

THE POLITICAL ECONOMY OF TURKEY - UK RELATIONS

Christopher W. J. GAUNT, OBE
Prof. Dr. Sedat AYBAR

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Panel Notes

An online panel was held by DIPAM on 16.12.2020 (Wednesday) at 19.00 about “The Political Economy of Turkey-UK Relations”. Moderated by DIPAM specialist and lecturer at Istanbul Commerce University Dr. Uğur Yasin ASAL;

the panel hosted Prof. Sedat AYBAR, Chair of Department of Economy and Finance of Istanbul Aydın University and Chairman of the British Chamber of Commerce in Turkey Christopher W. J. GAUNT OBE.

Moderator Dr. Uğur Yasin ASAL introduced the speakers and expressed the purpose and functioning of the panel and which topics will be discussed in the panel. He has made an assessment of Turkey-UK relations and touched upon trade relations. He stated especially commercial relations in the post-Brexit period will be discussed. He added they will be also discussing how bilateral relations were affected during the Covid-19 period, the importance of cooperation and solidarity between Turkey-UK and eventually gave the floor to the speakers.

Christopher W. J. GAUNT began his speech by stating the British Chamber of Commerce in Turkey is the second oldest British Chamber established abroad. He reminded the institution has been in operation since 1887, noting Britain and Turkey have a very long commercial history. He said trade relations between the two continue today and that both sides are on good trade relations and this will continue in the future. He announced the UK wanted to do a deal with the EU and that Turkey already had a customs union agreement. He voiced it would be difficult for the UK to continue trade with Turkey without having any trade deals with the EU. He expressed he was hopeful negotiators would find the most appropriate way, and if they reached an agreement with the EU, Britain and Turkey could better continue trade without getting stuck in too many obstacles. He noted both Turkey and the UK's desire to reach an agreement on trade is important, and evaluated the steps of both sides on this issue. He once again emphasized the importance of the agreement between the UK and the EU, which is on the agenda, and where it will lead, reminding its importance in bilateral relations. He made assessments of the 2019 trade data and

announced that there was a trade volume of nearly 19 billion pounds. He indicated Britain is the second largest export market for Turkey after Germany, underscoring both countries are important markets for each other. He said the two countries should cooperate on the continuation of trade in every condition, and that these relations should continue to grow. He named players such as HSBC, Shell, Vodafone, BP, Unilever, which are among the very important companies in the UK, have invested very significantly in Turkey and that these investments are expected to continue to grow. He revealed he saw great potential at the opportunities between the two countries. He revealed that especially health, infrastructure and leading advanced manufacturing areas have started to develop in Turkey. He stated England could help in advancing all these developments with its established technological structure, and emphasized that this opportunity exists and should be evaluated. He drew attention to two companies have recently invested in Turkey, Bupa, which operates in health insurance, and Dyson, a British technology company, mentioned the importance of their investments. He noted opportunities in Turkey are on the radar of UK companies. He argued, as an international trade team, they play an important role in evaluating and expanding these opportunities, noting their work. He said they know that Turkey is suitable for long-term business, and that the UK does not plan short-term relations with Turkey, but rather long-term. He stated Turkey expects high growth both in the domestic market and in the foreign market in the future and that Turkey has strong companies. He mentioned Turkish companies operating in Central Asia, Africa and the Middle East and indicated that possible opportunities should be

evaluated. He mentioned the importance of the activities of Vodafone, Microsoft and large FMCG companies that produce fast consumer products in Turkey, and signaled that Turkey has become a center. He indicated opportunities in Turkey were conveyed to companies in the UK and declared the institution of which he is the chairman was the pioneer of activities in this regard. He noted the activities of British companies in Turkey will continue, even if there is no agreement between the EU and the UK. He expressed as the Chamber of Commerce they are here to support these companies. He mentioned the cooperation with the Turkish Chambers of Commerce and expressed they were able to access approximately 800,000 Turkish companies and thus the opportunities gained by British companies. He marked the activities of British companies in Turkey are increasing and that the activities of Turkish companies in the UK are continuing. He mentioned the existence of certain opportunities within both sides in this regard.

Moderator Dr. Uğur Yasin ASAL underlined the UK is the second largest export market for Turkey after Germany and suggested that bilateral trade relations should be supported. He asked Prof. Sedat AYBAR how both the political and economic relations between Turkey and the UK will look after Brexit, giving a say.

Prof. Dr. Sadat AYBAR stated the developments in the Covid-19 period brought certain opportunities between Turkey and the United Kingdom and brought the ties between the two closer. In particular, he remarked the assistance of medical equipment that Turkey sent to the UK during the pandemic period strengthened relations. He also underscored the UK provided assistance

to Turkey, especially in the tourism sector, keeping Turkey separate from other countries in the context of quarantine countries during the Covid period. He mentioned the history of trade relations between Turkey and Great Britain and emphasized the importance of trade activities starting from 1838 and touched on their contribution to bilateral relations. He said he believed the ongoing Brexit process would eventually happen. He noted this process is not only important for Britain, but also important for the world, noting that Turkey is also following the process carefully. He emphasized that the two countries have a long history in terms of trade and reminded that the UK is a trade partner for Turkey with positive net exports. He especially underlined the export of agricultural products to the UK is worth half a billion dollars. He explained that since the Brexit vote, both countries are working on a trade agreement to improve bilateral trade relations. He revealed that Turkey, which is pursuing ambitious policies in the region, is also trying to ensure access beyond the region and evaluated its relations beyond the sub-Saharan African countries, the Balkans, the Caucasus and Central Asia. In this context, he claimed that Turkey is pursuing an ambitious foreign policy. He spoke of conflicts of interest in the eastern Mediterranean, saying that British participation was growing. In addition to all this, he reminded that different regions, especially Syria and Libya, are also important for Turkey. As a result of these policies carried out by Turkey, it has emerged that relations between Turkey and the EU have begun to deteriorate. In particular, he noted the EU criticizes Turkey for democracy and human rights. He drew attention to drilling activities in the Eastern Mediterranean, claiming that some of the initiatives undertaken by

Turkey were carved out of gold by the EU. He stated Turkey's activities in the Eastern Mediterranean are not welcome by the EU in the context of both profit relations and security relations, noting that Turkey-EU relations are deteriorating. He claimed that the deteriorating situation of the relations makes Britain more valuable to Turkey, revealing Britain is becoming more important for Turkey.

Referring to Turkey-US relations, the tension rose with Pastor Brunson crisis was further escalated when Turkey received S-400 air defense systems from Russia. He also addressed the issue of migrants between the EU and Turkey and assessed the general tense situation. As a result of all this, he expressed the EU's membership negotiations with Turkey are close to termination, and mentioned the economic repercussions of the problems with the United States on Turkey. He also marked the customs union agreement between Turkey and the EU was also badly affected. He claimed that Britain's approach to Turkey is more sympathetic to these issues than the US and EU countries, and that it is less strict and more docile towards Turkey. He noted Britain is less critical of Turkey than EU countries and the United States, especially on Syria, Libya and the Eastern Mediterranean. In this context, he asserted that Turkish and British relations can develop with Brexit. He reminded Brexit would change relations between Turkey and the UK, and voiced that the trade model would also change. He said the customs union agreement complicates the trade between Turkey and the UK, and preventing new trade agreements. He also stressed the future trade relations between Turkey and the UK will have some obstacles and stated this situation should be well analyzed. He cited the

difficulty of imposing certain binding provisions on agricultural goods, which are included in the customs union in terms of industrial goods, and the difficulty of conclusion of a separate agreement with the UK. Accordingly what is especially important is that a copy of the UK's trade agreement with the EU should be made by Turkey, which he sees as a technical part of the binding relations. He mentioned certain negative aspects of the customs union agreement between Turkey and the EU and the possible trade agreement between Turkey and the UK, stressing that this situation should be analyzed well. He noted the trade agreement between Turkey and the United Kingdom has been on the agenda of the Turkish government in recent days, and said this agreement has been met with negative reaction by the EU. He complained about the obstacles in the EU system to the future of bilateral relations and the achievement of peace and prosperity.

Moderator Dr. Uğur Yasin ASAL asked Christopher W. J. GAUNT how he looks at all these issues and what are the prominent sectors that will benefit mutually in these scenarios in the context of trade between the two countries. He also added the question of what are the threatening facts that can hinder bilateral trade relations.

Christopher W. J. GAUNT argued a lot is at stake in the relations between Turkey and the United Kingdom. He expressed these dangers were contrary to the interests of both sides. He revealed that Britain has made a lot of effort to make an agreement with the EU and that a win-win model is being created. He indicated that he is not a Brexit supporter and argued this is not the right thing to do. Despite everything, he pointed out the opportunities that

Britain and Turkey have, stressing that mutual benefit is absolutely the main element. He stated he remained optimistic about the solution and that he believed that the political process would continue for the better. He noted the history of both countries on trade and trade links, noting that there is no lack of talent in this regard, trade is well organized. He added Turkey has more responsibility for maintaining and developing bilateral trade relations. He also reminded Turkey has very talented organizations. He said trade activities between the two countries will continue in any case, adding that there may be some obstacles in this process and that strong trade links between the countries will be benefited. He also stressed he is not pessimistic about this issue, claiming that decision makers, especially embassies and consulates, are working very hard to reach an agreement. In particular, he expressed they were close to an agreement, stating that they had reached a certain path in terms of agreement with the EU. He said the importance of the fishing issue between the EU and the UK was worth 0.02 in terms of GDP, and questioned whether an issue of this value would put relations between the EU and the UK at risk by policymakers. He expressed the undertaken process tends to be positive. He voiced that financial services will continue on a sectoral basis and that these services are not a part of the trade agreement. He stated UKEF's purpose, the institution that finances UK exports, is to support exporters in the UK, provide their financing and insurance coverage, and that this institution has 9 representatives in the world. He explained the importance of this by explaining that one of these representatives is in the consulate in Istanbul. He declared the United Kingdom actively provided support in terms of trade

relations. He explained the importance of cooperation in international investments in the context of construction infrastructure projects, especially by mentioning the benefits to Turkish companies working with UK companies and the importance of the information they provided about fund investments. He also cited some of the collaborations with Turkish companies as an example and stated such activities will continue outside the scope of trade. By emphasizing the continuation of such activities, it thus showed possible opportunities for Turkish companies to use these opportunities. He added the UK is conducting friendlier relations with Turkey than EU countries do, and noted there is no reason why this situation should not continue in the future.

Moderator Dr. Uğur Yasin ASAL returned to US-Turkey relations and mentioned the CAATSA sanctions which is a hot topic. He questioned how these sanctions will be reflected in institutions such as NATO, the G-20 and the OECD, in which Turkey is a member, and how this will affect relations between Turkey and the UK and asked Prof. Sedat AYBAR his opinions.

Prof. Dr. Sadat AYBAR stated the EU's regulations will prevail on this issue and emphasized that the EU's position will affect the relations between Turkey and the UK. He noted whether the EU makes a deal with the UK will be decisive in Turkish-British relations. He pointed to statements by British Prime Minister Boris Johnson, who declared the UK was determined and willing to complete the Brexit process. He drew attention to maritime border problems by stating that the issue of fishing is important, although it was symbolic. He stated such symbolic situations become more geopolitical. He highlighted mackerel in terms of fish trade

between Britain and Turkey and underlined this product's trade could be possible. He asserted the UK could unilaterally allow Turkey's exports with a flexible approach for Turkish exporters in the context of Rules of Origin. But he reminded this would also be met with retaliation by the EU.

Christopher W. J. GAUNT argued institutions such as the EU and the World Trade Organization, which are the institutions that regulate trade relations between countries, need change and reform. He emphasized that new regulations should be made in order to further liberalize trade and remove barriers to trade. He stated it is necessary to remain optimistic in commercial relations and marked there should be more cooperation and information sharing. He complained about this, saying that commercial institutions have become politicized. He implied that he believed that hostility and accusation should

decrease, and that economies depend on trade and that the right way of trade should be known. He drew attention to collective works and collaborations by saying that it should not be forgotten that the world can turn into a more profitable place for everyone. Prof. Dr. Sadat AYBAR claimed Turkey's relationship with the EU and the UK will also depend on the Turkey-US relationship and the Transatlantic relationship, adding that what policies President-elect Joe Biden will implement are also important. At the end of his speech, he mentioned its importance by drawing attention to the Rules of Origin and saw it as an issue that needed to be focused on. Finally, he pointed out that if the UK participates in the "The Pan-Euro-Mediterranean cumulation", it can provide some flexibility in terms of solving these problems, even if the problems related to the Rules of Origin are not 100 percent resolved.



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ABOUT DISCUSSANTS

Chris GAUNT is a highly accomplished and respected businessman with invaluable international experience across several business sectors.

His career has spanned more than thirty years in the Beverage industry in both the UK and Internationally. Initially with the Whitbread Brewery Group, progressing to senior management positions with HP Bulmer and Allied Domecq, followed by a fifteen year international career with Coca- Cola.

In 1993, Chris embarked on his International career and moved to Croatia as a consultant with Coopers and Lybrand to work on a major restructuring project for a newly privatized group of FMCG companies. In 1995 he joined Coca-Cola initially in Croatia, followed by Senior Management/GM positions in Eastern Europe and start-up operations in Central Asia.

He was later appointed President of Efes Invest (Anadolu/Coca-Cola joint venture) in 2001, responsible for Coca-Cola Bottling operations in South Caucasus, Central Asia and Middle East.

Following the merger in 2005 of Efes Invest and Coca-Cola Icecek (CCI) Turkey and the subsequent IPO, he was appointed Chief Operating Officer of the NewCo. In 2007, he was appointed President of CCI International Operations (10 countries) from which position he retired from CCI in 2011. He then set up his own consultancy company “Euroasia Consultancy” based in Istanbul.

In January 2013, Chris was appointed Vice Chairman of the British Chamber of Commerce Turkey and elected Chairman in July 2013.

Prof. Dr. Sedat AYBAR, graduated from Dokuz Eylül University International Economics Department, received his master's and doctoral degrees from London University SOAS.

Aybar, who was an Assistant Professor and Associate Professor at Kadir Has University, is currently the Head of the Department of Economics and Finance, Faculty of Economics and Administrative Sciences, Istanbul Aydın University, Africa Application and Research Center.

He is also the Director of the Chinese Studies Application and Research Center.

In 1996, Aybar served as a consultant for the Overseas Development Organization (ODI) in the 'Investigation of the Financial Investment Decisions of Institutional Investors in Sub-Saharan Africa' project.

Aybar, who is a researcher in the project of the preparation of training programs and audio-vision programs for 1200 expert economists working at the IMF, took part in the project of preparing a training program and application guide on Open Market Operations financed by the United Nations for Ethiopian Central Bank employees. In 2005, he consulted the Central Bank of Moldova on financial reform.