

ASG Analysis: Turkey's Post-Election Foreign Policy Challenges

July 23, 2019

Summary

- Turkey has an opportunity for stability for the first time since the 2016 failed coup attempt and multiple rounds of elections, culminating in opposition candidate Ekrem Imamoglu's recent mayoral victory in Istanbul.
- Key indicators to watch will be:
 - An expected and long-awaited cabinet reshuffle, which may appoint experts with technical expertise and independent judgment;
 - Cooperation, or struggle, between Mayor Imamoglu and AKP officials locally and in Ankara;
 - Central bank policymaking, especially independence from the president;
 - Reform of the justice system, especially prosecution and investigation. This is the least likely but would be an important signal that post-coup insecurity is not driving domestic policymaking.
 - A political challenge from former AKP founders that may pose a significant challenge to President Erdogan. Addressing it will take attention, and his answer may be in the nature of the new cabinet.
- The waiting period for clarity on these issues creates uncertainty for business. A sense of direction should emerge soon after summer holidays.
- Regardless of how well those domestic challenges are handled, foreign policy presents significant obstacles to stability:
 - The [delivery of Russian S400 surface to air missiles](#) has led to Turkey's exclusion from construction of F35 jets (and billions of sunk costs) and triggered additional U.S. sanctions. President Trump, reportedly over-ruling his advisers, has decided not to pursue those sanctions at the moment, but Congress may force his hand.
 - The S400 deal, in part, would allow better relations with Russia. A Turkish offensive in Syria, however, is likely to precipitate wider violence and elevate tensions, since Russia will back Syrian Government efforts to reclaim territory.

- Over the last year, Presidents Erdogan and Trump have dealt with sensitive issues directly, with Trump acceding to Erdogan's requests. This pattern may not hold up, especially if Turkey takes actions that put U.S. troops at risk.
- Tensions over energy exploration in the eastern Mediterranean will add to the sense of instability, although we believe that these will be managed.

Near-Term Challenge: Turkish Acquisition of Russian S-400s

- Turkey has received shipments of Russian surface to air missiles. The U.S., convinced that the Russian equipment would compromise NATO systems, has taken steps to remove Turkey from the production line of the F35 program. This deprives Turkey of economic benefits and leaves its defense sector with sunk costs in preparing for production.
- The S400s' arrival also has triggered sanctions under the Countering America's Adversaries through Sanctions Act (CAATSA), which are congressionally mandated against entities involved in "significant transactions" with the Russian defense industry – a standard that the Trump administration already cited in previous sanctions against China for S400 purchases. President Trump has so far decided not to impose CAATSA sanctions, reportedly over-riding recommendations from his advisers. There is no timeline required for him to enact them, but Congressional pressure, or a downturn in relations, may lead Trump to reevaluate.
- In many circumstances, the president's decision would be accompanied by a diplomatic effort to find a way forward, using the threat of delayed sanctions as leverage. It is not apparent that this has happened (yet) in this instance, but the announcement of an approach would provide an opportunity to move forward.

Escalating Tensions: Eastern Mediterranean

- Tensions in the Eastern Mediterranean have escalated significantly over the past several weeks. The arrival of a second Turkish drillship off the coast of Cyprus – this time in disputed waters, for planned drilling inside the Republic of Cyprus's Exclusive Economic Zone – has been accompanied by increasingly assertive rhetoric from Erdogan and his deputies.
- International responses have varied, with most emphasizing that Turkish drilling in contested waters is counterproductive and raises tensions in the region. The European Union and several member states have gone further, condemning the drilling as an illegal violation of Cyprus's sovereignty.
- International officials believe that these tensions can be managed without significant escalation.

Longer-term challenges: Turkey's economic struggles and domestic political shakeup

- Erdogan's primary domestic concern continues to be Turkey's struggling economy, which still requires significant structural reforms and a recapitalization of private sector debt. A likely shakeup of the cabinet later this summer is expected to bring in technocrats with relevant

financial experience who can help address these challenges, but Erdogan's recent moves – like firing the head of Turkey's central bank – continue to puzzle markets and cast doubt on whether Erdogan is willing to pursue necessary corrective measures.

- At the same time, Republican People's Party (CHP) Mayor Ekrem Imamoglu's victory in the Istanbul re-run election has injected fresh energy into Turkey's opposition and encouraged some former allies who have long expressed frustration with Erdogan to mount new political challenges. Ali Babacan, a former AKP economy minister who recently left the party, is reportedly working behind the scenes to launch a new political party this fall.
- If this happens, it could prompt additional political maneuvering from Erdogan including a reexamination of his relationship with his far-right coalition partner and an effort to reshape the political map with new alliances, as he has done before. A question is whether there are willing partners left.

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