
 Istanbul, 26 – 27 June 2015

Europe and Turkey

Working Session of the Club of Three

An event organised in partnership with Global Relations Forum, with the generous support of Robert Bosch Stiftung

SUMMARY

Below, from left to

right: İltir Turan (centre) makes a point during one of the Saturday sessions; Bozkurt Aran and Ünal Çeviköz

Bottom (left): Minister Çavuşoğlu delivers his keynote address on the Friday evening

The Club of Three-GRF Working Session that took place in Istanbul at the end of June was the second meeting to engage in a dialogue on Europe-Turkey cooperation.

The first meeting in Paris in December 2014 had been a calibration exercise, drawing attention to the need to adjust responses to common challenges. It highlighted several areas of shared interest where collaboration could be strengthened, such as counter-terrorism, energy and trade.

There was also an overwhelming feeling that Europe and Turkey's futures were linked, and that they should look beyond political disagreements to establish a more solid and enduring relationship based on mutual trust.

The Working Session built on these conclusions. As well as strengthening the Club of Three-GRF partnership, it sought to provide new perspectives on topics that had been discussed in December and to deepen participants' understanding of these issues.

Following an initial discussion over dinner on the Friday evening during which Turkish Foreign Affairs Minister Mevlüt Çavuşoğlu gave a keynote address, some 60 high-profile politicians, business leaders and academics from France, Germany, the UK and Turkey gathered at Yapı Kredi Yeniköy Korusu on the Western shore of the Bosphorus.

The meeting opened on a sombre note. News of the Tunisia massacre on the Friday morning was a harsh reminder of the threats posed by extremist groups and the importance of close cooperation and strategic convergence between Europe and its neighbours.

However, there was also optimism about the prospect of political



AGENDA

Friday 26 June

Dinner

**Welcome from Memduh Karakullukçu (GRF)
and Lord Simon of Highbury (Club of Three)**

Keynote Speaker: **Mevlüt Çavuşoğlu**

Saturday 27 June

Session I

SHIFTING REGIONAL BALANCES, CHANGING
FAULT LINES, NUCLEAR DILEMMAS

Chair: **Yaşar Yakış**
Keynote Speakers: **Özdem Sanberk**
Marc Pierini
Michael Stürmer

Coffee Break

Session II:

ENERGY COOPERATION: THE LOW-HANGING
FRUIT OF EUROPEAN-TURKISH STRATEGIC
CONVERGENCE?

Chair: **Michael Maclay**
Keynote Speakers: **Ünal Çeviköz**
Antoine Rostand
John Roberts

Buffet Lunch

SPECIAL SESSION ON TURKISH AND
EUROPEAN ELECTIONS

Chair: **Sir David Logan**
Keynote Speakers: **Aslı Aydıntaşbaş**

Coffee Break

Session III:

GLOBAL ECONOMIC GOVERNANCE: A DOMAIN
FOR TURKISH-EUROPEAN COOPERATION
OR CONTROVERSY?

Chair: **Bozkurt Aran**
Keynote Speakers: **Ayşe Sinirlioğlu**
Joachim Bitterlich
Armand Laferrère

depolarisation in Turkey following the outcome of the June elections and the new opportunities that a coalition government could bring.

DINNER DISCUSSION

The event began with a dinner discussion hosted by Global Relations Forum at the Halat restaurant in the Rahmi M. Koç Museum. The guest of honour, Turkish Foreign Affairs Minister Mevlüt Çavuşoğlu, gave a keynote speech on Turkey's current foreign policy towards its immediate neighbourhood including Europe and the Middle East.

The Minister reiterated the message delivered by the Turkish Ambassador to the EU, Selim Yenel, at the Club of Three-GRF plenary meeting in December, stressing that EU integration remained a priority for Turkey.

He acknowledged that more discussion was needed regarding accession chapters 23 and 24 on judicial and fundamental

Below: Lord Simon of Highbury and Minister Çavuşoğlu

Bottom (from left to right): Muriel Domenach and Hakan Altınay



rights but added that his country was more than willing to embark on an outcome-orientated process that would generate concrete improvements.

However, Mr Çavuşoğlu also had some frank words about the current state of affairs in Europe. With the rise of far-right movements and nationalism, xenophobia, weak growth and the deepening debt crisis, the EU must address its own social and economic problems in order to continue to be an inspiring model for its neighbours, he said.

According to the Minister, another priority for Turkey was to build strong relationships with its immediate neighbourhood. He stated that diplomatic activism was a necessity for the country. Turkey had upgraded bilateral agreements with 20 countries including Russia and Greece, and was developing a number of trilateral framework agreements, such as Turkey-Bosnia-Croatia or Turkey-Azerbaijan-Turkmenistan.

It was also stepping up its presence in Africa. The number of embassies there had increased from 12 to 39, rising to 42 by 2016. In addition, Africa received a large proportion of Turkey's foreign aid for development projects alongside Least Developed Countries (LDCs) in other parts of the world. Turkey was now one of the four largest donor countries. Development aid to LDCs was an important aspect of its

foreign policy and one of the main themes of the Turkish presidency of the G20, according to Mr Çavuşoğlu.

The third topic addressed by the Minister was the Syrian conflict and the situation in the Middle East.

Responding to criticism over the government's perceived inaction on its southern border with Syria, he insisted Daesh did pose a threat to Turkey's security. He stressed that, with more than 1.8 million Syrian refugees now on its soil, Turkey had made significant humanitarian efforts.

Any chance of a resolution would require a comprehensive strategy involving all the main powers including Russia and Iran. The Minister also called for increased coordination between coalition partners as flaws in the surveillance of foreign fighters from Europe could still be observed, and not just within the borders of Turkey.

SESSION I

SHIFTING REGIONAL BALANCES, CHANGING FAULT LINES, NUCLEAR DILEMMAS

Discussions on the Middle East continued through the first session on Saturday morning. Highlighting the tragic events unfolding in France, Tunisia and Kuwait, the participants underlined the importance of tackling radicalism in the region. They observed



Left: Yaşar Yakış, Marc Pierini, Memduh Karakullukçu, Joachim Rogall, Hikmet Çetin, Sir David Logan, Mustafa Kılıçaslan and Markus Lux



that due to interlocked threats and the emergence of a new order, the situation in the region had deteriorated considerably and become more complex since December.

The conflict in Syria was intensifying, adding to the number of refugees and worsening human suffering. The fall of Aleppo would make matters much worse, triggering another wave of mass migrations to neighbouring countries and giving Daesh access to the Mediterranean.

According to one of the participants, three major game changers could potentially unlock this crisis:

- A nuclear deal with the West, transforming Iran into a constructive regional partner
- Russia declaring the Assad regime a liability
- A new coalition government in Turkey leading to adjustments in foreign policy

However, concerns were expressed about how Iran would behave once a deal was reached and whether it could truly become a stabilising force in the region. When negotiations over its nuclear programme had begun in 2013, there had been hopes that a deal would bring Iran into the diplomatic fold.

However, Iran had shown no signs of ending its divisive sectarian policies and had in fact stepped up its interference in other Middle Eastern countries, as seen with its backing of the Houthi rebellion in Yemen. There was therefore reason

to believe that the end of economic sanctions in Iran could lead to more conflicts. Israel was also cited as one of the causes of instability in the region. One of the participants likened the current situation in the region to Europe in the run-up to the First World War, with two rapidly growing and antagonistic powers: Saudi Arabia and Iran. To contain Iran, the EU would need to develop very close economic ties with the country and both sides would need to accept their differences, according to some participants.

Redrawing the lines

The collapse of two large states – Syria and Iraq – and the emergence of powerful local groups such as Daesh had prompted major territorial disruption. In Syria, Bashar al Assad now seemed ready to surrender large parcels of land to Daesh and to run a much smaller state with Damascus as its main city.

Many participants agreed that the borders drawn under the 1916 Sykes-Picot agreement were obsolete but questions were raised over what should replace them. There was some consensus that tribal and sectarian entities were most likely to replace the shattered states of Iraq and Syria.

Although some feared the consequences of the Middle East breaking up into a myriad of separate entities, others stressed that such complex territorial structures, however imperfect, had been a fact of life in countries such as Lebanon for decades.

Top: John Roberts and Antoine Rostand
Top right: Armand Laferrère and Joachim Bitterlich

In Europe, the Syrian refugee crisis had put the Schengen regime under serious stress, with a number of countries calling for the reintroduction of border checks. One of the participants stated that there was no prospect for refugees to return home and consequently, more social controversies could be expected in the receiving countries.

It was also noted that Europe seemed powerless to tackle this crisis even though the number of Syrians reaching its shores was significantly lower compared with countries such as Turkey or Lebanon. This played into the hands of far-right parties which were gaining electoral ground across the EU and showed the need for a rapid coordinated European response.

SESSION II

ENERGY COOPERATION: THE LOW HANGING FRUIT OF EUROPEAN-TURKISH STRATEGIC CONVERGENCE?

During the December meeting, energy was singled out as one of the main areas where EU-Turkey cooperation would be most fruitful. In order to highlight perspectives from both sides on energy issues, an entire session was dedicated to this topic at the June meeting.

The discussion began with a tour d'horizon of the global gas market, which had been revolutionised by US shale gas. It was noted that energy users could consequently expect a long era of cheap gas as well as new technologies and players in the energy domain.

One participant said that current low oil prices were not going to rise dramatically any time soon, though they could be expected to recover over the next 2-3 years.

Two differing scenarios were however conjured up for the short-term:

- Continuing low energy prices: More oil coming on the market following

LIST OF ATTENDEES

Hakan **ALTINAY** *Global Civics Academy and The Brookings Institution* | Bozkurt **ARAN** *TEPAV Centre for Multilateral Trade Studies and formerly Turkish Ambassador to Iran and Pakistan* | Lucien **ARKAS** *Arkas Holding* | Asli **AYDINTAŞBAŞ** *Journalist and commentator* | Joachim **BITTERLICH** *ESCP Paris Business School and formerly German Ambassador to the North Atlantic Council and Spain* | Zeynep **BODUR OKYAY** *Kale Group of Companies* | Yavuz **CANEVİ** *TEB and formerly Central Bank of Turkey* | Turgut **CANKOREL** *Chadbourne & Parke Istanbul and a GRF Young Professional* | Hikmet **ÇETİN** *Formerly Grand National Assembly and Foreign Affairs Ministry, Turkey* | Ünal **ÇEVİKÖZ** *Former Turkish Ambassador to the UK, Iraq and Azerbaijan* | Salim **DERVİŞOĞLU** *Former Commander of the Turkish Naval Forces* | Muriel **DOMENACH** *French Consulate, Istanbul* | Cem **DUNA** *AB Consultancy and Investment Services and formerly Turkish Ambassador to the EU and UN* | Canan **EDİBOĞLU** *ING Bank, Aygaz and formerly Shell* | Üstün **ERGÜDER** *Education Reform Initiative, Sabanci University and formerly Boğaziçi University* | Natalie **FERBER** *Robert Bosch Stiftung* | Orhan **GÜVENEN** *Bilkent University and formerly Undersecretary at State Planning Organisation* | August **HANNING** *ISD and formerly Federal Ministry of the Interior and the BND* | Sasha **HAVLICEK** *ISD* | Memduh **KARAKULLUKÇU** *GRF* | Mustafa **KILIÇASLAN** *formerly Microsoft Corporation* | Armand **LAFERRÈRE** *AREVA* | Sir David **LOGAN** *British Institute at Ankara and formerly UK Ambassador to Turkey* | Markus **LUX** *Robert Bosch Stiftung* | Michael **MACLAY** *Club of Three and Montrose Associates* | Muhsin **MENGÜTÜRK** *Doğuş Holding A.Ş and formerly Capital Markets Board of Turkey* | Anne-Elisabeth **MOUTET** *Columnist and features writer* | Hella **PICK** *ISD* | Marc **PIERINI** *Carnegie Europe and formerly EU Ambassador and Head of Turkey Delegation* | John **ROBERTS** *Methinks Ltd* | Joachim **ROGALL** *Robert Bosch Stiftung* | Antoine **ROSTAND** *Schlumberger Business Consulting* | Gülsün **SAĞLAMER** *Istanbul Technical University* | Özdem **SANBERK** *International Strategic Research Organisation and formerly Foreign Affairs Ministry, Turkey* | Lord **SIMON** *Club of Three and Engie* | Ayşe **SİNİRLİOĞLU** *G-20 Sherpa of Turkey and Ministry of Foreign Affairs* | Michael **STÜRMER** *Die Welt* | Gül Günver **TURAN** *Turkey-EU Association* | İliter **TURAN** *Bilgi University, Turkey* | Füsun **TÜRKMEN** *Galatasaray University, Turkey* | Leigh **TURNER** *HM Consul-General, Istanbul* | Levent **TÜZÜN** *GRF Young Scholar and EBRD* | Jutta **WOLKE** *German Consulate, Istanbul* | Yaşar **YAKIŞ** *STRATIM and formerly Foreign Affairs Ministry, Turkey* | Rona **YIRCALI** *Yırcalı Group, ICC WCF and TEV* | Ayşe **YÜKSEL** *Chadbourne & Parke LLP*

a deal with Iran. Saudi Arabia would maintain its current output. China might move towards electric cars which would reduce demand for oil and gas products

- A high-prices spike: Production falling, partly because US shale oil producers are being squeezed out; no Iran deal; and Saudi Arabia keeps prices up

One of the participants noted that Turkish consumers had so far not fully benefited from the drop in oil prices due to the depreciation of the Turkish Lira. In the future, however, it would benefit from cutting its reliance on oil, diversifying its sources, increasing the share of renewable energy in electricity production (30% by 2023 in line with EU objectives), and investing in energy efficiency particularly in buildings.

There was debate over whether Turkey could achieve its ambition of becoming an energy hub. With plans from Russia, Azerbaijan and Turkmenistan to transport their gas to Europe via Turkey, the country retained its strategically important position.

To become a hub, one of the participants argued that Turkey would need to introduce clear rules on gas transmission, liberalise its domestic market and invest in gas storage facilities; ultimately, its future as a trading platform rested with energy consumers more than producers. Some participants believed that, over time, Turkey would create the right conditions to achieve its ambition.

The construction of the Trans-Anatolian Natural Gas Pipeline (TANAP) was seen as a major opportunity for both Europe and Turkey to increase the security of their energy supplies.

Participants from both sides argued that Europe should be more forceful with Russia in negotiations over the Trans-Caspian Pipeline which would link Turkmen gas to Azerbaijan, the gateway to Turkey and Europe.

Russia was opposed to this project. One of the main objections raised was that the status of the Caspian Sea was unclear. If it is a sea, all five littoral states should be entitled to develop projects in their own territorial sectors.

Concern was also raised over Russia's plan to build the Turkish Stream, viewed by Europe potentially as a strategy to hinder the supply of gas from Azerbaijan, Turkmenistan and Iran. One of the participants pointed out that Russia had been moving ahead with the project before reaching a pricing agreement with key countries – Turkey and Greece. This showed great determination to maintain its gas leverage over Europe.

Below: John Roberts and Ayşe Yüksel

Bottom (from left to right): Gülsün Sağlamer and Gül Günver Turan



Another participant asked whether concerns over Russia's actions were overblown if natural gas was becoming a buyer's market. Regarding Iran, experts were of the opinion that it would not affect market dynamics significantly because of doubts over its capacity for internal distribution. But much would hang on what it might do once economic sanctions have been lifted, and we were only at the beginning of seeing how Russia and China's role in the region, not least within the Chinese 'New Silk Road' strategy, would develop.

Some participants also highlighted the need to prioritise carbon pricing mechanisms to minimise the distortion of externalities.

Regarding uncertainty in the gas market, one participant pointed to the current trend of global shale supply abundance and LNG integration as potential paths that may erode Russia's market dominance. It was also noted that with the new shale oil technologies, oil production may be shifting from a fixed- to a variable-cost model.

SPECIAL SESSION ON TURKISH AND EUROPEAN ELECTIONS

The result of the June election was a critical juncture that would potentially bring a major reconfiguration of Turkish

politics. For the first time in 13 years, the ruling Justice and Development Party (AKP) did not form a majority government. The AKP had won 258 parliamentary seats, down from 327.

For some observers, this was perceived as indicative of the public's reluctance to support President Recep Tayyip Erdoğan's plan to strengthen presidential powers through constitutional changes.

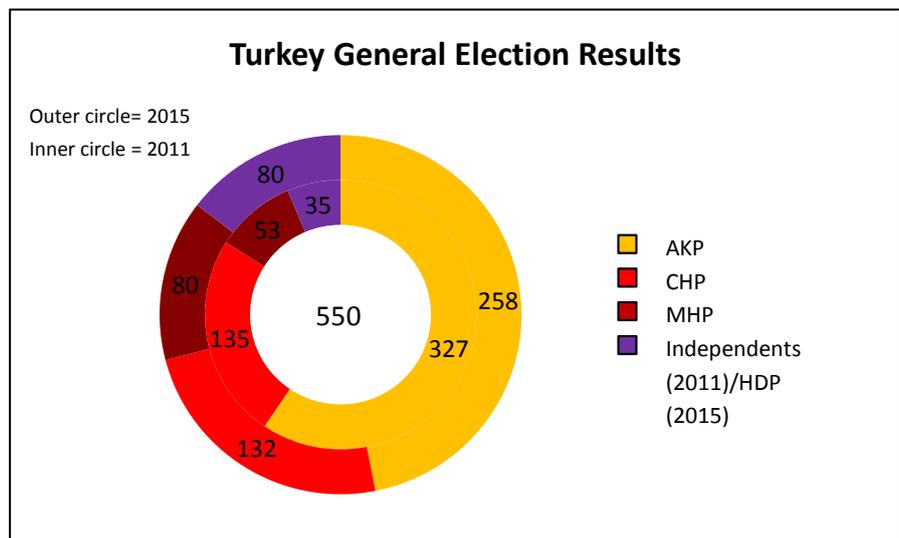
The chair of this session drew a comparison between the unexpected results of the Turkish and UK elections that took place in May, which saw David Cameron's Conservative Party win an overall majority in parliament. Regarding Turkey, it was mentioned that although a drop in AKP support was anticipated, no one could have predicted the extent of the loss sustained by the party in June.

The big winners were the pro-Kurdish HDP party (80 seats) and the ultra-nationalist MHP party, which increased its seats by 27, reaching a total of 80.

Three possible post-election scenarios for Turkey were outlined:

- AKP coalition with the social democrat party CHP
- AKP coalition with the MHP party
- Early elections

Bottom left: Turkish journalist Asli Aydintasbas





One of the participants argued that corruption claims and the controversy over the new presidential palace had probably contributed to the erosion of AKP support. At the same time, according to many observers the opposition parties were unable to grasp the upward momentum during their election campaigns.

Because of the irreconcilable positions of the MHP and HDP, there was no chance that opposition parties could form a government together.

The prospect of a coalition government brought hope that current social and political divides could be healed. It could also help to close difficult chapters in the EU accession process.

Across Western Europe, the rise of populist and far-right parties was highlighted as a novel and serious phenomenon. In Finland and Denmark for example, True Finns and the Danish People's Party had gained significant ground in recent elections, following similar developments in Sweden and Norway. In different ways, the Front National in France and UKIP in Britain continued to be important, though the latter appeared for now to have peaked. But pressures of migration would continue to affect the political landscape in Europe.

SESSION III

GLOBAL ECONOMIC GOVERNANCE: A DOMAIN FOR TURKISH-EUROPEAN COOPERATION OR CONTROVERSY?

The concluding session saw participants turn their attention to global economic governance and prospects for further economic cooperation between Turkey and Europe. At the halfway point of its presidency of the G20, this session was also an opportunity to assess progress achieved by Turkey so far.

Turkey's G20 Sherpa and Deputy Undersecretary for Economic Affairs at the Turkish Ministry of Foreign Affairs, Ambassador Ayşe Sinirlioğlu, presented the presidency's three main priorities: inclusiveness, implementation and investment.

She stressed that a special committee had been established to ensure that clear policy recommendations were delivered by the end of its one-year stint at the helm of the G20 group. The objectives agreed would also be followed through. For example, G20 members would be made accountable for achieving a 2.1% growth rate over five years.

An important theme for the Turkish presidency was development. Improving food security and decreasing wastage could feed millions of people in Africa while efforts must be made to improve access to electricity. One of the European participants agreed that

Top left: G20 Sherpa Ambassador Ayşe Sinirlioğlu talks about Turkey's priorities for its G20 presidency
Top right (left to right): Michael Stürmer, Yaşar Yakış and Marc Pierini

Turkey's focus on Africa and LDCs was highly relevant. Investing in Africa would be of strategic importance for countries such as Germany which needed to reduce its economic dependence on China.

Another opportunity highlighted by European participants was the Transatlantic Trade and Investment Partnership (TTIP).

The G20 Sherpa reiterated Turkey's concerns over its lack of input in talks between the EU and the US.

As a non-EU member of the Customs Union, the country stood to lose out unless a level playing field is guaranteed. Despite the significant rewards in terms of additional economic output on both sides of the Atlantic, there was also some opposition to TTIP in Europe. The most common concern was that Europe's social and environmental standards would be jeopardised. Participants concluded that more had to be done to address Turkey's concerns and that TTIP's benefits should be better explained to Europeans.

Discussions then turned to the specifics of EU-Turkey economic relations. One of the Turkish participants pointed out that there had been two stages of economic reform in Turkey so far: economic liberalisation and the customs union with the EU.

This process, however, was incomplete and further integration was needed: a new Customs Union agreement including agriculture, public procurement and services. Many of the Europeans agreed with the necessity of taking this new step.

Turkey's pragmatism was praised with respect to its double economic orientation to Europe and the Middle East, robust financial system as well as avoidance of excessively redistributive, growth inhibiting policies. In order to reassure investors however, one of the European participants said that foreign businesses should be protected from political interference.

CONCLUSION

The June meeting highlighted the potential for strategic convergence between Europe and Turkey in the energy sector. Projects such as TANAP would play a vital role in securing and diversifying Europe's gas supplies while bringing Turkey closer to its goal of becoming an energy hub. Africa also

emerged as an area of mutual interest. Countries such as Germany that are heavily reliant on the Chinese economy would gain from developing markets on the African continent, a major recipient of development aid from Turkey.

After two joint events, it was felt that the Club of Three-GRF partnership had provided a solid basis for an open and frank dialogue that could play an important part in bridging Europe-Turkey differences outside of the vicissitudes of EU accession talks.

There was also hope that a reconfiguration of Turkish foreign policy following the June elections would give new impetus to such initiatives. However, it was clear that aligning European and Turkish strategic goals would be a long-term undertaking that required time, patience and perseverance. Participants from both sides agreed on the importance of maintaining the dialogue, formally or informally, in pursuit of this objective.

Below: GRF Vice-Chairman and President Memduh Karakullukçu closes the meeting

