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THE GLOBAL ECONOMIC CRISIS: IMPLICATIONS FOR TURKEY, EUROPE, AND THE UNITED STATES

Summary and Reflections on the Debate

By Dr. Ian O. Lesser, Senior Transatlantic Fellow, GMF

*Organized in partnership with the Turkish Industrialists' and
Businessmen's Association (TUSIAD), Koç Holding, and the
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The global economic crisis poses near and long-term challenges for transatlantic partners, spurring new debates about the utility of prevailing economic and social models, competitiveness and the relationship between growth and stability. The crisis may also have a range of geopolitical consequences at the regional and global levels. Turkey is a leading stakeholder in this uncertain environment, and could be strongly affected by transatlantic action and inaction as the crisis unfolds. Our debate in Istanbul began with an assessment of the crisis from various national and commercial perspectives and moved on to consider the implications for domestic policies, regional stability and the future of Turkey-EU relations. Naturally, there were few points of absolute consensus, but almost two days of discussion revealed a broadly shared sense of anxiety about the potential internal and external consequences of the crisis. Economic stringency may derail domestic plans and seriously complicate key strategic projects, from Turkey's EU candidacy to the management of relations with Russia and Iran. It could, ultimately, affect the position of Europe, Turkey and the US vis-à-vis global competitors.

* The Trilateral Strategy Group is a multi-year GMF project, organized in partnership with the Turkish Industrialists' and Businessmen's Association (TUSIAD), Koç Holding, and the Swedish Ministry of Foreign Affairs. The group brings together public and private sector leaders and opinion shapers to discuss policy challenges affecting all sides of the "triangle," placing discussion on and with Turkey in a broader transatlantic context. The first meeting of the group was held in Istanbul, June 4-6, 2009.

Certainly, the ability of any trilateral partner to insulate or “decouple” its economy and society from systemic risks is rapidly disappearing – if it ever existed.

Perspectives on the Crisis – How Long, How Deep?

Turkey’s 2001 financial crisis is widely seen as having inoculated the Turkish system against some the worst effects of the recent collapse. Indeed, Turkish banks remain relatively buoyant compared to their counterparts elsewhere. The real economy in general has fared much less well. Export orders are down, production is much reduced, and manufacturers are now experiencing real difficulty in rolling over debt. The gap between optimistic assessments from Ankara and the situation facing Turkish business, and the public, is becoming more pronounced by the day. Turkey’s post-2001 approach to economic management worked very well until confronted with serious systemic stress. Turkey is in no sense unique in this regard. The response of central banks is inevitably one (or more) steps behind crisis-driven requirements.

Anxiety about mounting unemployment is now the common denominator across Europe and on a transatlantic basis. Turkey’s current situation is striking, but not unique. All governments confront the problem of deteriorating public confidence, and the record of political leaderships in managing this challenge is not very good on either side of the Atlantic. Popular demands and populist responses further complicate the picture. In the Turkish case, internal dynamics have impeded the conclusion of a badly needed agreement with the IMF, the outlines of which have been on the table for some time.

The performance of European governments has also been unimpressive. Europe has a common central bank, and yet the EU has been unable to effectively coordinate fiscal policy. For quite different reasons, Turks and Americans find this incapacity troubling. When seen from a global perspective, policy coordination is obviously even more challenging, if not impossible. Despite a widely shared commitment to multilateral strategies, the current crisis provides substantial evidence of the dominance of national perspectives and national policies. Asia has been among the leaders in this regard. China, badly affected by the contraction of global demand, and highly exposed to financial instability in the US, is nonetheless taking advantage of the crisis to diversify its growth model and strengthen internal demand. Seen in this light, China is “having a good crisis.” Brazil and India may also emerge from the crisis in a stronger competitive position, with implications for Turkey’s own position as an exporter and pole for foreign investment.

Enormous uncertainty remains on the question of the likely duration and course of the crisis. Signs of recovery in the financial markets may or may not be indicative of a wider recovery, which, in any case, could be weak and relatively “jobless.” Commercial real estate, credit card holdings, and currency risks continue to cloud the outlook, and new shocks emanating from the US could be in store. Creeping protectionism and the declining competitiveness of even well established European exporters (e.g., in the automotive industry) will be with us for some time to come. Participants were divided on the risks of inflation versus deflation, with some potential for economies to experience both, over time. For Turkey, there will be clear risks arising from the country’s substantial dependence on exports to a weakening Europe. To the extent that Turkey diversifies its economic ties, by design or by default, this could ultimately reinforce the growing inclination for a more diverse external policy across the board. Exports to neighboring markets in the Middle East, and especially the Gulf, have remained more buoyant even as European demand has contracted. The next phase of adjustment may be all about hedging and diversification – in short, a portfolio approach to economic development.¹

Our discussion underscored the potential for economic uncertainties to upset longstanding political and geopolitical assumptions. If Turkey had consolidated its economic program along EU oriented lines after 2005, as one participant remarked, this would have had very different implications for the country’s position today. In macro competitiveness terms, decoupling from European (and IMF?) norms might well increase Ankara’s freedom of action in the short term. But there is some risk that Turkey might be “gobbled up” politically and economically by the BRICs if it drifts too far from its traditional partners. Or perhaps the BRICs are precisely the kind of partners Turkey will need to seek in a post-crisis environment?

Rethinking Energy Security

Turkey’s role as a transatlantic partner and a regional actor has been shaped by the prominence of energy security as a strategic concern. Baku-Tbilisi-Ceyhan has been a success story, along with many less well known energy projects. But what comes next? More broadly, how will the US and Europe

¹ Since 2000, Turkey’s trade with the “neighborhood” (i.e., the non-European neighbors) has grown from \$2.7 billion to \$28 billion annually – a “reality, if not a program,” driven along by political as well as commercial initiatives.

address emerging energy challenges, and how might the economic crisis affect energy security dynamics in Turkey's neighborhood, and beyond?

Demographics and geography impose certain realities on the global energy equation. Continued high global population growth over the next decade could easily lead to a doubling of energy consumption – although a sustained reduction in economic growth could be a countervailing influence. “Easy” oil and gas alone are unlikely to be sufficient to meet global demand under the most likely conditions. With regard to hydrocarbon reserves, it is still all about the Middle East, the Caspian and Russia. Global centers of economic production are quite distant from major centers of energy production, so transport remains a key consideration; a situation likely to reinforce the position of transit countries, including Turkey. The Nabucco project, and other new transit schemes may look critical to Europe's energy security, but their viability may turn on the availability of Iraqi and Iranian inputs. In both cases, political and security issues weigh heavily, and with the potential for new instability in Iraq and enormous open questions in relations with Iran, neither can be taken for granted. As a result, Russian gas is likely to dominate the supply picture for some time to come. At this point, Turkey, along with its European and US partners, has a strong stake in the diversification of supply routes.

Existing and prospective pipeline projects illustrate the interplay among political, security and commercial factors. The commercial dimension will often carry greater weight. Political and security considerations might stop an otherwise viable project. But geostrategic interests alone will not drive a project without commercial logic. The “if you build it, they will come” approach simply does not apply in the energy arena. Indeed, absent a confluence of commercial and strategic logic, projects such as Nabucco simply will not be built. In contrast to oil and gas, nuclear energy investments can have a strategic logic of their own, and this logic can be greatly reinforced if the economics begin to look attractive. Arguably, this is now happening in many places around the world, including Turkey's neighborhood. Iran is not the only example. Turn-key nuclear plants are being built elsewhere in the Gulf, and there is a good prospect of new nuclear investment around the Mediterranean in the years ahead. This prospect raises questions about the capacity for nuclear governance quite apart from the question of nuclear weapons proliferation in Turkey's neighborhood. The questions will become more pressing to the extent that climate policy increases the incentives for nuclear projects. As the psychological and political barriers to

civil nuclear power decline, it will become much harder to deny nuclear technology and access to the nuclear fuel cycle to interested countries.

Turkey may be uncomfortable with its heavy energy dependence on Russia and Iran. Yet, our debate revealed a higher degree of European and American anxiety about the strategic implications of this situation (this gap in perceptions can also be seen on the question of Iran's nuclear program). The country's top two energy suppliers are also the region's two most aggressive actors. Over the next decade, European and Turkish energy consumption may be dwarfed by the growth in demand and consumption in China and India, a scenario that could be reinforced by the longer-term effects of the global economic crisis. Under these conditions, Turkey might find itself "just on the west of the larger energy game to the east." Seen from a central European perspective, and in light of the energy crisis with Ukraine and other cases, Turkey's position as a transit country appears to some European actors as a position of significant leverage.

Our debate highlighted, but obviously could not fully answer, two related questions. First, why should the US be interested in Europe's energy security? Concerns about Russian dominance of Eurasian energy trade figure prominently in the American strategic debate, and the question also bears on Iran and Iraq policy in important ways. But the question will need to be answered in specific economic and security terms as part of the Obama administration's emerging approach to transatlantic relations. One intellectual challenge will be the need to bridge the gap between an American energy security discourse overwhelmingly tied to Persian Gulf oil, and a European debate driven largely by access to natural gas. Will Turkey be seen as part of Europe for the purposes of this debate, or as a stand-alone case? As one participant noted, opening – or failing to open -- the energy chapter in Turkey's EU accession negotiations will send a strong signal.

Political Consequences of the Crisis – What Could Change, Who Will Change it?

The economic crisis is having tough, practical consequences on both sides of the Atlantic, not least via rising unemployment and consequently sharper debates about social policy and reform. Our discussion explored the question of domestic effects in Europe, the US, Turkey and adjacent regions. While the immediate consequences of the crisis may be contained and economies put back on track, the sharp and severe nature of the down-turn, in combination with other trends, could spell a period of

intense reassessment and perhaps outright rejection of established models. The potential for turmoil and the rise of new (or the return of old) ideologies cannot be discounted, especially in those parts of the European neighborhood where political transitions are rudimentary or incomplete.

Several themes were identified in our debate. First, populism and nationalism are on the rise, and are now important forces influencing internal and external policies. Pro-EU forces and elements comfortable with globalization will be especially hard pressed. Despite the obvious role of the EU as a pole of attraction and a stimulus to reform, societies in Central and Eastern Europe, and the Balkans, are experiencing pressures for a re-nationalization of policies. A continuing crisis could also produce more serious pressures along these lines in key Western European countries.² From the perspective of Turkey and other enlargement candidates, the global crisis has produced much less favorable conditions for progress. European publics, already ambivalent, are now inclined to measure new enlargements even more critically in terms of perceived costs and benefits. These conditions can also be expected to reinforce the existing French and German positions and spur more serious talk of alternatives to full membership for Ankara.

Second, the state is back. The role of the state has been strengthened vis-à-vis a weakened private sector, but also in relation to regional and global institutions. This process is unfolding despite the widely acknowledged need for multilateral responses to the global crisis. To a greater or lesser degree, rightly or wrongly, the business sector has been discredited across Western societies. Today, the most dramatic political cleavages are not between right and left, but rather between the state and the private sector; or more accurately, between supporters of state intervention and adherents of an unadulterated capitalist model. Even if some governments are unenthusiastic stakeholders in the private economy, large-scale bail outs and outright nationalization of key enterprises will create new patterns of regulation and governance. Over time, these stakes could become structural. At a minimum, it will be difficult to retreat from a more interventionist and tightly regulated posture, especially in the financial sector. Public expectations will change, and this will inevitably have political consequences. One participant saw opportunity for the EU in this climate (“this should be the EU’s moment as it is basically a regulatory system”).

² Our discussion did not reflect the results of the most recent European Parliament elections, but these only underscore the concerns voiced by participants.

Third, societies face multiple challenges to public welfare and social cohesion as budgets contract and deficits grow. These challenges are often being felt most acutely at the local and regional level. In the US, some are beginning to describe California -- the world's seventh largest economy -- as a "failed state," although its predicament is widely shared. Europe, with its more developed social welfare system, has been insulated from some of the worst consequences of mounting unemployment and shrinking municipal budgets. The worst placed may be middle powers with strong populist and nationalist instincts and weak safety nets -- Egypt, Mexico, Ukraine et al. For the US, the economic crisis has galvanized demands for systemic change, especially on health care and social security. These are no longer tactical political battles but the stuff of dramatic national debate. For years, transatlantic observers have worried that Europe and America would drift apart as each pursued very different economic and social models, a trend that might ultimately contribute to strategic decoupling. Even as the global crisis raises the risk of re-nationalization, pressures for reform, and something that looks more like the European social model in the US, could actually spell greater convergence in transatlantic terms. As one participant put it, "neither the degree, nor form of government, seem to matter in this crisis," citizens are looking for security and the prospect of a return to normal expectations.

All of this will test longstanding models for governance and prevailing attitudes toward globalization and power. Our debate turned to the question of whether the crisis would contribute to the de-legitimization of Western leadership in general, and American predominance in particular. A certain American idea of unbridled capitalism has clearly fallen out of favor, and there is a more open discussion of alternatives, even in the US. At the same time, Asia shows every sign of remaining fully attached to a vigorous capitalist model.³ In terms of global power, the US may be tarnished by the current crisis, but this could change quickly if the US pulls out of the recession soon. With its \$13 trillion economy, the US will have few real competitors for some time to come. The same could be said in the cultural and defense arenas. That said, the US is not an unassailable "hyper power," and America's preeminent position is increasingly challenged and conditional. The dollar's transition from a "preferred" to a "default" currency is one tangible measure of this shift.

³ In the words of one participant, "when the dust settles, I think we will find that the East is the biggest defender of capitalism, not the West."

Geopolitical Implications – EU and the Neighborhood, Russia and NATO

Beyond the direct effects of the crisis on societies, economic stringency could have a range of implications for regional geopolitics, from reduced resources for international engagement to a greater propensity for conflict. The crisis has also spurred a more general reassessment of foreign and security policies, including closer attention to the nature of Turkey's evolving policy toward its neighborhood.

The last few years have seen the emergence of a new look in Turkish foreign policy, largely defined by Foreign Minister Davutoglu's notion of "strategic depth" and a policy of "zero problems" with neighbors. For the current government in Ankara, this has been an attempt to correct the anomalous situation of the Cold War years in which Turkey's external policy was oriented overwhelmingly toward the West. For its supporters, the new approach has yielded considerable benefits, not least in the commercial sphere, where Turkey's political and economic engagement have gone hand in hand. Viewed in historical perspective, Turkey's involvement to the south and east is nothing new, and should not be understood as an intellectual or political bias working against Ankara's role in western institutions. In short, nobody is "losing" Turkey, and in this view, even the fashionable notion of "neo-Ottomanism" is largely an invention of Western analysts. To be sure, there have been missteps over Hamas, Sudan, Iran and other issues, and some of these have perturbed relations with Europe and the US. Ultimately, Ankara's neighborhood policy is all about projecting Turkey's soft power across a wider area and a portfolio approach to increasingly uncertain political and economic relationships.

Is this strategy sustainable? Our debate suggested that economic realities, including those imposed by the current crisis, might well argue in favor of a diversified approach to Turkish external policy. Moreover, from an American and European, as well as a regional perspective, few can argue with the stability benefits deriving from Turkey's improved relations in the Aegean, the Balkans and the Middle East. But the new look also risks being hobbled by a lack of focus and evident priorities. Turkey's western partners will be concerned that NATO and EU ties are the obvious losers in this context. Moreover, pressing issues and new crises may make Turkey's engagement with Middle Eastern and Eurasian neighbors difficult to reconcile with a policy that still aims at compatibility with European and American interests. Russia offers one test. Policy toward the Palestinian-Israeli dispute offers another. Iran offers several, from policy toward Tehran's nuclear program to the increasingly pressing question of

democracy and human rights inside the country.⁴ To the extent that Turkey's EU candidacy progresses, the standards of convergence in foreign policy terms will become more rigorous, and the scope for a more independent approach reduced. So too, with a new Administration in Washington, Ankara may no longer have the excuse of an uncongenial style on the US side, and agreement on regional issues cannot be taken for granted.

European and American partners are generally sympathetic to the idea that Turkey should pursue a more active and confident policy in adjacent regions. At the same time, these partners will continue to seek assurance that this does not imply a structural shift in Turkish affinities and aspirations – or patterns of strategic cooperation. Without question, part of the responsibility is on the European and American side. Ankara will look to be taken seriously in its own right, and relations with the West should not simply be derivative of other policy interests, whether the containment of assertive neighbors, or energy security. In Turkish-Western relations, “the medium is the message.” Style matters alongside substance, and both sides have made mistakes in this realm, from the rhetoric from Washington over Iraq, to Davos, to the arms length style of much European dialogue with Ankara, to the Rasmussen dispute. Public suspicion and rising nationalism spurred by economic challenges will impose even greater responsibility on political leaderships to keep the substance in mind.

Turkey, of course, is not the only actor with a neighborhood policy. The EU and Russia also pursue policies described in these or similar terms (e.g., the “near abroad”). Diversification and attention to peripheries has become fashionable, driven by very real strategic interests and a desire to shape relations with critical, adjacent regions. Suspicion and misperception abound. Turkey worries about the encroachment of NATO and the EU on its own sovereign interests in the Black Sea. EU decision-makers worry about a perceived lack of transparency in Turkey's policies toward the region. Turks have difficulty deciphering the European Neighborhood Policy, as well as the new Union for the Mediterranean. American policymakers, keen to reinvigorate transatlantic relations after years of friction, are looking for new avenues for cooperation on the European periphery. Here, too, Washington's policy preferences toward, for example, the Black Sea and the Caucasus, may not be easily reconciled with those of Europe or Turkey.

⁴ Our debate took place before the recent presidential elections and violence in Iran.

Ankara's objections to Danish Prime Minister Anders Fogh Rasmussen's candidacy for NATO Secretary General were cited as a symptom of broader Turkish unease with the evolution of NATO and EU strategy. In the wake of the experience in two Gulf wars, Turkey's leadership has become skeptical of the Alliance commitment to Turkish security, especially on the country's Middle Eastern borders. This climate of suspicion has made itself felt in the context of NATO-EU defense cooperation, where it is also fueled by the troubled state of Turkey-EU relations and differences over Cyprus. The emergence of a more independent Turkish approach to regional security is not surprising, and could complicate the revision of NATO's strategic concept, especially on Middle Eastern and Eurasian challenges. Whether Turkey's Western partners will see a more independent and diversified Turkish policy as an asset or a liability remains an open question.

Geopolitical Implications – The Middle East and Global Security

Further reflection on the economic crisis and its geopolitical effects suggests that we are at a turning point in terms of American leadership, globally and in key regions. The crisis has clearly damaged America's reputation, compounding the critical debate about American power after 9/11 and Iraq. At the same time, the advent of the Obama administration has fundamentally changed the international discourse about the US. Expectations are running high regarding a new approach from Washington on critical questions, from climate policy to the Middle East peace process. Broadly, America's partners are anticipating a more multilateral approach, less "transformative" and more attentive to regional alliances and traditional human rights concerns (as opposed to democracy promotion *per se*). Iraq, Afghanistan, Iran and the Middle East peace process will be key tests for a more multilateral approach against a backdrop of continuing economic distractions. Even with a demanding domestic agenda, these are flashpoints the Obama administration will not be able to ignore, although perceptions of cost and political priority may well shape American options. Beyond crisis management, Washington is likely to seek a "lower maintenance" foreign policy, with less concern about American leadership in areas where partners may be better placed to take the lead.

Iraq has been a particularly contentious issue in US-Turkish relations and in transatlantic relations as a whole. The process of American military disengagement from Iraq offers new opportunities for cooperation beyond the narrower questions of the PKK, northern Iraq and access to

Incirlik airbase. On the PKK issue, bilateral cooperation has clearly improved over the last two years. It has been far more difficult to focus American policy attention on Turkey's role with regard to the longer-term future of Iraq. By virtue of geography, shared interests and extensive economic involvement in Iraq, Turkey should be a leading partner for the next stages in Iraq strategy. But the American debate over international diplomacy for Iraq is dominated by the question of whether neighboring Arab states, and even Iran, can be encouraged to play a positive role. Turkey simply has not had the place it deserves in US planning, or more properly, joint policy planning. Ideally, it is possible to imagine a multilateral strategy for Iraq in which Europe -- including Turkey -- and international institutions play a more prominent role.

On Afghanistan, Turkey is very much in the European mainstream -- committed to a substantial role in reconstruction and development, but reluctant to take on new military tasks. Despite the new force surge, the Obama administration is likely to face growing pressure, domestically and internationally, to frame a convincing exit strategy for Afghanistan. European public resistance to combat missions is likely to encourage an even sharper focus on counter-terrorism operations *per se*, rather than broad gauge counter-insurgency. Much of this activity will inevitably be over the border in Pakistan, where wider questions of stability and nuclear control will also come into play. Ankara has been keen to emphasize Turkey's historically close political ties to Pakistan and Afghanistan, and the utility of these ties for Western strategy. But the extent of Turkish influence in operational terms remains unclear. Overall, Afghanistan and Pakistan are areas that will test American exposure to the problem of strategic over-stretch, but it is also unclear that the operational capacity of US partners will be sufficient to fill any emerging voids.

Iran poses a wider range of tests for cooperation across the US-Turkey-EU triangle. The Obama administration appears committed to opening a dialogue with Tehran, but is not necessarily any more inclined than the Bush administration to tolerate the emergence of a nuclear-armed Iran. Depending on the pace of Iran's nuclear program, the trilateral partners may face some pressing near-term tests on Iran policy. Turkey is a leading stakeholder here, not least because of the significantly expanded economic and political relationship between Ankara and Tehran, and Turkey's seat on the UN Security Council. It is certainly not in Turkey's interest to see the emergence of a new nuclear arsenal in its neighborhood. But Turkey's perception of risk from this quarter has been markedly lower key than that of the US or leading EU countries. The relatively warm ties between the Erdogan government and

Tehran may be an advantage for Turkey's Western partners under conditions of engagement and détente with Iran. Against a background of renewed containment and sanctions, Iran policy could just as easily prove a source of friction. An American or Israeli strike against Iran's nuclear facilities would almost certainly meet with a very negative response from the Turkish public, and in the absence of a direct threat to Turkish territory, it is hard to imagine any official Turkish support for military intervention. In any case, the window for a military option may well be closing, and Turkey, Europe, the US, Israel and others may need to think seriously about what it will mean to live with a nuclear Iran.

By choice or by necessity, the Obama Administration has opted for an early and active approach to the Middle East peace process. This is a departure from the pattern set by the Clinton and George W. Bush Administrations, both of which waited years to fully engage at the highest levels. Europeans and Turks -- and many Israelis -- anticipate a more "balanced" approach, although the scope for change in American policy may be more limited than is sometimes assumed. Almost certainly, the Obama Administration will be more open than its predecessors to an active European and Turkish role on the Israeli-Palestinian and Israeli-Syrian tracks. In theory, this could also open new opportunities for Turkey, along the lines of Ankara's established facilitation between Israel and Syria. In practice, the strong resonance of the Palestinian issue with the Turkish public, and Turkey's movement to a more overtly pro-Palestinian posture over the last few years, may well push the strategic relationship with Israel to a breaking point, complicating Ankara's role as an interlocutor. This trend may also prove controversial with Turkey's Western partners, ever sensitive to signs of Turkish drift away from the Euro-Atlantic mainstream on foreign policy matters.

Scenarios for Turkey and Europe

Many aspects of our trilateral discussion bore on the future of Turkey's EU candidacy. Our final debate addressed this question directly, exploring the reasons for Turkey's troubled candidacy, looming strategic issues, including the effect of the economic crisis, and the role of the US in the process.

To an important degree, the case for Turkey's membership has turned on broad geopolitical arguments about rounding out the European economic and political space, building bridges between "civilizations," and completing Turkey's long-term process of convergence with the West. As a candidate country, however, progress is now defined in terms of specific political and technical steps – against a

background of shifting public attitudes. Since the start of formal accession negotiations, the process has been characterized by a series of advances and reversals. The last few years have been especially troubled, with Europeans disappointed by the pace of Turkish reform, and Turks equally disappointed by Europe's perceived reluctance to move ahead in good faith. In formal terms, the EU collectively decided to put four to five accession chapters on hold pending Ankara's implementation of the "Ankara Protocol" concerning the opening of Turkish ports to Cypriot shipping. Politically, the negotiations have been dealt a significant blow by the open ended nature of the process and the opposition of the French and German governments to the goal of full membership for Turkey.

The question of the end state, full membership or some form of "privileged partnership," is now an open question in a way that was never fully anticipated when Turkey was given candidate status. For understandable reasons, Turkish advocates of EU membership have been reluctant to discuss arrangements short of full membership. But in the absence of new progress on critical issues, and much stronger political commitment to the process on all sides, a serious debate about privileged partnership may well develop in Turkey. This could interact with negative trends in Europe to make the original vision of full Turkish integration a much more distant prospect. None of this is inevitable. Back-to-back "pro-Turkey" presidencies in the EU will clearly help over the next year, but concrete steps from the Turkish side will also be needed to take full advantage of this situation. The reform agenda is a critical issue, and opening the Halki seminary could improve the atmosphere. But movement on Cyprus is essential, and the center of gravity for negotiations is now between the communities on the island rather than in Brussels or Washington. Turkey faces a near-term deadline with regard to the Ankara Protocol, and without movement on this issue, there is some risk that Turkey's candidacy might be suspended, with potentially far-reaching consequences; an unlikely but possible scenario.

Unfortunately, the public and political underpinnings for Turkey's EU project are eroding just as the accession process itself has lost momentum. Previously enthusiastic sectors in Turkey, including younger people, are becoming disillusioned. In Europe, the enthusiasm for new enlargements has waned, and this trend will no doubt be reinforced by the economic crisis and the growing strength of nationalist and anti-immigration politics. Given the long-term nature of the accession project, these trends can be reversed. But the debate tends to be driven by populist sentiment and near-term political calculations. Polling by GMF and others reveals a striking gap in European and Turkish perceptions of the outlook for accession. On the whole, Turks continue to favor EU membership, but doubt Turkey will

be able to join. By contrast, Europeans tend to view the prospect of Turkish membership negatively, but also believe it will happen. Is this a reflection on the experience of previous enlargements, cynicism about EU decision-making, or faith in Turkish reform and convergence over the longer-term?

The future of Turkish-EU relations is also a critical question for American interests and transatlantic relations. Successive American administrations have been strongly supportive of Turkey's membership bid. President Obama reiterated this commitment during his April 2009 visit to Turkey. The French response to his remarks also made clear that, even in a climate of improved transatlantic relations, Washington's advocacy faces obstacles. In part, this can be ascribed to the strength of French and German opposition to full membership for Turkey. At the same time, American discourse about Turkey's candidacy has not progressed very much since the start of the process, and still relies heavily on general geopolitical arguments. The US is not well placed to shape European public perceptions of enlargement or to counter xenophobic tendencies working against acceptance of Turkey in Europe. But our debate suggested that the US could do more to underscore Turkey's role in managing key transatlantic challenges, issue by issue, and to help build the public and private sector constituency for Turkish integration. Within limits, the US may also be able to contribute to a resolution of the Cyprus roadblock, through the appointment of a special envoy or other means. Overall, the transatlantic discourse about Turkey needs to move from geopolitical platitudes to practical cooperation based on shared, trilateral interests.

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