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EU's *de facto* leader Germany took over the Presidency of the Council of the EU on 1 July 2020. Germany has had to reshuffle its priorities in line with the new realities created by the coronavirus pandemic. Assuming the EU's six-month rotating presidency at an unprecedented time, as implied by the motto "Together for Europe's Recovery", containing the economic devastation caused by the pandemic and putting the EU on the path to economic recovery will be the most urgent and Herculean task requiring Berlin's attention. Despite the diminished role of the rotating presidency, expectations from Germany's upcoming term at the EU's helm could not be greater - largely owing to the fact that the country is the EU's economic powerhouse and the engine of European integration.

Germany under the leadership of Chancellor Angela Merkel has played a key role in navigating the EU's course throughout the multiple existential crises shaking its foundations to the core and testing its unity such as the global financial meltdown in 2008 and the ensuing Eurozone debt crisis when the threat of a "Grexit" was imminent as well as the refugee crisis which erupted in 2015. Chancellor Merkel has thus earned a reputation as the EU's perpetual crisis manager. This time as the EU -and the world as a whole- is confronted with a crisis of unprecedented magnitude comparable only to the Great Depression of 1930s, Merkel is once again seen as the only leader capable of coming up with the right prescription to kick start the EU's economic engine. It is important to note that in this pursuit, Germany would need to act cautiously and avoid being perceived as domineering and controlling. Apart from its devastating economic fallout, the coronavirus pandemic has catalyzed the already evident trends in the global system posing additional challenges for the EU. The decline of US' global leadership role and China's increasing assertiveness on the world stage with the risk of a new "Cold War" erupting between the two powers becoming more pronounced, erosion of multilateralism and a retreat from globalization has been gaining ground.

Despite the great expectations from Germany's EU Presidency, Berlin will have to operate within the boundaries set by the Lisbon Treaty. It is important to note that the influence and power of EU's six-month rotating presidency has been weakened with the entry into force of the Lisbon Treaty in December 2009. Driven by the ambition to enhance continuity and coherence in the functioning of the Council, the Lisbon Treaty created the posts of European Council President and High Representative for Foreign Affairs and Security Policy. Another novelty under the Lisbon Treaty has been the introduction of the "trio presidency system" setting up the long-term goals and creating a common work program to be addressed by the Council over the next 18 months. As a result of these changes, acting as a mediator and facilitating compromises in the Council have come to identify the key roles undertaken by the country assuming the rotating Presidency of the Council.



Germany the “Compromise-Maker”: EU’s Long Term Budget and “Next Generation EU”

In Germany’s case, the most urgent and in fact the colossal task ahead would be facilitating an agreement on the coronavirus recovery fund dubbed “Next Generation EU” and the revised proposal for the next long-term EU budget for the 2021-27 period presented by the European Commission on 27 May 2020. With a fierce battle raging over the size of the budget and the grant-loan figures in the proposed recovery fund, between Austria, Netherlands, Denmark and Sweden, which have earned the nickname “Frugal Four” owing to their adherence to strict budgetary discipline and the southern European countries worst-hit by the pandemic in desperate need of financial support, hopes are high that Germany as EU term president will be able to muster a compromise before the summer break.

The negotiations on the EU’s long-term budget are traditionally known to be tough and subject to fierce bargaining between the Member States trying to secure the necessary level of funding for their prioritized policy areas. This time the negotiations are complicated by the additional urgency to agree on the coronavirus recovery fund.

Based on a Franco-German proposal for a 500 billion euro recovery fund, the European Commission has proposed the creation of a 750 billion euro recovery fund which will consist of 500 billion euros in grants and 250 billion euros in loans. The amount will be financed by the Commission borrowing in markets. The proposal, which paves the way for common borrowing, has been hailed as the EU’s “Hamiltonian moment” in reference to the US Treasury Secretary Alexander Hamilton who ensured that the federal government took on the states’ debt following the US War of Independence in 1790.¹ Nevertheless, advocating a smaller EU budget and a “loans for loans” approach, the so-called Frugal Four argue that the fund should be designed as one-off emergency aid and the grant-loan ratio should be revisited. Moreover, an informal alliance has been forming between the four and the Central and Eastern European Member States, which while originally siding with the southern European Member States in the budget negotiations, fear that most of the funding under the proposed recovery fund will be channeled to southern European countries. The southern countries which are on the brink of economic collapse have accused the northern European countries of acting selfishly. To avoid the contentious battle over the next EU budget and the recovery fund from escalating further and raising questions about EU’s unity and solidarity, reaching a compromise urgently is imperative.

Moreover, a striking change of mood in Germany has been taking place. Germany which had been traditionally associated with austerity measures was vehemently opposed to the idea of common borrowing. However, marking a significant departure from this position, Berlin has joined forces with Paris in crafting a proposal for a recovery fund of 500 billion euros. According to Ian Begg from the London School of Economics, this significant shift in Germany’s stance has to do with Merkel’s ideal of preserving EU’s

¹ Anatole Kaletsky, “Europe’s Hamiltonian Moment”, *Project Syndicate*, 21 May 2020. Retrieved on 8 July 2020 from <https://www.project-syndicate.org/commentary/french-german-european-recovery-plan-proposal-by-anatole-kaletsky-2020-05?barrier=accesspaylog>



unity as she is preparing to leave Germany's political stage next year.² The biggest test for Germany's EU Presidency will come on 17-18 July when the leaders of EU27 will convene in-person in order to agree on the next long-term EU budget and the coronavirus recovery fund. Germany is seen as having the necessary weight and clout to broker a deal on the Commission's proposal.

The Possibility of “No Deal” Brexit All Over Again...

The second half of the year will also see intense diplomatic traffic between London and Brussels with the aim to finalize the negotiations on their future partnership before the end of the transition period due on 31 December 2020. UK formally left the EU on 31 January 2020 during Croatia's EU Presidency; however progress in the talks aimed at outlining the future EU-UK partnership launched in March has been limited partly due to the coronavirus pandemic. As London has ruled out seeking an extension to the transition period, EU and UK have very limited time to iron out their differences. Their positions remain far apart concerning the level-playing field provisions, the fisheries and governance chapters. Although the two sides have decided to intensify negotiations in the coming weeks, a deal would need to be reached by the end of October to allow the necessary time for ratification. Based on EU's recent experience in negotiating new generation trade agreements, finalizing negotiations on complex and detailed issues could take years. Given the immense time pressure, chances are high that in the best scenario the two sides could end up with a trade agreement with a limited scope. If no immediate breakthrough is reached in the UK-EU talks, the possibility of a “no-deal Brexit” could become reality. This would see the UK becoming a third country on 1 January 2021 and leave the EU and UK trading on World Trade Organization terms. There is immense pressure on both sides to avoid this scenario.

With the Brexit deadline fast approaching, UK-EU negotiations are likely to dominate EU's political agenda in the autumn. While Germany as term president will have no direct role in the UK-EU negotiations, it could assume a significant role in preserving the unity of the 27 Member States in the Council.

Turkey-EU Ties and Germany's EU Presidency

Germany's Presidency of the Council of the EU, which was intended to be a pivotal moment in Turkey-EU relations, comes at a time when Turkey-EU ties are strained due to tensions over hydrocarbon exploration rights in the Eastern Mediterranean and the Libyan crisis. The accession of a divided Cyprus into the EU with the Greek Cypriot Administration as its sole representative has not only perpetuated the division of the island by making the EU party to the Cyprus question, but it has also morphed into a huge stumbling block complicating Turkey's EU accession process. A total of 14 chapters out of 35 negotiating chapters remain blocked due to the Cyprus question. Most recently, the Cyprus problem has evolved into a spat over the hydrocarbon reserves in the

² Ian Begg, “Next Generation EU (NGE): The Commission's Covid-19 Recovery Package”, LSE EUROPP – European Politics and Policy Blog, 28 May 2020. Retrieved on 6 July 2020 from <https://blogs.lse.ac.uk/europpblog/2020/05/28/next-generation-eu-nge-the-commissions-covid-19-recovery-package/>



Eastern Mediterranean. While the discovery of hydrocarbon resources in the region was initially perceived as a blessing that could facilitate a solution to the decades-long Cyprus dispute, this perception was shattered due to unilateral moves made by the Greek Cypriot Administration in total disregard for the rights of Turkish Cypriots who are in fact the co-owners of the island's natural resources.

In response to the Greek Cypriot Administration's unilateral moves aimed at excluding Turkey and the Turkish Republic of Northern Cyprus (TRNC) from the energy equation in the region, Ankara has dispatched its drilling ships to the Eastern Mediterranean in May 2019. Turkey argues that its drilling and exploration operations are within the legitimate rights emanating from its continental shelf and the continental shelf delimitation agreement signed with the TRNC in September 2011. Meanwhile the EU acting in the name of "Union solidarity" has backed Greek Cypriot claims in labelling Turkey's actions in the region illegal and has since last July imposed a series of sanctions on Turkey.

Furthermore, Greece and France have contested Turkey's growing diplomatic ties with Libya's internationally recognized Government of National Accord (GNA) led by Fayed al-Sarraj. The maritime delineation agreement signed between Ankara and Tripoli last November has created unease in Athens while Paris which supports the opposition forces led by Field Marshal Khalifa Haftar against the internationally recognized GNA in the Libyan conflict has called for an end to Turkey's involvement in Libya. June has seen relations between the two NATO allies that find themselves on the opposing sides of the Libyan conundrum hit a new low, over French allegations that Turkish frigates targeted a French frigate off the coasts of Libya. While Turkey has denied the allegations brought by France, Paris has brought up the issue at NATO and later at the EU level. The worsening ties between Paris and Ankara over the Libyan crisis topped the agenda of EU High Representative for Foreign Affairs and Security Policy Josep Borrell's visit to Turkey in the early days of Germany's EU Presidency on 6-7 July 2020.

Hopes for Unlocking Customs Union Modernization Talks

Against this rather complicated background, for Turkey-EU relations, the main expectation during Germany's EU Presidency is the launch of the talks aimed at the modernization of the Turkey-EU Customs Union. Despite its inherently technical nature, the Customs Union modernization process has been complicated by political factors.

The European Commission and Ankara had been in preparatory talks for the modernization of the Customs Union since 2014.³ There was broad understanding between Ankara and Brussels that the Customs Union should be modernized by addressing the problems stemming from its current functioning and bringing it up to date with EU's new generation trade agreements through extending its scope to cover public procurement, trade in services and agricultural products. The European Commission in December 2016 issued a recommendation to this end and asked for a

³ Nilgün Arisan Eralp, "The Unique Nature of Modernizing the Customs Union", *Turkish Policy Quarterly*, 28 February 2020. Retrieved on 7 July 2020 from <http://turkishpolicy.com/article/920/the-unique-nature-of-modernizing-the-customs-union>



Council mandate to launch the talks aimed at the modernization of the Customs Union. Four years later, the Commission is yet to receive a mandate from the Council.

Some Member States led by Germany moved to set some kind of a political conditionality for launching the talks citing concerns over Turkey's compliance with the Copenhagen political criteria. Arguing that Turkey was moving away from EU norms, this camp led by Berlin has considered that any move towards the modernization of the Customs Union would imply an endorsement of this trend. That is how a purely technical process has become increasingly politicized in the Council. Furthermore, the issue has taken on a more serious dimension as the assessment that "no further work towards the modernization of the Turkey-EU Customs Union is overseen" has found reflection in consecutive Council Conclusions since June 2018.⁴ Given the fact that the accession negotiations have been rendered ineffective due to the political blockages in the Council, unlocking the process of Customs Union modernization is seen as the only way to provide the much-needed dynamism in Turkey-EU relations. Prior to the coronavirus pandemic, the Turkish business community had expressed high hopes that talks aimed at the modernization of the Customs Union could be launched during Germany's term presidency⁵. Although the coronavirus pandemic and the urgency of addressing the related socio-economic effects risk making the EU increasingly inward looking, the modernization of the Customs Union could in fact contribute to the EU's recovery.

Furthermore, the coronavirus pandemic has triggered a radical rethink of global supply chain security with major EU countries considering bringing production closer to home and looking for alternative ways to differentiate their manufacturing bases. Turkey being highly integrated into the EU market as a Customs Union partner and a candidate country and with its geographical proximity to the EU, offers unparalleled potential for the EU's plans in this regard.

Although the quadrilateral virtual summit held between the leaders of Turkey, Germany, France and the UK on 17 March 2020 showed signs of relaxation in Germany's stance with German Chancellor Merkel indicating that they acknowledged Ankara's concerns regarding the Customs Union, it remains to be seen whether a breakthrough within the next six months will be possible.⁶ Given the fact that Germany's agenda will be preoccupied with putting the EU back on the path to recovery, it is doubtful that Berlin will have the time and energy to come up with a new initiative for Turkey. Moreover, the tense atmosphere in the Eastern Mediterranean limits optimism for a new impetus in Turkey-EU relations as a whole. Given the growing rifts over hydrocarbon exploration rights and most recently the Libyan crisis, it is highly likely that any initiative by

⁴ Council of the EU, "Enlargement and Stabilisation and Association Process – Council Conclusions", 26 June 2018. Retrieved on 6 July 2020 from <https://www.consilium.europa.eu/media/35863/st10555-en18.pdf>

⁵ TOBB, "Negotiations to Modernize the Customs Union should Begin", 8 April 2019, Brussels. Retrieved on 8 July 2020 from <https://www.tobb.org.tr/Sayfalar/Detay.php?rid=24433&lst=MansetListesi>

⁶ Ayhan Şimşek, "German Chancellor Pledges Support for Refugees in Idlib", *Anadolu Agency*, 17 March 2020. Retrieved on 6 July 2020 from <https://www.aa.com.tr/en/europe/german-chancellor-pledges-support-for-refugees-in-idlib/1769753>



Germany to this end could be met with resistance from Greece, the Greek Cypriot Administration and France.

A Revised Refugee Deal in Sight

Another priority dossier concerning Turkey-EU relations would be reaching an agreement on a revised refugee deal. The issue had come to the agenda of the EU following Turkey's decision not to block the passage of irregular migrants in the face of the unbearable migratory pressure mounting on its borders as a result of the deteriorating situation in north-east Syria at the end of February. Turkey's President Recep Tayyip Erdoğan and EU's new political leadership consisting of European Commission President Ursula von der Leyen and European Council President Charles Michel, in a mini-summit on 9 March 2020, had tasked Turkish Foreign Minister Mevlüt Çavuşoğlu and EU High Representative Borrell with leading the work on clarifying and reaching a common interpretation on the implementation of the refugee deal.⁷

Turkey has long voiced its dissatisfaction with the implementation of the 18 March 2016 Turkey-EU Statement also dubbed the "refugee deal". While the deal has been a success story in stemming irregular migration to the EU, its implementation has been marked with EU's failure to deliver on the commitments stipulated in the deal. Four years into the refugee deal, the promises which had made the deal attractive to the Turkish side in the first place namely; the revitalization of Turkey's EU accession talks through the opening of new chapters, the modernization of the Customs Union, visa liberalization for Turkish citizens along with regular Turkey-EU summits have all failed to materialize. Moreover, Turkey has voiced criticism over the disbursement of the 3+3 billion euro financial assistance foreseen for Syrians stating that it has been inefficient and slow. Another aspect of the deal that remained largely unfulfilled was the voluntary Humanitarian Admission Scheme which has seen only 25,000 Syrians resettled in EU member states, which is a far cry from the 72,000 initially foreseen.⁸

The revision of the refugee deal will top the agenda of Turkey-EU relations during Germany's term in office; however it is not clear whether an ambitious leap forward addressing the whole spectrum of Turkey's legitimate concerns and expectations from a revised refugee deal would be possible. Given the fact that political blockages related to the Cyprus question remain in place, it would not be an exaggeration to argue that no breakthrough is likely in the accession talks during Germany's term in office.

Concerning visa liberalization, while Turkey has fulfilled a majority of the 72 criteria outlined in the visa liberalization roadmap, working groups have been established for the fulfilment of the remaining five criteria which contain highly complex and delicate

⁷ European Council, "EU-Turkey leaders' Meeting, 9 March 2020". Retrieved on 6 July 2020 from <https://www.consilium.europa.eu/en/meetings/international-summit/2020/03/09/>

⁸ Berkay Mandıracı, "Sharing the Burden: Revisiting the EU-Turkey Migration Deal", Commentary, International Crisis Group, 13 March 2020. Retrieved on 6 July 2020 from <https://www.crisisgroup.org/europe-central-asia/western-europemediterranean/turkey/sharing-burden-revisiting-eu-turkey-migration-deal>



issues such as the review of Turkey's anti-terror legislation. Ankara's expectation in this regard is for the EU to adopt an enabling and facilitating approach.

Regarding the modernization of the Customs Union, it remains to be seen whether Germany would ease its political conditionality on the Customs Union modernization process and prevent this process, which would create a win-win scenario for both Turkey and the EU as a whole especially at a time when the EU economy is expected to contract by unprecedented levels, from being hijacked by Greece, the Greek Cypriot Administration and France whose relations with Turkey remain highly strained at the moment. With all these variables in mind, if the war of words over the Eastern Mediterranean fails to de-escalate, no meaningful progress could be possible and the revised migrant deal can at best address Ankara's reservations about the amount and efficiency of financial assistance.

Resumption of Tourism between Turkey and the EU: An Urgent Priority

Resumption of travel and tourism, which play a central role in Turkey's post-COVID-19 normalization plans, is an urgent priority which Ankara will be working on both at the bilateral level with Germany and at the EU level. The fact that Turkey was not included among the 15 countries in the EU's "safe travel list"⁹ has created disappointment and frustration. Ankara slammed the EU's choice of countries for being politically motivated rather than being based on objective criteria.¹⁰ Given its resilient health system and solid track record in the fight against COVID-19, it would be misleading to argue that Turkey's complaints are unjustified. The list, which is to be reviewed every two weeks, is of recommendative character with the Member States having the final say on the countries with which they would resume non-essential travel. Ankara expects the EU to correct its mistake by adding Turkey to the so-called safe list as soon as possible.

Germany occupies a special place in the resumption of travel and tourism between Turkey and the EU, as the country is home to the largest Turkish diaspora in Europe with a population of 3 million people of Turkish origin living in Germany. Moreover, Turkey remains a popular holiday destination among Germans with over 5 million German tourists having visited Turkey last year. In June, Berlin has lifted the restrictions on intra-EU travel and on travel to Schengen-associated countries while extending the travel warning for 160 countries including Turkey until 31 August 2020. This implies that the summer season will be over when the restriction will be lifted. Although family visits have been excluded, resumption of non-essential travel between Germany and Turkey is of key importance for the Turkish economy. Given the dwindling foreign exchange reserves, tourism revenues could be vital for Turkey's post-pandemic economic recovery.

⁹ The following third countries are included in the EU's safe travel list: Algeria, Australia, Canada, Georgia, Japan, Montenegro, Morocco, New Zealand, Rwanda, Serbia, South Korea, Thailand, Tunisia, Uruguay and China (based on confirmation of reciprocity).

¹⁰ "Turkey Asks EU to Correct 'Mistake' of Travel List Exclusion", *Reuters*, 1 July 2020. Retrieved on 7 July 2020 from <https://www.reuters.com/article/us-health-coronavirus-turkey-erdogan/turkey-asks-eu-to-correct-mistake-of-travel-list-exclusion-idUSKBN24256S>



Ankara has been involved in intense diplomatic traffic with Berlin over the lifting of Germany's travel warning. A day after Germany assumed the EU's rotating presidency, a delegation consisting of senior Turkish officials led by Foreign Minister Mevlüt Çavuşoğlu, Culture and Tourism Minister Mehmet Nuri Ersoy and Deputy Health Minister Emine Alp Meşe visited Berlin for talks with their German counterparts.¹¹

Conclusion

EU's *de facto* leader Germany will be presiding over the Council of the EU at a time of unprecedented challenges. Ensuring EU's post-pandemic recovery will top Germany's political agenda. Most of Germany's energy over the next six months will be devoted to reaching an EU-wide agreement on the next long-term EU budget and the coronavirus recovery fund. Other priority dossiers under Germany's EU Presidency include reviewing relations with Africa and an assertive China, with an EU-Africa Summit and an EU-China Summit scheduled for later this year. Preserving the unity of the EU27 in the EU-UK talks on the future partnership will be another key priority Germany will be working hard for.

Turkey's main expectations from Germany's term at the EU's helm are the launch of the Customs Union modernization talks and a revised refugee deal. As discussed in the previous sections, the recent episodes of tension in the Eastern Mediterranean and over the Libyan crisis risk rendering these expectations unfulfilled. Any meaningful progress across the whole range of Turkey-EU relations during Germany's EU Presidency is likely to depend on the prospects of diffusing these tensions. High Representative Borrell's visit to Turkey in pursuit of de-escalating the situation was a welcome step in this regard. Germany as EU's term president and *de facto* leader could exert influence on Paris and Athens and prevent their bilateral divergences with Turkey from further jeopardizing Turkey-EU relations and cooperation on a variety of issues from security to energy. Meanwhile, Ankara should seize the moment to renew its commitment to the political reform process. This way, Germany's EU Presidency could turn out to be a truly pivotal moment for re-energizing Turkey-EU relations.

¹¹ "Ankara Calls on Germany, EU to Reconsider Travel Warning on Turkey", *Daily Sabah*, 2 July 2020. Retrieved on 7 July 2020 from <https://www.dailysabah.com/business/tourism/ankara-calls-on-germany-eu-to-reconsider-travel-warning-on-turkey>

