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Turkey severs its trade relations with Israel

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On 2 May, Turkey's ministry of trade announced its decision to completely halt its trade with Israel due to "the mounting humanitarian tragedy" unfolding in the Palestinian territories in connection with the Israeli offensive in the Gaza Strip. The ban will remain in place until the authorities in Jerusalem announce a ceasefire and enable the passage of humanitarian aid, including from Turkey, into Gaza. It will involve a complete halt in the export and import of goods to/from Israel and their transshipment in Turkey. However, this will not equate to a halt in the transit of Azerbaijani oil to Israel via Turkey. Israel's foreign minister criticised Ankara's decision, arguing that it undermines bilateral trade agreements and disrupts Turkey's economic interests, whilst referring to President Recep Tayyip Erdoğan as a "dictator".

According to the Turkish Statistical Institute, Israel was Turkey's 13th biggest export partner in 2023. Last year, the total value of trade between Israel and Turkey stood at $6.8 bn, with Turkish exports accounting for 76% of this sum. Turkey's exports mainly included steel, construction materials, mechanical devices, oil and agri-food products. In 2023 Turkey was Israel's 5th biggest import partner ($4.6 bn) and 10th biggest export partner ($1.6 bn).

Commentary

- Ankara's decision to halt its trade with Israel is part of the crisis in their bilateral relations. In addition it is a reflection of Turkey's public sentiment, as expressed for example during the months-long protests in favour of stopping Turkish-Israeli trade. Concerns about the magnitude of the humanitarian disaster, combined with a fear of destabilisation of the region as a whole, have been expressed by supporters of all political parties and all social groups. The lack of decisive measures taken by the ruling Justice and Development Party (AKP) is viewed as one of the causes for the electorate turning away from them during the local elections held in March 2024, and of a disturbing outflow of some votes to the much more radical Islamic New Welfare Party (YRP).
- Over the last two decades, Turkish-Israeli relations have seen a steady decline. This has been due, among other things, to Ankara's ambition to act as the leader in the Middle East and in the Islamic world; its pro-Palestinian policy, including its political cooperation with Hamas; and the confrontational moves by Israel's right-wing government (including its continuous expansion of the scope of Jewish settlement activity in the West Bank, instances of human rights violation towards the local Palestinian population, as well as repeated military operations in Gaza). The crisis over Turkey's humanitarian aid for Gaza has become a symbol of this dispute. In 2010 Israel's special forces seized the Turkish

ship *Mavi Marmara*; several Turkish citizens died during the operation, which resulted in a significant fall-off in bilateral relations. Since 2021, Ankara and the authorities in Jerusalem have gradually attempted to reset their relationship, for example by re-appointing ambassadors in 2022. The reasons for this included the intention to clear channels for communication and economic cooperation, and to improve relations with the US. However, the 2023 war between Israel and Hamas has renewed and exacerbated the decline in bilateral affairs of both countries. In Turkey, this has been manifested for example in harsh anti-Israeli statements by politicians, criticism from the media and violent street protests. As a consequence of the growing tensions, in October 2023 the authorities in Jerusalem 'recalled' their diplomats working in Turkey 'for consultations', and on 9 April 2024 Ankara imposed its first trade restrictions on Israel.

- In the short term, losing Israel as a trade partner will have a negative impact on the state of the Turkish economy. This will be evident not only in a decrease in trade, but indirectly also in a drop in the revenues earned by Turkish container ports which profit from the transit of Israeli goods. The halt in trade will likely prevent the launch of energy cooperation between the two states which was announced in 2023 (that is, before the outbreak of the war between Israel and Hamas), as it undermines their plans for joint initiatives to extract gas from Israeli gas fields and transport it to the Western markets via the Turkish gas pipeline network.
- Ankara's decision came as a surprise to the authorities in Jerusalem. This is because it represents a circumvention of the model of relations which the two states have thus far applied, according to which the political tensions between the two states did not overshadow their dynamically developing economic cooperation. As long as Turkey chooses not to block the transit of oil as part of another restriction, the consequences of the boycott for the Israeli economy should be short-term in nature and will not have a paralysing effect. However, in some sectors substituting Turkish imports will be a challenge. Considering that raw materials and low-processed goods accounted for a significant portion of these imports, it should be possible to find alternative sources of these commodities in the long run (or to devise mechanisms for circumventing the ban). This will nevertheless take time and may affect the commodities' prices. The Israeli construction sector – already suffering from a shortfall of workforce due to the suspension of work permits issued to Palestinian workers – will be particularly affected by the ban due to its heavy reliance on Turkish construction materials. Contrary to the confrontational declarations by the government in Jerusalem, the Turkish boycott is of major political significance to Israel because it is an element of a trend in the increasingly unfavourable atmosphere surrounding this state and its growing international isolation.