

Erdoğan visits the Gulf States: closer cooperation

Adam Michalski, Zuzanna Krzyżanowska

Turkish President Recep Tayyip Erdoğan visited Saudi Arabia, Qatar and the United Arab Emirates between 17–19 July. He was accompanied by a government delegation consisting of the ministers of foreign affairs, defence, trade & industry and energy, as well as a group of businessmen. Various trade and military agreements were concluded during the meetings in each country. Of particular note was the deal between Saudi Arabia and the Turkish arms company Baykar to sell drones and set up production bases, as well as a bilateral investment agreement signed with the United Arab Emirates, valued at \$50.7 billion. Erdoğan's visit was preceded by talks with representatives of the Gulf states headed by Turkey's finance minister Mehmet Şimşek and the head of the Central Bank of Turkey Hafize Gaye Erkan.

Commentary

- Erdoğan's trip to the Gulf states comes at a time when Ankara is seeking to prop up the country's financial situation by attracting foreign investment, increasing exports, and securing additional loans. It also coincides with Turkey's process of a political 'reset' with Saudi Arabia and the United Arab Emirates, which has been ongoing for about two years. Due to the regional rivalry for political leadership in the Middle East, for much of the past decade Ankara has not had close political and trade relations with the Gulf states (apart from Qatar). Turkey's financial crisis and the end of the Arab revolutions (and in consequence, the end of political disputes along this axis) has opened up a real opportunity for a political and economic reset. This, coupled with Erdoğan's win in this year's elections, all served as a guarantee for the Gulf countries that Ankara would maintain a predictable political course, meaning a favourable investment climate in Turkey. In turn, economic investments from the Gulf would also allow these states to gain greater leverage over Ankara's politics.
- In the context of Ankara's relations with its Western partners and Moscow, the current strengthening of economic ties with the Gulf states represents an attempt to diversify trade routes. For Turkey, this is particularly important due to the aforementioned financial crisis, although the political dimension plays an equally important role. Improving relations with this region may give it the opportunity to reset relations with the other members of the Arab League with whom the Gulf states maintain good relations. The breaking of the political impasse with Egypt, thanks to Qatar's mediation in early July this year (including the first decision since 2013 to appoint ambassadors), is a case in point. An additional benefit to resuming relations with the states in this region could be the prospect of building a pro-Turkish bloc among Arab countries, which could help

strengthen Turkey's political position in the Middle East.

- However, the increased trade, volumes of investment and loans from the Gulf could make Turkey more financially dependent on these states. Ankara desperately needs additional funds to support its economic recovery, which in consequence also stabilise Erdoğan's power. This was already particularly evident during the election campaign: thanks to billions of dollars of foreign currency loans from Qatar and Saudi Arabia, Erdoğan managed to create the impression that the country's economic situation was stabilising, which in part contributed to his electoral victory. In return, the support from the Gulf was also most likely conditioned by Ankara's promise to open up its own market to investments in strategic sectors, most probably transport or energy. Recently, there has been speculation that Turkish state assets could be sold off to balance the budget. This may include the Gulf states buying stakes in state-owned entities such as the port of Izmir, Turkish Airlines, the telephone network Türk Telekom or the energy company BOTAŞ.
- In the immediate future, Turkey's economic and political cooperation with the Gulf countries is expected to deepen further. In all likelihood, this could lead to an increase in Ankara's engagement in the Middle East. However, it must be noted that Turkey would act as a pragmatic partner and not, as in the past decade, as an aspiring regional power with ambitions to remodel the region's political order. One promising area for developing cooperation in this region could be energy. The next few years could see the signing of a number of bilateral agreements to transfer natural resources (especially oil and gas) via Turkey; this might be done with Iraq (an idea which has temporarily been put on hold due to the internal conflicts between Baghdad and the Kurdistan Regional Government, and made additionally complicated by a dispute over oil payments), Israel or Egypt. Such a situation would benefit Ankara's position as a regional energy hub; that in consequence would also strengthen Europe's energy security. However, such a turn of events should not be expected to materialise any time soon.