

# Negotiating Brexit

## The Prospect of a UK-Turkey Partnership

SINAN ÜLGEN

Center on the  
**B** United States  
and Europe  
at BROOKINGS



## About CUSE

The Center on the United States and Europe (CUSE) at Brookings fosters high-level U.S.-European dialogue on the changes in Europe and the global challenges that affect transatlantic relations. As an integral part of the Foreign Policy Studies Program, the Center offers independent research and recommendations for U.S. and European officials and policymakers, and it convenes seminars and public forums on policy-relevant issues. CUSE's research program focuses on the transformation of the European Union (EU); strategies for engaging the countries and regions beyond the frontiers of the EU including the Balkans, Caucasus, Russia, Turkey, and Ukraine; and broader European security issues such as the future of NATO and forging common strategies on energy security. The Center also houses specific programs on France, Germany, Italy, and Turkey.

## About the Turkey Project

Given Turkey's geopolitical, historical and cultural significance, and the high stakes posed by the foreign policy and domestic issues it faces, Brookings launched the Turkey Project in 2004 to foster informed public consideration, high-level private debate, and policy recommendations focusing on developments in Turkey. In this context, Brookings has collaborated with the Turkish Industry and Business Association (TUSIAD) to institute a U.S.-Turkey Forum at Brookings. The Forum organizes events in the form of conferences, seminars and workshops to discuss topics of relevance to U.S.-Turkish and transatlantic relations. The Turkey Project also produces a range of policy-relevant publications to encourage independent thinking and debate on how the United States should engage this pivotal country. With this goal in mind, the Turkey Policy Paper Series publishes quarterly reports on a range of issues that are shaping U.S.-Turkish relations. Previous Turkey Project Policy Papers can be accessed at <http://www.brookings.edu/turkeyprojectpapers>.

Brookings recognizes that the value it provides to any supporter is in its absolute commitment to quality, independence, and impact. Activities supported by its donors reflect this commitment, and the analysis and recommendations of the Institution's scholars are not determined by any donation.



## Editor's Note

This report provides an overview of the prospects of a strategic partnership between the U.K. and Turkey at momentous times. The U.K. will soon put the Brexit referendum decision of June 2016 into effect and negotiate a completely new relationship with the EU. The EU has long been struggling to maintain its unity and meet mounting challenges, ranging from the rise of anti-establishment populism, an anemic economy, and growing threats to its security and social cohesion. Turkey's EU accession process is on hold until the government is able to lift the emergency rule in place since the coup attempt in July 2016 and to reassert democratic norms and values. Additionally, Turkey likewise faces challenges to its economy and national security. This difficult picture is compounded by uncertainty over the new U.S. administration's commitment to the post-World War II trans-Atlantic alliance and willingness to maintain leadership in upholding a rules-based world order.

It is against such a background that Sinan Ülgen, the author of this report, suggests the need for “creative thinking to avert a total collapse of the Turkey-EU relationship.” As a former Turkish diplomat with extensive experience on EU-Turkish relations, and since then an esteemed expert on Turkish foreign policy, Ülgen is clear-eyed about the differing dynamics between the U.K. and Turkey's relationships with Brussels. However, he argues that a dialogue between Turkey and the U.K. focusing on trade and security policies could help create a “win-win situation” that could benefit both countries, as well as the EU and the U.S. The author stresses that such a dialogue should not be dismissed as “a ploy to replace Turkey's accession prospects with a lesser model of association.” Instead, he sees this effort as “being complementary to accession.”

As an earlier contribution to the Turkey Policy Paper Series by Nathalie Tocci made clear, joining the EU is a long-standing strategic objective of Turkey, independent of the uncertainty surrounding the EU-Turkey relationship. Realizing this objective would not only benefit Turkey's democracy, economy, and regional prestige, but could also add new dynamism to the EU and remove inhibiting complications for the trans-Atlantic alliance. As the U.K. enters the difficult task of negotiating a new relationship with the EU, a dialogue with Turkey can indeed benefit all.

As with all Brookings publications, the views and opinions expressed by the author of this report, as well as this editor's note, do not represent any official position of the institution.

# Negotiating Brexit

## The Prospect of a UK-Turkey Partnership

SINAN ÜLGEN

Membership aspirations have long underpinned Turkey's relationship with the European Union. Ever since the signing of the Ankara Association Agreement in 1963, Ankara's formal objective has been to fulfill the necessary conditions to become an EU member. Yet, Turkey's trajectory has been long and hazardous. Although formal accession talks were initiated in October 2005, Turkey's path to membership was undermined by failure of the EU governments to embrace this objective with sincerity. The political difficulties associated with the ongoing division of Cyprus, combined with the more recent rise of populist movements in Europe, have also severely dented the credibility of this vision. The strengthening of populist and extreme-right political platforms in many key European countries has indeed created an increasingly challenging environment to safeguard the prospect of Turkish accession.

Progress has also stalled due to the loss of reform zeal in Ankara. Since the early part of this decade, Turkey's democratic standards came under constant distress as illustrated by an increasingly alarming set of "progress reports" issued by the European Commission.<sup>1</sup> The combination of these domestic and international developments have now reached a critical stage that are leading both

sides to question the fundamentals of the Turkey-EU relationship. The European Parliament adopted a resolution in December 2016 recommending the European Council to freeze the accession negotiations with Turkey.<sup>2</sup> The General Affairs Council that met the same month did not follow the EU Parliament's injunctions, but nonetheless decided that no new chapters would be opened under prevailing conditions. The Council essentially expects Turkey to end the emergency rule and return to higher standards for the rule of law before revitalizing accession negotiations.

The ongoing difficulties have given force to the arguments that the pretense of an eventual Turkish accession is no more a useful ploy. It only generates frustration, disillusionment, and acrimony on both sides. There are therefore more frequent calls to review the scope as well as the *finalité politique* of this relationship. Turkish President Recep Tayyip Erdoğan suggested, for instance, to hold a referendum on the continuation of the accession talks and then join the Shanghai Cooperation Organization.<sup>3</sup>

Against this backdrop, it certainly seems that some creative thinking will be needed to avert a total collapse of the Turkey-EU relationship. An

option would be to define a novel framework of cooperation between Ankara and Brussels in areas of mutual interest. The aim would be to identify areas where mutual collaboration is likely and feasible. Such a collaborative framework could start to eliminate the trust deficit that has widened as the accession track has faltered. It is clear that the refugee deal could be a key component of this framework. Trade and energy relations, cooperation on foreign and security policy, as well as counterterrorism could be other important components of this still-to-be-defined association.

For many, this effort may be seen as a ploy to replace Turkey's accession prospects with a lesser model of association. Turkey would thus exit from the accession track. Others, however, would view this new framework as being complementary to accession. By rebuilding trust and helping Turkey to converge towards EU norms, this more functional association could only positively impact the prospect of an eventual enlargement to Turkey. It may even be unnecessary to define *ex ante* the exact relationship between the officially adopted and recognized accession track and this novel framework for a "virtual membership." A degree of constructive ambiguity may be unavoidable and even commendable.

Another country that is in need of defining a new framework for the future of its relations with the EU is the United Kingdom. The Brexit referendum heralds the beginning of this new reality.

British and Turkish policy makers thus face a very similar conundrum. They both need to reconstruct a relationship with Europe under the newly changed assumptions about their future status. The U.K. is on its way to becoming an EU non-member, while Turkey realizes that it may never get to

be an EU member. They are therefore starting their political journey from different angles but may well end up at a very similar vantage point.

It follows from this premise that there will be some common challenges facing the two capitals as they strive to negotiate a new framework that would underpin their relations with the European Union. This report will focus on two such areas: trade policy and security policy. The aim will be to explore whether a more collusive Turkey-U.K. relationship can assist the two governments in improving their negotiating position. This does not necessarily mean that the U.K. and Turkey should jointly negotiate with Brussels; yet, it does mean that establishing regular bilateral consultations between Ankara and London in advance of and possibly in parallel to their several rounds of negotiations with the EU may be of mutual benefit. Identifying common concerns, establishing joint goals, and coordinating negotiating positions could serve these two countries during their critical negotiations with the EU.

There may be a benefit to Brussels as well. A more coordinated Turkey-U.K. position could allow the EU to demonstrate more institutional flexibility in devising common solutions to a set of common problems faced by two of its future and closest partners.

## TRADE POLICY

### *Turkey*

In contrast to all other main trading partners of the EU, Turkey has a customs union with the bloc.<sup>4</sup> The reason for this exceptionalism is equal parts historical, legal, political, and economic. Turkey's association treaty with the European Economic Community (EEC) was the second internation-

al agreement that the newly established EEC had concluded. Just like the Athens Treaty of 1962, the Ankara Agreement of 1963 was essentially a replica of the Rome Treaty. As such, it envisioned a gradual economic and political integration between the parties. For the economic integration, however, the model was a customs union, since the Rome Treaty was also based on a customs union.

The establishment of the customs union with Turkey was gradual. With the entry into force of the Additional Protocol in 1973, the EU had asymmetrically eliminated the tariff barriers to Turkey's manufactured exports. In return, Ankara was granted a transition period of 22 years to implement its own tariff liberalization commitments. Therefore, Turkey had a legal obligation by 1995 to complete the customs union. A failure to do so could have led to retaliatory measures by the EU due to a breach of Turkey's obligations.

The second reason is political. Turkish policymakers relaunched the prospect of the completion of the customs union in 1992, when all progress had stalled. Turkish policy makers viewed the completion of the customs union as a vehicle to better anchor Turkey in Europe at a time when the EU's attention had shifted to the countries in Central and Eastern Europe. The hope was that the completion of the customs union would generate new momentum in the Turkey-EU relationship and would even facilitate future political integration.

The text that eventually set out the conditions for the establishment of a customs union between Turkey and the EU was then negotiated in 1993-1994, and after the European Parliament ratified the text in 1995, a customs union was established on the last day of that year.<sup>5</sup>

### *Economic impact of the customs union*

The establishment of the customs union initially gave a new boost to bilateral trade, and especially Turkey's exports to the EU.

For the first five years, Turkey's exports to the EU grew faster than Turkey's overall exports, at 7 percent compared to 5 percent for overall Turkish exports. Similarly, Turkey's imports from the EU grew at an annual 6 percent compared to an annual average increase of 3 percent in total imports. In other words, imports from the EU grew twice as fast as overall imports. This trend started to decelerate in the following five years, and the dynamics of bilateral trade started to converge with Turkey's overall trade dynamics.

**Table 1: Compound annual growth rates (CAGR) of Turkey-EU trade**

CAGR	1995–1999	2000–2004	2005–2015
<b>Turkish exports</b>	5%	23%	7%
<b>Turkish exports to EU</b>	7%	24%	5%
<b>Turkish imports</b>	3%	16%	6%
<b>Turkish imports from EU</b>	6%	14%	6%

*Source: The author's own calculations*

Perhaps more important than its trade creation effects, the establishment of the customs union had a range of dynamic effects. The customs union induced Turkey to bring down its tariff rates vis-à-vis the rest of the world—essentially to the level of the EU's common external tariff. This requirement of having a common trade policy did not only increase competition in the Turkish market, but also allowed Turkish manufacturers to source global-

ly without being at a disadvantage compared to their competitors in EU markets. In other words, the customs union allowed Turkish industries to become more competitive and shaped them into global players, while preventing the type of sourcing dependency that had been a feature of the EU's trade agreements with the Mediterranean countries and generally undermined the competitiveness of partner economies.

From a more general perspective, the customs union has been broadly beneficial to the Turkish economy. According to a recent World Bank study, Turkey's exports to the EU under the customs union have been 3 to 7 percent higher than they would have been under a free trade agreement (FTA).<sup>6</sup>

### ***Drawbacks***

Despite the overall positive assessment of the customs union, this trading arrangement has proved to give rise to a set of asymmetries that will need to be addressed in the planned round of negotiations between Turkey and the EU for the modernization and deepening of the customs union, scheduled to commence in the first half of 2017.

The first asymmetry relates to trade policy decisionmaking. Trade policy falls within the exclusive competence of the European Commission for most trade agreements.<sup>7</sup> Before starting the negotiation of a new trade agreement with a third country, the Commission seeks a mandate from the Council. This mandate reflects the outcome of internal bargaining where the offensive and defensive trade interests of member states are taken into account. The Commission then regularly informs the Council through the Trade Policy Committee

of the progress on the negotiations. Finally, the Commission seeks the Council's approval as well as the assent of the European Parliament to have the concluded trade agreement ratified. For mixed agreements, national parliaments are also asked to grant their approval.

It has been proven to be immensely challenging to incorporate Turkey's trade interests into this procedure. The EU frames its own negotiating framework and ultimately the economic objectives of its trade negotiations with third parties on the basis of consultations of all customs union partners, with the exception of Turkey. So the trade interests of all the customs union members except Turkey are reflected in the EU's trade position. This asymmetry is naturally the outcome of Turkey's status as a non-EU member. Nonetheless, Turkey's trade interests are affected, and are sometimes even harmed by the EU position. So far, the EU has failed to fully address Turkey's demands to play a larger role in shaping the EU's trade policy.<sup>8</sup> The institutional provisions of the prevailing customs union were not even fully utilized for this purpose.<sup>9</sup> Cognizant of this difficulty, for instance, Ankara had asked even during the customs union negotiations to be granted observer status in the Trade Policy Committee of the EU. Not only was this request denied for no objectively justifiable reason, but no real progress was achieved in the ensuing two decades to address this deficiency.<sup>10</sup> This institutional and ultimately political resistance to establishing much closer consultations and decision-shaping initiatives with a member of the customs union will also have implications for the future of the U.K.'s trade relations with the EU.

A second and related asymmetry concerns the aftermath of those trade agreements. By virtue of being in a customs union with the EU, trade be-



tween Turkey and the EU is carried out based on the principle of free circulation of goods. In contrast to trade between parties to FTAs, there is no need to prove the origin of the goods as they cross the customs union's internal borders. This means that goods exported from a third country that has a free trade agreement with the EU but not with Turkey can still be shipped to Turkey without tariff barriers. In essence, by concluding an FTA with a third country, the EU is also lifting Turkey's tariff protection towards that third country. The EU in return is being granted tariff free access to the market of the new trading partner, while Turkey is deprived of the same benefit. This is the cause of the asymmetry since third country exporters can freely access the Turkish market without necessarily allowing free access to their own market for Turkish exporters.<sup>11</sup> This asymmetry very often represents a disincentive for the third country to conclude a separate FTA with Turkey. There are no real additional benefits to be had, since the Turkish market is already virtually open to the exporters of this country.

To be fair, there are no easy solutions to this structural difficulty, endemic in the nature of a customs union. Theoretically, the European Commission could be asked to negotiate new trade agreements on behalf of the Turkey-EU customs union, rather than solely on behalf of the EU. But this proposition is difficult to implement in practice, since it would mean Turkey would need to devolve its trade negotiating authority to the European Commission—and it presupposes that the European Commission would be in a position to be willing to also take Turkey's trade interests on board. A second difficulty concerns the scope of those trade agreements. The current Turkey-EU customs union only covers manufactured goods and processed agricultural goods. It excludes agriculture

and services as well as public procurement markets. Even if the Commission was granted negotiating authority also on behalf of Turkey, that could cover, under current circumstances, only trade in goods, whereas almost all the new-generation FTAs are more comprehensive and cover services as well.

In the early years of the customs union relationship, therefore, Turkey strived to convince the EU to condition the conclusion of new FTAs with a new partner to the willingness of that new partner to conclude a separate FTA with Turkey. The EU was unwilling to fully back Turkey on this point, since it would have meant giving Turkey a veto right on the EU's trade policy. It would have linked the conclusion of the EU's new trade agreement to the conclusion of another trade agreement between two third countries, albeit one being in a customs union with Turkey. Instead, the EU proposed to pressure its new trade partners to also conclude an FTA with Turkey without turning this into a prerequisite for their agreement with the EU. However, this "Vietnam clause"—named after the EU's trade agreement with Vietnam, which includes a statement of interest by Vietnam to launch trade negotiations with Turkey—failed to gain wider adoption.<sup>12</sup> As a result, although obligated to follow the EU's preferential trade policy in order not to lose competitiveness in external markets, Turkey sometimes found it difficult to convince the EU's new trading partners to initiate trade negotiations. Turkey has thus been unable to initiate free trade negotiations with Algeria or South Africa despite their FTAs with the EU.

Over the years, the overall economic impact of this trade asymmetry began to grow as the EU started to overhaul its preferential trade policy and moved from preferential trade negotiations with countries

in its own neighborhood, smaller economies that did not necessarily represent threats to Turkey's trade interest, to larger countries like India, South Korea, Ukraine, Canada, and the U.S. In the majority of these cases, there was little or no pressure impressed upon the negotiating partner by the EU to conclude a separate FTA with Turkey.<sup>13</sup> The EU had its own commercial interests to advance and protect its own negotiating position, and therefore did not want to undermine it, by also including this requirement in the list of its demands. Yet, at the same time, as a committed customs union partner, Turkey does not have any real leverage on the EU to alter its position and to prioritize the need to address this asymmetry every time it is negotiating with a new trading partner. The ever-growing frustration, fueled by the fact that this problem has still not been settled, has triggered a host of "trade irritants" that have come to bedevil the functioning of the Turkey-EU customs union. Turkish policy makers have been less willing to solve problems associated with the functioning of the customs union, such as customs issues or lack of proper enforcement of intellectual property rights, almost as a reaction to the EU's unwillingness to address this problem of trade asymmetry.

Another reason why this set of trade irritants has increased over time is that the dispute settlement mechanism under the customs union has become dysfunctional. The main dispute settlement mechanism in the Turkey-EU relationship is the procedure set out by the Article 60 of the Ankara Association Agreement, which essentially stipulates that disputes be settled at the political level through a consensus within the Association Council.<sup>14</sup>

The Association Council is the highest political organ of the Turkey-EU relationship, and is composed of government representatives of Turkey

and EU member states. The Association Council decisions are, however, taken by unanimity whereby each side only has one vote. This requirement has led to a total degeneration of the envisaged dispute settlement procedure. Each side can and has indeed blocked the settlement of disputes at the political level. The Ankara Agreement has no provisions to overcome this blockage. Many disputes therefore remain unsettled and the dispute settlement procedure between Turkey and the EU remains dysfunctional.

For the customs union, the situation is very similar. The Association Council decision 1/95 does foresee mandatory dispute settlement, namely the ability to take disputes to courts or arbitration solely for the largely symbolic issue of disputes arising from the application of safeguard measures.<sup>15</sup> In all other cases and disputes that may arise from the functioning of the customs union, the provisions of the Ankara Agreement remain in force. Interestingly the decision 1/95 also states that where disputes arise, they should be interpreted in accordance with the jurisprudence of the European Court of Justice," but the fact of the matter is that in the past 20 years, this provision was never invoked, as there was no mandatory dispute settlement. As a result, no dispute was taken to the ECJ or to arbitration.

## UK

A core component of the ongoing deliberations about the consequences of Brexit is the discussions on the future of the U.K.'s trading arrangement with the EU. These discussions had initially centered on four different trade liberalization scenarios that can be summarized as internal market membership, customs union, free trade agreement, and WTO rules—the last of which would be more

akin to a “hard Brexit.” The political conditions of agreeing to EU-led internal migration rules as well as having to accept the jurisprudence of the European Court of Justice going forward are likely to emerge as significant political obstacles to the internal market membership outcome. It is difficult to see how the U.K. could retain its seamless access to the EU single market, unless it is ready to concede on these two conditions. The public discussion has therefore moved forward to take into consideration the other scenarios for the future of the U.K.’s trading relationship with the EU.

In her much awaited speech on the U.K.’s government strategy for the Brexit negotiations on January 17, Prime Minister Theresa May outlined London’s favored option for the future trade regime and stated that Britain would “pursue a bold and ambitious Free Trade Agreement with the European Union.”<sup>16</sup> Indicating that “a vote to leave the E.U. would be a vote to leave the Single Market,” she also emphasized that “I do not want Britain to be a part of the Common Commercial Policy and I do not want us to be bound by the Common External Tariff. These are the elements of the Customs Union that prevent us from striking our own comprehensive trade agreements with other countries.” Yet, she also added, somewhat in contradiction to her previous statements, that she wants the U.K. to have a customs agreement with the EU. Similarly, she also retained the possibility for the U.K. to remain an associate member of the EU’s customs union—a status that is yet to be defined.

It would therefore be important to assess the implications of the two realistic scenarios, namely a customs union and free trade agreement from the U.K. perspective. This section will also present a comparative analysis of these two options, reflecting on Tur-

key’s customs union experience with a view to better streamline the pros and cons of both scenarios.

### ***A UK-EU customs union?***

The customs union is a more advanced model of trade integration than a free trade area. It necessitates trading partners to adopt a common external tariff but, in return, it allows trade to be conducted without the added complexity of the rules of origin, a necessity for FTAs. Many published studies demonstrate the added costs of rules of origin as disincentives to international trade.<sup>17</sup> Under a customs union, trading entities do not have to bear these costs, so their threshold for engaging in international trade is lower—which, in turn, allows bilateral trade to grow more than it would under a free trade agreement scenario. In its simplest form, this is the definition presented to those countries that are to decide between these two options.

For the U.K., however, the decision is more complicated. The question needs to be posed differently compared to a third country that wants to establish a preferential trade relationship with the EU anew, since the U.K. is already a part of the EU customs union. Under these conditions, switching from a customs union into a free trade area would not only mean the alteration of the current trading arrangement with the EU but also the disentanglement of the very complex industrial supply chains that have operated for long years under the assumption of the free circulation of goods. Given the importance of global value chains in driving trade and investment, any decision to switch from a customs union to an FTA should take into consideration the negative impact of the introduction of rules of origin in the functioning of these global chains. For instance, many manufacturing indus-

tries based in the U.K. have established a global supply chain for their production by seeking to find the most cost efficient procurement geography. They would need to review all these links if trade with the EU was to be carried out under rules of origin. It may be that some of the goods manufactured in the U.K. may not be able to take advantage of tariff-free trade with the EU just because they do not comply with rules of origin. This may be a more threatening prospect for some industries that have shifted their sourcing to countries such as China and India that are not part of the pan-European agreement on the rules of origin.

For exactly the same reason, the shift to rules of origin may also become a disincentive to foreign direct investment. With a shift to a free trade area, the U.K. may be losing, in at least some manufacturing industries, its status as a privileged geography for exports to the EU to the extent that exporting from the U.K. would become more complex and more costly compared to the residual members of the EU's customs union. This is the reason why global motor vehicles manufacturing companies are eager to see the U.K. remain in the customs union.<sup>18</sup> The alternative of shifting to a free trade regime would imply a costly restructuring of their global supply chains which is a seriously difficult endeavor given that these procurement channels were established with a view to support global manufacturing operations and not just with the perspective of supplying the U.K.-based manufacturing facilities.<sup>19</sup>

The ultimate decision about the trading regime with the EU will also have a bearing on the U.K.'s World Trade Organization (WTO) status. The U.K. is a WTO member by virtue of its EU membership. As it exits the EU, it will need to reacquire WTO membership by renegotiating the terms of its mem-

bership. The reacquisition of WTO membership will require the unanimous consent of all WTO members. WTO members will have to be convinced that post-Brexit, the U.K.'s trade policy will not be inimical to their trade interests. The U.K.'s customs union with the EU would provide an elegant solution to the U.K.'s WTO membership challenge as well, since it would mean that Brexit would have no incidence on third countries' non-preferential access to the British market, as the U.K. would continue to be bound by the EU's common external tariff. However, under an FTA scenario, WTO negotiations could become more complicated—at least if the U.K. attempts to raise its bound duties above the common external tariff rate. This scenario could lead to a series of individual negotiations with a range of WTO members. It could also raise the prospect of politicizing this process with hostile governments that want to take advantage of their veto power over the U.K.'s WTO membership. This is obviously a peril leading to a “hard Brexit” scenario, where the U.K. would be unable to conclude a preferential trading deal with the EU.

In return, the biggest drawback of the customs scenario compared to its alternative of a free trade arrangement is its inherent lack of independence in trade policy. The customs union option would mean that the U.K. would continue to be bound by the EU's trade policy. And compared with the current situation, it would also lose its seat at the table while the EU is deliberating and deciding on trade policy. Yet this loss of trade policy independence may be limited to trade in goods. The customs union is a setup that aims to liberalize trade in goods. Services and agriculture may be exempted from this arrangement, just as in the case of the Turkey-EU customs union. This is in all likelihood the option signaled by Liam Fox when he discussed a partial membership of the EU customs union.<sup>20</sup>



It would, however, not be possible to exempt select industrial sectors from the scope of the customs union; that would be a violation of the Article XXIV of the WTO that allows for discrimination in trade policy for regional trade arrangements. Yet, in return, it would be possible to exclude certain economic sectors, such as services and agriculture, from the scope of the customs union. Trade liberalization for services and agriculture would take a different form. For instance, an FTA for services could be negotiated to complement the customs union for manufactured goods. This is incidentally the model proposed for the deepening of Turkey's economic integration with the EU. Under such a scenario, the U.K. would indeed be bound in its international trade with third countries for trade in goods but would be free to conclude separate preferential trade arrangements for services and possibly agricultural products. This is an important flexibility considering that services industries provide for more than 40 percent of the U.K.'s total exports.<sup>21</sup> The downside would be that, as London is seeking to negotiate FTAs with third countries to advance its offensive interests in services, it will not be able to exchange tariff preferences for industrial goods, undermining the U.K.'s negotiating leverage.

An additional and equally important issue related to the future of the trading arrangement between the U.K. and the EU is the prevailing rules for the ratification of trade agreements in the EU. The ambitious FTA option that May mentioned may result in a drawn-out and uncertain process, whereby the negotiated deal would have to be ratified by 38 different parliaments across the EU. This had been the case for the EU-Canada FTA, when the European Commission decided, also for political reasons, to submit the finalized deal with Canada for ratification as a "mixed agreement."<sup>22</sup> That was, for instance, how the Walloon Parliament in Belgium

was able to block the EU-wide ratification for some time. At the core of this debate is the categorization of the future U.K.-EU agreement as a mixed agreement. Although the EU has exclusive competence for trade policy, in some policy areas covered by trade agreements, the competence may be shared with member states. That is, for instance, the case for air and maritime transport services as well as the non-commercial aspects of intellectual property rights, as illustrated by a recent opinion of the Advocate General of the European Court of Justice, asked to rule on the nature of the EU-Singapore FTA.<sup>23</sup>

In other words, the risk inherent in the ambitious free trade agreement option is that, to the extent that the finalized agreement may have to be categorized as a "mixed competence" deal, it will have to be ratified not only by EU institutions, but also by all member states, including in their different sub-state jurisdictions. It is not difficult to envisage the various political obstacles that may then resurface against the backdrop of rising anti-trade feelings in polities that will have fallen prey to populist movements and agendas.

U.K. policy-makers would therefore need to weigh the benefits and costs associated with each of these scenarios as they contemplate the trade component of their Brexit strategy. Both customs union and free trade scenarios have their inherent advantages and drawbacks. There is, however, now an opportunity to reduce the listed drawbacks of a customs union.

### *The joint Turkey-UK agenda on trade*

Turkey and the EU are preparing to launch a new round of negotiations to deepen and modernize their customs union.<sup>24</sup> Each party will address their grievances and concerns on its functioning.

From the Turkish perspective, these will include the trade deflection problem caused by the asymmetries in the preferential trade policy and the lack of coordination and decision-shaping in trade policy. The EU is likely to prioritize an upgrading of the dispute settlement mechanism and the entry into force of a state aids monitoring regime. The negotiations are set to enlarge the scope of the current trade integration so the new agreement would cover additional economic sectors including services, agriculture, and public procurement.<sup>25</sup>

The onset of these negotiations, coinciding with the Brexit negotiations, provides an opportunity both for the U.K. and Turkey to establish a common agenda based on their expectations from the EU regarding the future of their preferential trade. Several different options can be explored. A tripartite working group with experts from U.K., Turkey, and the EU can, for instance, explore the feasibility of a common Turkey-U.K.-EU customs union, taking advantage of ongoing parallel talks between Turkey and the EU on the one hand, and the Brexit talks on the other hand. Another less ambitious option would be for the U.K. and Turkey to set up consultations in regular intervals on trade-related aspects of their ongoing negotiations with the EU. The aim would be to develop common positions for the purpose of enhancing the status of a customs union partner. So, for instance, Turkey's repeated demands to receive observer status on the EU's Trade Policy Committee because of its customs union partnership may suddenly become more difficult for the EU to sideline, if the U.K., as a prospective customs union partner, adds its weight to Turkish demands. Similarly, should the U.K. remain in such a customs union, Brussels may be more enthused to force its new trade partners to also conclude preferential trade agree-

ments with both Turkey and the U.K., or the decision-shaping arrangements envisioned but never fully implemented under the Turkey-EU customs union could become more functional under a Turkey-U.K.-EU customs union. The U.K. and Turkey's combined economic weight would improve the economic asymmetry between the EU and the non-EU partners of an upgraded customs union. Thus in many ways, a post-Brexit U.K.'s continuing customs union membership would force the EU to address more constructively the legitimate grievances of the non-EU members of the customs union.

Also from the perspective of London, the trade agenda deliberations may have to be separated into two. In other words, even if London were eventually to choose an FTA with the EU, it may nonetheless be forced to remain in the customs union during a several-year-long transition period. It is very likely, especially if Prime Minister May's stated option of a "bold and ambitious" trade agreement is to be negotiated with the EU, that the new regime negotiations will outlast the Brexit negotiations given that the latter will need to be completed within two years of the formal notification under Article 50 of the Lisbon Treaty. So there will be in any case be a need for streamlining a transitional regime for the trade relationship that will remain in force from the day of the formal exit until the entry into force of the more ambitious trade agreement. In that sense, the customs union option may be considered also as a "transitional regime" that would greatly ease the adjustment pains associated with the exit from the Single Market.

Finally, in order to enhance their leverage on these trade talks, Ankara and London could also seek to leverage their position on security and defense

issues which constitutes the other key policy area where the feasibility of a U.K.-Turkey caucus will be explored.

## SECURITY AND DEFENSE POLICY

Turkey's relationship with the EU's security and defense pillar has been largely shaped by Turkey's status as a NATO country with aspirations to remain engaged in European security. For Turkish policy makers, NATO remains the core institution for European security and defense.<sup>26</sup> Therefore, Ankara's outlook on the potential EU role in security and defense has been colored by a desire to prevent the erosion of NATO's status as the overarching institution responsible for trans-Atlantic and European security. This long-standing position has become even more categorical as Turkey's EU accession prospects have become ever more elusive. Yet, at the same time, Turkish policy makers have witnessed the gradual development of a European security and defense policy. Ankara's position can therefore be defined as a balancing act reflecting both an instinct to safeguard NATO's preferential status and a begrudging acceptance of the EU as an actor in European security. This last observation compelled Ankara to establish a working relationship with the EU in the area of European security and defense. These efforts have however been fraught with difficulty.

Before the emergence of the EU's Common Security and Defense Policy (CSDP), the Western European Union (WEU) provided the framework for Turkey's engagement with the evolving project of supranational European integration. Turkey had essentially been able to leverage its NATO membership to design a collaborative framework with the WEU that allowed Ankara to take part

in WEU decisionmaking almost as an EU member.<sup>27</sup> However, these vast prerogatives granted to non-EU members in the EU's defense arm were to bedevil the Turkey-EU security relationship, as the EU nations became more intent on enhancing the EU's role in European security and defense. The WEU as essentially a military organization was deemed insufficient as a future European vehicle for security policy. The European security policy was to be broader and had to incorporate Europe's civilian capabilities. Secondly, European nations wanted an instrument that would give them a degree of strategic autonomy from the U.S.

The resistance by the more Atlanticist members of the EU to such a prospect was broken in 1998 in Saint Malo where incidentally the U.K. took the lead with France to launch Europe's Common Foreign and Security Policy. The 1999 Cologne summit accelerated this trend when EU member states agreed to give the EU the necessary means and capabilities to assume its responsibilities regarding a common European policy on security and defense. They also decided to transfer the Petersberg tasks of the WEU to the EU.<sup>28</sup> The WEU had entered terminal stage.<sup>29</sup> By extension, Turkey's relationship with Europe in the area of security and defense, which had hitherto been defined through its WEU Association Agreement, also had to be re-negotiated.

Turkey started this re-negotiation with reference to its status under the WEU. Ankara wanted to transfer the set of rights and obligations that had been a part of its WEU Association Agreement—more precisely, regarding its participation in decision-making and operational planning—into the new agreement. However, the EU's approach was from a completely different perspective. It had already agreed in Cologne to propose “arrangements to ensure that all participants in an EU-led operation

will have equal rights in respect of the conduct of that operation, without prejudice to the principle of the EU's decisionmaking autonomy, notably the right of the Council to discuss and decide matters of principle and policy."<sup>30</sup> The EU's Nice summit in 2000 further streamlined the modalities concerning the association of third countries with Common Security and Defense Policy. Emphasizing once more the decisionmaking autonomy of the EU and the requirement for a "single institutional framework of the Union," the "Nice conclusions" devised a cooperation scheme where NATO partner countries would have to do with a significantly more constrained environment for decision shaping.<sup>31</sup> Thus, for EU-led operations, partner countries were to be formally invited, only after the EU Council had approved the operational framework. Partner countries could participate in EU-led operations if NATO assets and capabilities were to be used. Yet, their participation in other cases would be conditioned through a unanimous vote by the EU Council. Even under these conditions, the Political and Security Committee (PSC) of the EU was tasked with political and strategic control of the operations, in a manner that formally excludes non-EU countries. In return, a Committee of Contributors (CoC) open to the participation of contributing states was to be established for the day-to-day management of the operations.

In other words, the EU was unwilling to extend the decision-shaping prerogatives of the non-EU NATO countries enshrined within the WEU Covenant to the burgeoning CSDP.<sup>32</sup> This institutional and political resistance to the participation of non-EU NATO countries in CSDP decisionmaking became the most serious and enduring impediment to the development of a new partnership framework. Yet, at the same time, the EU wanted to rely on NATO's assets and capabilities. This was

supposed to prevent an unnecessary duplication of military resources, while augmenting CSDP's effectiveness. This NATO nexus provided Ankara with competitive advantage while negotiating the set of arrangements with CSDP. Unanimity was needed to approve the NATO-EU cooperation rules. This meant that the EU was pressed to make concessions to Turkey for its engagement with CSDP to get Ankara's backing within NATO for the conclusion of the EU-NATO framework.<sup>33</sup>

The emerging set of rules was formalized as a joint EU-NATO declaration,<sup>34</sup> which are now known as the "Berlin Plus"<sup>35</sup> arrangements and determine the framework of the NATO-EU strategic cooperation.<sup>36</sup> They established the conditions for the involvement of non-EU European Allies in European Security and Defense Policy (ESDP) missions, and ensured the EU's access to NATO assets and capabilities for ESDP missions. In return, the EU undertook a set of commitments to facilitate the concertation and cooperation with non-EU NATO nations: non-EU European allies would be consulted in case of the possibility of an EU operation in their geographical proximity or which might affect their interests in a significant way, and the ESDP was not to be used against non-EU European allies. Finally, another clause restricted NATO-EU strategic cooperation to EU members that are either NATO members or NATO's Partnership for Peace members. The objective was to exclude Cyprus, then an EU candidate not recognized by Turkey, from the scope of these arrangements.<sup>37</sup>

The formalization of the EU-NATO relationship allowed for the launch of NATO-backed EU military missions. "Concordia" was the maiden military crisis management operation by the EU. It replaced NATO's Operation Allied Harmony in Macedonia. NATO's Supreme Headquarters Allied



Powers Europe (SHAPE) headquarters in Mons, Belgium were used as the operational headquarters. Turkey contributed to operation Concordia with a military contingent. Operation Althea became the second such EU-led mission. It was launched in December 2004 and was designed to replace NATO's Stabilization Force (SFOR) in Bosnia. It remains the only ongoing Berlin Plus mission. With close to 300 personnel on the ground, Turkey is one of the largest contributors to Althea.

Despite these early successes, the functionality of the Berlin Plus arrangements came under duress following the EU's 2004 enlargement that also included Cyprus. Cyprus had joined the EU as a divided island and in the absence of a political settlement. As a result, the Turkey-Cyprus dispute was directly imported in the context of the Turkey-EU relationship and started to contaminate not only the Turkey-EU relationship but also the EU-NATO relationship. Turkey insisted, referencing the agreed framework on NATO-EU cooperation, that Cyprus should remain excluded from the NATO-EU strategic dialogue. The EU had a different reading of these provisions and insisted on including Cyprus, now an EU member, in the scope of this concertation.<sup>38</sup> Unable to convince Brussels, Ankara reacted by blocking the security agreement between Cyprus and NATO, which prevented NATO from exchanging confidential information with Nicosia,<sup>39</sup> and was therefore tantamount to excluding Cyprus from the NATO-EU dialogue in practice. Cyprus in return vetoed Turkey's partnership agreement with the European Defense Agency (EDA).

NATO-EU cooperation remained handicapped by the non-resolution of the Cyprus dispute. There were no Berlin Plus-backed EU missions launched since Althea. Even in Afghanistan where both NATO and the EU had ongoing missions, EU-NA-

TO high-level cooperation was dysfunctional.<sup>40</sup> Political level institutional dialogue could not be held in Brussels. At best, theater-level discussions between commanders of the NATO and EU missions on the ground was possible. Meetings under the framework of the NATO-EU Strategic Dialogue of the EU's political and security committee and NATO's North Atlantic Council could only be held under exceptional circumstances in the past decade and mostly under informal rules.

With the changing security environment marked by the newfound aggressiveness of Russia and the rise of new asymmetric threats like hybrid wars and cyberattacks, NATO and the EU were nonetheless able to overcome some of the obstacles to their collaboration. At the margin of the NATO Warsaw summit in July 2016, EU Council President Donald Tusk and the NATO Secretary General Jens Stoltenberg signed a joint declaration,<sup>41</sup> which sets out seven major areas of future cooperation between the EU and NATO including coordinated defense capability development, parallel and synchronized exercises, countering hybrid and cyber threats and promotion of maritime security.

This achievement was facilitated by a recognition in the EU and primarily among the less Atlanticist members of the union, such as France, that NATO would remain in the foreseeable future the core trans-Atlantic and European security institution. With downsized military budgets, EU nations could not afford to position the EU as even potentially a competitor to NATO. This understanding is very clearly reflected in the EU's Global Strategy,<sup>42</sup> which frequently underlines the importance of sound EU-NATO cooperation. For instance, the document states that "the EU will step up its contribution to Europe's collective security, working closely with its partners, beginning with NATO."

Despite this positive momentum, nevertheless, the deeper political and institutional difficulties of more robust and effective NATO-EU cooperation remain unaltered. While the non-resolution of the Cyprus dispute is one significant dimension of this obstructionism, the other reason is the shallowness of decision-shaping prerogatives granted to non-EU NATO countries in EU-led operations. This has been a long-standing concern particularly for Turkey.<sup>43</sup> The Berlin Plus arrangements had defined these prerogatives for NATO-backed EU missions. Yet, for CSDP missions carried out with no NATO involvement and therefore remaining beyond the scope of Berlin Plus, the rules for participation of third countries were elaborated autonomously by the EU.

### ***Third states in CSDP***

CSDP operations are in principle open to the participation of third states. Third countries can and have regularly contributed to these missions. Forty-five non-EU states have participated in CSDP operations since the first mission.<sup>44</sup> The participation of these countries in CSDP missions is regulated by Framework Participation Agreements (FPA). The FPAs “address issues relating to the status of personnel and forces, the modalities of information exchange, the involvement of third states in the decisionmaking process and conduct of the operations, as well as financial aspects, both for civilian and military operations.”<sup>45</sup>

The operationalization of the FPAs has been hindered by the conflicting stipulations that the contribution of third states to CSDP operations would be “without prejudice to the decisionmaking autonomy of the Union,” while recognizing, at the same time, that third states have the “same rights and obligations in terms of day-to-day manage-

ment of the operation” as EU member states taking part in the operation. The operational and even political difficulties generated by these conflicting aims are yet to be resolved. The prevailing framework of engagement for third countries with CSDP missions is heavily discriminatory and essentially “reduces them to second class stakeholders.”<sup>46</sup> Their participation is generally approved at a very late stage of the operational planning. Therefore, they do not get to take part in the drafting of the concept of operations (CONOPS) or even the operation plan (OPLAN). They are not invited in the initial phase of the force generation efforts. Their contribution is sought almost to fill in the gaps in EU capabilities. They gain a seat in the Committee of Contributors but the committee has no role in the determination of the overall political and military objectives of the mission. So third states remain devoid of a formal channel to influence the deliberations on the strategic aims of EU-led operations. In many ways, these shortcomings read like the talking points used by Turkish authorities as they discuss the Turkey-CSDP framework with their European counterparts. However, Ankara’s grievances on CSDP remain unaddressed and security and defense cooperation is no longer a central theme in the Turkey-EU dialogue, since the EU has been lowering its ambitions mostly as a result of the economic austerity policies that have severely reduced the member states’ defense budgets since 2008. Nevertheless, the EU’s role in security and defense is now being re-evaluated due to a fresh set of uncertainties linked to Brexit as well as the onset of the Trump presidency in the U.S.

### ***The Turkey-UK agenda on European security and defense***

Brexit is a turning point for European security and defense policy. The U.K. is, with France, the

most militarily able member of the EU. The U.K. and France alone make up more than 40 percent of public defense investments in the EU. Not only is the U.K. among the four EU member states that were able to reach the NATO-designated defense expenditure target of 2 percent of national income, but it is also the EU member state that has “the largest number of deployable forces of any of them.”<sup>47</sup>

With Brexit, the U.K. will no more be part of CSDP by default. The EU will lose the ability to rely on Britain’s significant military resources. For the U.K. as well, Brexit will trigger substantive changes. On one hand, London wants to establish a new partnership with Europe that also includes a security and defense dimension. In her Brexit speech, Theresa May emphasized that the U.K. will want to remain an important partner for the EU in the quest to maintain European peace and security. She specifically stated that “cooperation between Britain and the EU is needed not just when it comes to trade but when it comes to our security too.” Yet, as a non-EU NATO country, London will have to rely on the modalities of the standard Framework Participation Agreement to contribute to EU missions. The U.K. will therefore face the challenges the third countries have experienced in terms of their contribution to CSDP. Just like for trade matters, this unresolved asymmetry can provide the grounds for a Turkey-U.K. concertation and possibly an aspiration to develop a common position to jointly address these strategic shortcomings.

The first joint objective of London and Ankara should therefore be to improve the modalities of participation of third countries in CSDP. Turkey has aspired to enhance these terms over the past decade but with little success. The combined military weight of the U.K. and Turkey may finally force EU decisionmakers to demonstrate more

flexibility in this regard. The added uncertainties in the political and security environment triggered by the posturing of the new U.S. president and Russia’s growing assertiveness could also change the calculus in Brussels. In other words, under these circumstances, there may be more openness to reviewing these terms of engagement. Ankara and London should therefore jointly seek to convince the EU to review the terms of the standard Framework Participation Agreement and negotiate a more flexible deal while the U.K. is still a member of the EU.

In these negotiations, the EU will not want to forego the principle of decisionmaking sovereignty. Even with this understanding, however, there are a number of practical and concrete steps that could vastly improve how the third countries are linked to EU missions. Ankara and London would for instance want to be fully associated with the planning and implementation of EU-led missions as potential contributors, as opposed to being asked for their contribution if and when needed after the political and technical planning phase has already been completed.

Secondly, Ankara and London could jointly pressure the EU to deepen consultations with non-EU European NATO allies on the security challenges affecting the continent. The EU had in fact already agreed at the Nice European Council in 2000 that it would have permanent and continuing consultations with the non-EU European allies covering the full range of security, defense, and crisis management issues, but this political commitment was never fully enforced. Consultations therefore could be held with non-EU European NATO allies in advance of the EU’s own Political and Security Committee and Military Committee meetings, where decisions may be taken on matters affecting the

security interests of the non-EU European allies. The objective of these consultations will be for the EU and the non-European allies to exchange views and to discuss any concerns and interests raised by these allies. If appropriately implemented, these consultations would enable the non-European allies to contribute to European security and defense policy and to associate themselves with the EU decisions, actions, and declarations on the CSDP.

With the U.K. no more a default contributor to CSDP, Ankara and London may also want to trigger a more substantive discussion on “Berlin Plus in Reverse,” an arrangement which would pave the way for NATO’s use of the EU’s civilian crisis management capabilities.<sup>48</sup> So far, several EU countries, led by France, had opposed such an arrangement on the grounds that it would allow NATO to venture into civil-military affairs and could thereby rival the European Union’s distinctive approach to crisis management. Yet, devising a more robust framework for the EU’s involvement in the civilian crisis management dimensions of NATO-led operations would provide a strong rebuke to Donald Trump’s allegations that European Allies are not sufficiently contributing to the NATO mission.<sup>49</sup> This option would help European governments to highlight their added value to efforts to ensure peace and stability in and around the European continent. It would also transform the debate on burden-sharing within the trans-Atlantic alliance to the advantage of the European nations. It would finally allow Europe’s contribution to be understood in terms broader than defense budgets or military equipment investment thresholds.

Finally, the U.K. and Turkey could also jointly aim to develop a framework of engagement for their military industries. The European Defense Agency (EDA) is the EU instrument designed to enhance

European cooperation in military industries. Turkey’s EDA membership remains blocked since 2005 due to the Cyprus problem. Following Brexit, the U.K. will also need to re-accede to the EDA. One way to overcome this obstacle is for Ankara and London to push for the upgrading of the “Letter of Intent (LoI) Framework Agreement Treaty” signed on July 27, 2000 by the U.K., France, Germany, Italy, Spain, and Sweden. It “aimed to create the political and legal framework necessary to facilitate industrial restructuring in order to promote a more competitive and robust European Defense Technological and Industrial Base (EDTIB) in the global defense market.”<sup>50</sup> Linking the sizeable British and Turkish defense industries to the EU defense base by remodeling this agreement would allow the EU to sidestep the political difficulties of associating Turkey and the U.K. formally with the EDA, while at the same time nurturing an environment of “closer cooperation, in practice, on all aspects of defense apart from actual operations”<sup>51</sup> between the EU on one hand and Turkey and the U.K. on the other.

The changing global security landscape could in principle force the EU to become more receptive to the demands of these two militarily empowered nations. The election of Donald Trump as the new U.S. president has unsettled the trans-Atlantic security relationship. Trump’s disparaging statements against NATO are leading many to question whether the U.S. will continue its commitment to this crucial alliance. Just a few days before taking office, on January 16, 2017, the then president-elect claimed that NATO was “obsolete.”<sup>52</sup> In his retort, NATO’s Secretary General Jens Stoltenberg claimed that Trump’s statements caused “worry and concern.”<sup>53</sup> Trump’s uncertain stance and commitment to European security, combined with his more benign attitude towards Russia and its leader Vladimir Putin, is also triggering significant concern within the EU.



The core question is whether European nations can continue to depend on this U.S.-led organization to underwrite their security in coming years. This is one reason why interest has been rekindled in a debate on the future of European security and defense policy. Depending on the damage that Trump's unorthodox policies will cause to the integrity and credibility of the NATO alliance, the EU may be compelled to re-accelerate the development of more autonomous capabilities in the area of security and defense. This will require a review of Europe's approach to security and defense. The EU Global Strategy<sup>54</sup> launched by High Representative Federica Mogherini is incidentally an attempt to redefine the EU's sense of mission in security and defense against the backdrop of this vastly transformed environment. Yet, the CSDP could indeed be revitalized, if a smoother framework for pooling potential contributions from fellow European NATO members, Turkey, and the U.K., can be established.

## THE POLITICS OF A STRATEGIC PARTNERSHIP

There is ample reason to believe that a joint Turkey-U.K. agenda for Europe can indeed be fostered. This analysis has put forward evidence that trade policy and security policy are the prime candidates for this structured dialogue. Ankara and London can, for instance, set up more regular consultations on the trade-related aspects of their ongoing negotiations with the EU. The aim would be to develop common positions for the purpose of enhancing the status of a customs union partner. A post-Brexit U.K.'s continuing or even transitional customs union membership can therefore be leveraged to encourage the EU to address more constructively the legitimate grievances of the non-EU members of the customs union.

On security policy, the first joint objective of London and Ankara should be to improve the modalities of participation of third countries in CSDP. More particularly, Ankara and London should jointly seek to convince the EU to review the terms of the standard Framework Participation Agreement in CSDP. Secondly, Ankara and London could pressure the EU to deepen consultations with non-EU European NATO allies on the security challenges affecting the continent. A more ambitious proposal would involve initiating a discussion on "Berlin Plus in Reverse"—an arrangement which would pave the way for NATO's use of the EU's civilian crisis management capabilities.

Beyond trade and security policy, energy or counter terrorism cooperation could be additional items for the Turkey-U.K. joint European agenda. More generally, any policy area that falls within the competence of the European Union that has an external dimension where cooperation with third countries have taken an institutional mantle would be a good candidate for this joint approach.

This proposed convergence, enabled by a mutual outlook towards the European Union, could also help Turkey and London to foster a more permanent, strategic realignment. Indeed, if these two important and yet peripheral countries to Europe can constructively and usefully cooperate on their EU agenda, Turkey and the U.K. will establish the grounds for a deeper, strategic convergence. Their exclusion from European integration would be one of the motivating factors for this convergence.

Another one is likely to be the implications of a more introverted United States. The initial policy initiatives of the Trump presidency are certainly strengthening the perception across the Atlantic that the U.S. is briskly becoming a difficult ally. Therefore, both

Ankara and London are set to review their expectations from Washington and the political feasibility of a closer alliance with a Trump-led U.S. in the coming years. Marooned from the EU and disinclined to move closer to the U.S., Turkey and the U.K. could at least strive to develop their strategic partnerships. It is exactly in this context that British Prime Minister Theresa May decided to visit Ankara in late January, just after her maiden meeting with the new U.S. president in Washington. The strengthening of this bilateral bond with Turkey would also square nicely with the U.K.'s post-Brexit strategy of invigorating bilateral relations with key partners across the globe. From Ankara's perspective, the prospect of a strategic realignment with the U.K. would provide a much-needed alternative to having to choose between an unpredictable U.S. president and a Russian president as strategic enablers.

A common Turkey-U.K. agenda for Europe will also have implications for the U.S. A satisfactory settlement of how these two countries are to be linked to European security and defense policy would strengthen the European pillar of trans-Atlantic security and make a positive contribution to the debate on burden-sharing. A failure, however, could in return undermine alliance cohesion by bringing about a more consolidated and resolved EU caucus within NATO. In terms of trade, the U.K. and Turkey remaining in a customs union with the EU would eliminate the option of a separate U.S.-U.K. FTA. Europe would hence remain united in

trade policy. It would at the same time force policymakers in Washington and Brussels to think more creatively about incorporating key trading partners like the U.K. and Turkey in a possibly revitalized trans-Atlantic trade and investment treaty.

There is, however, one big obstacle that will undoubtedly hinder this sensible strategy. From the U.K. perspective, the politics of such a strategic partnership with Turkey could be imperiled by Turkey's tarnished democratic standards. As evidenced by the open and harsh criticism of May's visit to Ankara,<sup>55</sup> a political and strategic rapprochement with Turkey could prove to be unmanageable for the British leadership under current conditions. The prerequisite would therefore be for Turkey to return to a pro-reform agenda that would allow the country to address the serious backtracking in democratic norms.

Could the prospect of a strategic partnership with Britain generate some positive momentum in this direction? If history is to be of any guidance, the answer is yes. For centuries, Britain and the Ottoman Empire retained an alliance against Russia as well as other rising European powers. It is by virtue of this relationship that the inevitable demise of the Ottoman Empire was postponed by nearly a century. Now that geopolitics has harshly and unexpectedly returned to the European scene, a Turkish-British strategic partnership could be the alliance waiting to *re-happen*.

## NOTES

1. European Commission, “Turkey 2016 Report,” November 9, 2016, [https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/pdf/key\\_documents/2016/20161109\\_report\\_turkey.pdf](https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/pdf/key_documents/2016/20161109_report_turkey.pdf).
2. European Parliament resolution of November 24, 2016 on EU-Turkey relations (2016/2993(RSP)).
3. Serdar Karagöz, “Tired of EU’s delaying tactics, Erdoğan points to Shanghai Pact,” *Daily Sabah*, November 20, 2016, <http://www.dailysabah.com/diplomacy/2016/11/20/tired-of-eus-delaying-tactics-erdogan-points-to-shanghai-pact>; and Vahap Munyar, “Varsa yoksa AB’ demeyin, Şanghay 5’lisi bizi rahatlatır,” *Hürriyet*, November 20, 2016, <http://www.hurriyet.com.tr/varsayoksaabdemeyin-sanhgay-5lisi-bizi-rahatlattir-40282883>.
4. With the exception of Andorra and San Marino.
5. Decision 1/95 of the EC-Turkey Association Council of December 22, 1995 on implementing the final phase of the customs union.
6. World Bank, “Evaluation of the EU-Turkey Customs Union,” March 28, 2014, [https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/pdf/financial\\_assistance/phare/evaluation/2014/20140403-evaluation-of-the-eu-turkey-customs-union.pdf](https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/pdf/financial_assistance/phare/evaluation/2014/20140403-evaluation-of-the-eu-turkey-customs-union.pdf).
7. For mixed agreements, namely where both EU and member state competences are involved, the European Commission is still the negotiating authority but the ratification of these agreements obeys different rules.
8. This is also the case for the non-preferential aspects of trade policy related for instance to decisions on the common external tariff. See, Sinan Ülgen and Pelin Yenigün Dilek, *Gümrük Birliğinde yeni dönem ve iş dünyası* (Istanbul: TUSIAD, October 2015), [http://tusiad.org/tr/yayinlar/raporlar/item/download/7380\\_c2b297ce75aa9ab8b614ecfa2c92729b](http://tusiad.org/tr/yayinlar/raporlar/item/download/7380_c2b297ce75aa9ab8b614ecfa2c92729b).
9. Articles 52-60 of the Association Council Decision 1/95.
10. Turkish negotiators nonetheless put this request on record as a Statement under Article 60 of the Association Council Decision 1/95, which reads “During the year 1995, and as Turkey harmonizes its legislation with that of the Community it will seek from the Association Council a decision to extend its involvement to other committees”.
11. Selen Akses, “Revision of Turkey-EU Customs Union: An imperative need,” *Economic Development Foundation - IKV Brief*, August 23, 2014.
12. “Chapter 20: Institutional, General and Final Provisions,” *EU-Vietnam Free Trade Agreement*, [http://trade.ec.europa.eu/doclib/docs/2016/february/tradoc\\_154231.pdf](http://trade.ec.europa.eu/doclib/docs/2016/february/tradoc_154231.pdf) (agreed text as of January 2016).
13. The TTIP example is very instructive in that respect. Despite the recognition of Turkey’s special status for trade matters, neither Brussels nor Washington have had much willingness to address Turkey’s concerns for inclusion.
14. Agreement establishing an Association between the European Economic Community and Turkey, signed in Ankara on September 12, 1963. See Article 25 on Dispute Settlement, [http://trade.ec.europa.eu/doclib/docs/2003/december/tradoc\\_115266.pdf](http://trade.ec.europa.eu/doclib/docs/2003/december/tradoc_115266.pdf).
15. See Article 61 of the Association Council Decision 1/95.
16. Jennifer Amur, “Full transcript: Theresa May’s speech on Brexit,” *Washington Post*, January 17, 2017, [https://www.washingtonpost.com/news/worldviews/wp/2017/01/17/full-transcript-theresa-mays-speech-on-brex/?utm\\_term=.ef76c51a1805](https://www.washingtonpost.com/news/worldviews/wp/2017/01/17/full-transcript-theresa-mays-speech-on-brex/?utm_term=.ef76c51a1805).
17. See for instance Anne O. Krueger, “Free trade agreements versus customs union,” *Journal of Development Economics* 54, no. 1 (October 1997).
18. Craig Trudell, “Toyota Says Brexit May Lead to 10% Duties on U.K.-Built Cars,” *Bloomberg*, June 20, 2016, <https://www.bloomberg.com/news/articles/2016-06-20/toyota-warns-brexite-may-lead-to-10-duties-for-u-k-built-cars>.
19. See *Oxford Economics*, “Assessing the economic implications of Brexit,” March 2016, <http://www.oxfordeconomics.com/brexit/executive-summary>.
20. George Parker, “UK may try to stay in EU customs union, says Liam Fox,” *Financial Times*, December 18, 2016, <https://www.ft.com/content/f2f8b090-c511-11e6-9043-7e34c07b46ef>.
21. “United Kingdom Exports,” *Trading Economics*, accessed February 25, 2017, <http://www.tradingeconomics.com/united-kingdom/exports>.
22. European Commission, “European Commission proposes signature and conclusion of EU-Canada trade deal,” July 5, 2016, [http://europa.eu/rapid/press-release\\_IP-16-2371\\_en.htm](http://europa.eu/rapid/press-release_IP-16-2371_en.htm).
23. Court of Justice of the European Union, “Advocate General’s Opinion in Opinion procedure 2/15,” December 21, 2016, <http://curia.europa.eu/jcms/upload/docs/application/pdf/2016-12/cp160147en.pdf>.
24. European Commission, “Commission proposes to modernise the Customs Union with Turkey,” December 21, 2016, [http://europa.eu/rapid/press-release\\_IP-16-4468\\_en.htm](http://europa.eu/rapid/press-release_IP-16-4468_en.htm).

25. Recommendation for a Council decision authorizing the opening of negotiations with Turkey on an agreement on the extension of the scope of the bilateral preferential trade relationship and on the modernization of the customs union. European Commission, "Executive Summary of the Impact Assessment," December 21, 2016, [http://ec.europa.eu/smart-regulation/impact/ia\\_carried\\_out/docs/ia\\_2016/swd\\_2016\\_0476\\_en.pdf](http://ec.europa.eu/smart-regulation/impact/ia_carried_out/docs/ia_2016/swd_2016_0476_en.pdf).
26. Tarık Oğuzlu, "Making Sense of Turkey's Rising Power Status: What Does Turkey's Approach Within NATO Tell Us?" *Turkish Studies* 14, no. 4 (2003). Also see, Gülnur Aybet and Meltem Müftüler Baç, "Transformations in security and identity after the Cold War: Turkey's problematic relationship with Europe," *International Journal* 55, no. 4 (Autumn 2000).
27. Münever Cebeci, "A Delicate Process of Participation: The Question of Participation of WEU Associate Members in Decision Making for EU-Led Petersberg Operations, with Special Reference to Turkey," *ISS Occasional Papers*, no. 10 (November 1999).
28. Petersberg tasks were defined in 1991 to give the WEU a new sense of purpose after the end of the Cold War. Thus, the WEU was to focus on humanitarian and rescue tasks, peacekeeping tasks, and tasks of combat forces in crisis management, including peacemaking.
29. The Cologne declaration openly stipulated the demise of WEU as an organization by the end of 2000, upon the completion of the necessary arrangements.
30. Cologne European Council, "Annex III of the Presidency Conclusions: Presidency Report on Strengthening of the common European policy on security and defense," June 3 and 4, 1999.
31. "Presidency Conclusions: Nice European Council Meeting," December 7-9, 2000, <http://www.consilium.europa.eu/en/european-council/conclusions/pdf-1993-2003/NICE-EUROPEAN-COUNCIL--PRESIDENCY-CONCLUSIONS-7-8-9-DECEMBER-2000/>.
32. Antonio Missiroli, "EU-NATO Cooperation in Crisis Management: No Turkish Delight for ESDP," *EU Institute for Security Studies*, March 1, 2002.
33. Interestingly, the U.K. played a lead role in the negotiations with Turkey, which were aimed to establish the conditions of engagement of non-EU NATO countries in ESDP operations. The negotiations had been carried out between a small delegation of Turkish, American, British, and EU Council experts.
34. NATO, "EU-NATO Declaration on ESDP," December 16, 2002, [http://www.nato.int/cps/en/natolive/official\\_texts\\_19544.htm](http://www.nato.int/cps/en/natolive/official_texts_19544.htm).
35. The term "Berlin" in "Berlin Plus" is a reference to conclusions of NATO's Berlin Ministerial of June 3, 1996, which allowed European Allies or the WEU to use the alliance's assets and capabilities where the alliance as a whole was not engaged.
36. European External Action Service, "EU-NATO: The framework for permanent relations and Berlin Plus," <http://www.consilium.europa.eu/uedocs/cmsUpload/03-11-11%20Berlin%20Plus%20press%20note%20BL.pdf>.
37. The adopted definition also happens to exclude Malta.
38. Senem Aydın-Düzgüt and Nathalie Tocci, *Turkey and the European Union* (London: Palgrave, 2015).
39. Sinem Akgül Açıkmeşe and Dimitrios Triantaphyllou, "NATO and Turkey in the post-Cold War world: between abandonment and entrapment," *Southeast European and Black Sea Studies* 12, no. 4 (2012).
40. Michel Leo, "NATO-EU cooperation in operations," *NATO Defense College Research Papers*, no. 31 (February 2007).
41. NATO, "Joint declaration by the President of the European Council, the President of the European Commission, and the Secretary General of the North Atlantic Treaty Organization," July 8, 2016, [http://www.nato.int/cps/en/natohq/official\\_texts\\_133163.htm](http://www.nato.int/cps/en/natohq/official_texts_133163.htm).
42. European External Action Service, "Shared Vision, Common Action: A Stronger Europe, A Global Strategy for the European Union's Foreign And Security Policy," June 2016, [https://eeas.europa.eu/top\\_stories/pdf/eugs\\_review\\_web.pdf](https://eeas.europa.eu/top_stories/pdf/eugs_review_web.pdf).
43. Mehmet Cebeci, "NATO-EU Cooperation and Turkey," *Turkish Policy Quarterly* 10, no. 3 (2011), [http://www.turkishpolicy.com/dosyalar/files/Munever%20Cebeci\(1\).pdf](http://www.turkishpolicy.com/dosyalar/files/Munever%20Cebeci(1).pdf).
44. Thierry Tardy, "CSDP: getting third states on board," *EUISS Issue Brief*, no.6 (2014).
45. *Ibid.*
46. *Ibid.*
47. Sophia Besch, "EU Defence, Brexit and Trump: The good, the bad and the ugly," *Center for European Reform* (December 2016).
48. See, for instance, Arnold Kammel and Benjamin Zyla, "Looking for a 'Berlin-Plus in Reverse'? NATO in Search of a New Strategic Concept," *Orbis*, October 1, 2011.
49. "Europe dodges Trump's defense spending ultimatum," *Reuters*, February 21, 2017.

50. Nick Witney, “Brexit and defense: Time to dust off the ‘letter of intent’?,” *ECFR Commentary*, July 14, 2016, [http://www.ecfr.eu/article/commentary\\_brexit\\_and\\_defence\\_time\\_to\\_dust\\_off\\_the\\_letter\\_of\\_intent7075](http://www.ecfr.eu/article/commentary_brexit_and_defence_time_to_dust_off_the_letter_of_intent7075).
51. *Ibid.*
52. “Trump says NATO is obsolete but still very important to me,” *Reuters*, January 16, 2017, <http://www.reuters.com/article/us-usa-trump-nato-obsolete-idUSKBN14Z0YO>.
53. “Trump worries NATO with ‘obsolete’ comment,” *BBC News*, January 16, 2017, <http://www.bbc.com/news/world-us-canada-38635181>.
54. European External Action Service “Shared Vision, Common Action: A Stronger Europe – A Global Strategy for the European Union’s Foreign and Security Policy,” June 2016, [https://europa.eu/globalstrategy/sites/globalstrategy/files/regions/files/eugs\\_review\\_web.pdf](https://europa.eu/globalstrategy/sites/globalstrategy/files/regions/files/eugs_review_web.pdf).
55. See, for instance, Sarah Olney, “Theresa May’s visit to Turkey betrays our liberal values,” *The Guardian*, January 26, 2017, <https://www.theguardian.com/commentisfree/2017/jan/26/theresa-may-turkey-betrays-liberal-values>.



## THE AUTHOR

Sinan Ülgen graduated in 1987 from the University of Virginia with a double major in computer sciences and economics. He undertook graduate studies at the College of Europe in Brugge, Belgium where he received, in 1990, a masters degree in European economic integration. He then joined the Turkish Foreign Service as a career diplomat.

In 1992, he was posted to the Turkish Permanent Delegation to the European Union in Brussels where he became part of the team that negotiated the Turkey-EU customs union.

Ülgen is the founder and managing partner of Istanbul Economics. The consultancy specializes in market entry strategies for international companies, political and economic risk analysis related to Turkey and regulatory affairs.

Ülgen is also the chairman of the Istanbul based think tank, Center for Economics and Foreign Policy Studies (EDAM) and a visiting scholar at Carnegie Europe in Brussels. His research and opinion pieces have been published by the Carnegie Endowment for International Peace, Center for European Policy Studies, Center for European Reform, the Atlantic Council, German Marshall Fund, Brookings and the World Economic Forum as well as newspapers such as *Le Figaro*, *Financial Times*, *Wall Street Journal*, *European Voice*, *Project Syndicate*, and the *International New York Times*. His latest publication is entitled “The governance of cyber space” and was published by the Carnegie Endowment in January 2016. Ülgen served on the academic advisory board member of the NATO Defense College in Rome. He was also a member of the international policy experts group setup by the NATO Secretary General Anders Fogh Rasmussen.

Center on the  
**B** United States  
and Europe  
at BROOKINGS





## BROOKINGS

The Turkey Project at Brookings  
1775 Massachusetts Ave., NW  
Washington, D.C. 20036  
[brookings.edu](http://brookings.edu)