooked. Being the Union's fourth partner in exports and sixth partner in imports in the first half of 2018, Turkey plays a crucial role for EU's economy. Therefore, the US sanctions on Turkey and the current state of Turkish economy have caught the EU's attention since the Union does not want economic destabilisation of such an important partner. Although understanding the value of each other better and making efforts to normalise the relations are meaningful for Turkey-EU relations, it is clear that the outcome of General Affairs Council regarding the modernisation of the Customs Union will be considered invalid by a similar written decision. In a broad sense, EU circles will be likely to lean towards rapprochement with Turkey in case of the willingness to proceed in accordance with the EU values is demonstrated.