



## TURKEY-GERMANY-EU RELATIONS IN AN ERA OF GEOPOLITICAL TURMOIL

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## Introduction

The advent of the Social Democratic Party (SPD)-Green Party-Free Democratic Party (FDP) coalition government in Germany formed in December 2021 has, among other issue areas, ushered in discussions on the implications for European foreign policy as well the EU's relations with countries in its immediate neighborhood, including Turkey. With the onset of the Russia-Ukraine war in February 2022, the new government has found itself in a rapidly changing geopolitical context, where it has substantially increased its defense commitments in the face of Russian aggression, making a U-turn in its foreign and security policy, and played a key role in bringing Europe closer than ever on forging a unified foreign policy with a stronger defense component. While it is too early to say how the Russia-Ukraine war will play out and the precise implications that it will have for European security and defense policy, the European security architecture, and Germany's and the EU's relations with Turkey, certain trends in the policies of the new coalition government require further scrutiny regarding the potential and risks that they entail concerning the future of Germany's and the EU's relationship with Turkey. In what follows, we first outline the domestic and foreign policy agenda of the new German government and the constituent parties of the coalition, with a specific emphasis on the changing regional and global context. Then, we turn to discussing the potential impact of this political change in Germany on Turkey-EU-Germany relations, the potential that the Customs Union and the green transformation hold in constituting a rules-based relationship, and future scenarios.

## The New German Government and the Shifting Focus on Processes of Change: Dare Progress, Dare Change, Dare Democracy

The new German government is composed of three political parties that differ in major dimensions from the more pragmatic policy orientation of the former government led by Chancellor Angela Merkel. Diverging from the long period of Merkel leadership, which focused more on "muddling through," the new government has promoted the

need for change to meet the challenges of the multiple crises facing both Germany and the EU. The coalition agreement strongly emphasizes the significance of such an approach in order to prepare Germany and the EU for the post-COVID-19 world, which faces major socio-economic challenges in addition to severe health issues. The main dimensions of this comprehensive change-oriented program as underlined in the coalition agreement include the green transformation, digital transformation, rule of law and democracy, multilateralism, and a new economic strategy with the social-ecological market economy at its core.

For the SPD, social justice, climate, democracy, and human rights emerge as the government's primary targets in line with the social democratic ideology. As for the Greens, the *raison d'être* of the party stems from environmental and climate-related concerns. In addition, a principled approach toward foreign policy, which is reflected in the party's more critical approach toward authoritarian countries like China and Russia, is also discerned. The third partner of the government, the Liberal Party, is more focused on economic and financial matters as well as empowering the digital agenda and opposing the joint debt burden in the EU, since they believe that the EU's common debt will mostly be born by the German people, and this may undermine financial stability and budgetary discipline. The coalition agreement signifies the consensus reached by the three parties on the future of Germany. After Merkel's 16-year rule, the revitalization and recalibration of the political scene in Germany has come to the fore. Similar to the EU, the two most important priorities of the new government are the climate crisis and adaptation to the digitalization of the economy.

The most important political message coming from the new coalition government in Germany is its focus on processes of change in Germany as well as in the EU. How the dimensions of change interact and link with each other and how democracy and multilateral orientations will be redefined in a more inclusionary manner are important tenets of this change-oriented process. The green and digital transformations are pivotal in shaping more inclusive democratic and multilateral orientations. We have also witnessed such policy reorientations

during the presidency of Joe Biden in the United States. The implementation of these changes, however, is even more difficult in a coalition government. The emphasis on a new economic orientation is particularly important in order to tackle socio-economic difficulties. We will see in future how the social and ecological dimensions will be defined in relation to the market economy as well as whether social and ecological policies or neoliberal policies oriented toward the market economy will have the upper hand. While the new coalition government faces important challenges, it also offers a comprehensive change-oriented program to meet challenges both in Germany and the EU.

### The New German Government and the Changing Global Context

The international system has witnessed multiple crises since 2008, starting with the global financial crisis in that year. This major crisis was followed by the refugee crisis in 2015, which led to severe problems of solidarity inside the EU. Then, there was the prolonged Brexit saga, which raised debates about disintegration amid the process of European integration. These crises created a conducive environment for the rise of illiberal political tendencies and unilateral international orientations globally. In this turbulent climate, we observed the rise of alternative authoritarian/unilateral tendencies challenging the West's democracy/multilateral orientation not only in Russia and China but also within the EU, such as in Poland and Hungary, and even in the United States, with the presidency of Donald Trump. These tendencies were reinforced with the COVID-19 pandemic in 2020 and led to severe socio-economic concerns in addition to unprecedented global health problems.

After the initial phase of the pandemic, which reinforced illiberal/unilateral tendencies, new orientations in the United States and Europe arose to meet the challenges of the turbulent context. The election of Joe Biden as president of the United States signaled an important change from Trump's authoritarian/unilateral tendencies toward more democratic/multilateral orientations. Biden emphasized the significance of transatlantic relations and the need for multilateralism in the turbulent

global context in order to face the illiberal authoritarian challenges not only by Russia and China but also globally—even within the United States. The Biden presidency also returned to the Paris Climate regime and underlined the necessity of the green transformation in the United States and globally. The green transformation became the backbone of the new multilateral orientation of the United States as well as the EU.

The change in Germany and the election of a new coalition government composed of social democrats, greens, and liberals is important in this context of changing transatlantic relations with a new emphasis on democracy/multilateral orientation. The green transformation is also the cornerstone of the program of the new coalition government. The election of the new coalition government coincides not only with important challenges in the transatlantic alliance but also with important debates on the future of Europe. Related to this, the Conference on the Future of Europe, under the leadership of the French presidency, is currently in its final phase. It remains to be seen whether the new German government will own this process along with France and whether the Conference will respond to citizens' existential problems.

Initially, the Russia-Ukraine war placed the new German government in a difficult position in terms of balancing its relations with the United States and Russia. While President Biden expected Germany to follow the U.S. lead in adapting a strict stance against Russia, German Chancellor Olaf Scholz initially refrained from committing to such a policy and adopted a wait-and-see approach to the crisis. The underlying reasons were related to Germany's dependence on the supply of natural gas from Russia and the Nord Stream 2 pipeline as well as historical notions of Germany's "Ostpolitik," which attached importance to its relations with the Soviet Union and refrained from undermining its foreign policy priorities. This policy changed in a matter of days as the war between Russia and Ukraine broke out, and the transatlantic alliance managed to display a unified front with coordinated responses, including sanctions. Within just four short days, the war precipitated a U-turn in German foreign policy, with Germany now pledging to increase its defense spending to more than 2 percent of its economic

output and agreeing to send weapons to Ukraine.<sup>1</sup> The war also brought Europe to the forefront as a geopolitical actor and demonstrated that the democracy-security nexus cannot effectively be built without first establishing democratic consolidation. It remains to be seen whether this reinvigorated solidarity both within Europe and the transatlantic alliance will be long-lasting, which will not only depend on the outcome of the war in Ukraine but also Europe's relations with China, where Merkel's leadership had largely pursued a pragmatic approach and did not defer to U.S. policy. The immense Chinese market, with its ever-growing economic power and Germany's economic and financial interests in its relations with China may still result in a middle-of-the-road policy choice for the government.

### **Turkey-Germany-EU Relations in the Changing Context: Functional Transactionalism and Rules-Based Transactionalism**

As the comprehensive change-oriented program of the new German government becomes evident, the critical question is whether this orientation will affect its relations with Turkey and, if so, how and when. Turkey remains a major partner for Germany in terms of the depth and breadth of economic relations, security and political dialogue, migration cooperation, and the large number of Turkish-origin German citizens and residents. Although lower in priority, similar to the cases of Russia and China, relations with Turkey also present a challenge for the new German government.

Germany has always been a pivotal actor in shaping Turkey's relations with the EU, both in moving these relations forward and keeping relations stagnant. After Turkey was declared a candidate for membership and became part of the EU's pre-accession strategy, Germany played a critical role in moving relations forward in the "Helsinki turn" in 1999. However, we have also seen how Germany has created stagnation in Turkey-EU relations during the long leadership of Chancellor Helmut Kohl. Chancellor Merkel's tenure in office was also marked by a long stalemate in Turkey-EU relations. Merkel tried hard to de-escalate tensions in foreign

and security problems particularly in the Eastern Mediterranean. Merkel's main objective was to contain the crisis in Turkey-Germany-EU relations through interest-driven functional cooperation, mainly on refugee issues and bilateral economic relations. During her time in office, however, Turkey's accession process resulted in stalemate. Although relations focused on a "positive agenda," this was largely rhetorical. There was little action on the critical issues shaping the positive agenda such as the modernization of the Customs Union or visa liberalization. Merkel's policy of functional cooperation was also adopted by Turkey's leadership and served both to maintain the relationship and to avoid the much-needed focus on democracy, rule of law, and human rights issues in Turkey.

How the new change-oriented coalition government of Germany will reshape the prevalent interest-driven functional cooperation of the Merkel period remains a critical question. The coalition agreement is quite clear in its negative stance on Turkey's membership and the revitalization of the accession process. Although the coalition partners all agree that Turkey is strategically very important for Germany, the coalition has agreed that no negotiation chapters will be opened or closed unless there is an improvement in the state of democracy in Turkey. Although they support continuing the EU-Turkey dialogue, there is no specific policy objective in the coalition agreement regarding the modernization of the Customs Union or visa liberalization.

The Social Democrats have seemingly adapted Merkel's "muddling through" policy in the sense that, although they are not openly against Turkey's candidacy status, they are willing to ignore it. Their party program has adopted an open-ended approach and a very small space for Turkey. The Greens, on the other hand, which have the most detailed manifesto regarding Turkey, emphasize universal values like democracy, rule of law, and human rights with an emphasis on women's rights. They make special reference to youth exchange and the importance of strengthening civil society. They are not against continuing accession negotiations provided that Turkey returns to the reform process in order to fulfill its membership conditions. The Liberals, although categorically

not against Turkey's membership, seem to be less keen on accepting Turkey as a candidate state and would like to suspend or break off the accession negotiations given the extent of democratic backsliding in the country. They propose an alternative framework based on security and economic cooperation, although they also are unable to define the details of such cooperation.

It is also not clear how the coalition partners approach functional cooperation or a rules-based relationship. Although some segments of Turkish society have raised expectations that the three-way coalition in Germany will focus more on rules-based policies, given the three-way split, the division between values and interests is more likely to continue, with some rhetorical adjustments. For instance, the issue of customs modernization is not linked to political conditions in the coalition agreement as was the case in the former coalition between Merkel and social democrats. Some inside Germany argue that the new government should continue the interest-driven functional cooperation of the Merkel years but compartmentalize relations into different areas such as migration, economy, and foreign/security policy and tie these specific relations to concrete conditions. This does not seem likely as such an issue-specific, transactional approach would not only be devoid of values but also would have the potential to fall short of the main objective of the coalition government: progress. Unless it puts together a medium-term, well-articulated, comprehensive, and coherent strategy targeted toward more engagement with multi-level actors like civil society to try to prevent further shrinking of democratic spaces in Turkey, the coalition's Turkey policy will not prove different from the previous government. Furthermore, it will not even be easy to carry out functional relations if Turkey continues with similar rule of law problems and human rights issues. In this context, it should be noted that the Greens hold the offices of the foreign, environment, and economic ministries and are very keen on upholding human rights and rule of law issues in relation to Turkey.

Hence, the real challenge, as it has been for a while, lies in taking a critical stance toward Turkey's democratic record while promoting a rules-based relationship in which both sides benefit. We argue

that this is most likely to be achieved in two related policy areas: trade and the green transformation.

## Customs Union Modernization and the Green Agenda

The Customs Union between Turkey and the EU has been instrumental for integrating Turkish industries into European supply chains. Germany has become a major destination for Turkish exports in sectors such as automobiles, machinery, ready-to-wear, iron, metal, electronics, chemicals, steel, and mining products. Germany ranked as Turkey's third largest import partner following China and Russia, with USD 21.733 billion in imports in 2020. The bilateral trade volume between the two countries reached USD 41.08 billion in 2021, increasing 20.94% from the previous year. While Turkey exported USD 19.32 billion worth of goods to Germany, its imports from Germany amounted to USD 21.76 billion in 2021.<sup>2</sup> The economic ministers of the two countries announced their intention of reaching USD 50 billion in bilateral trade volume during the second Joint Economic and Trade Commission meeting (JETCO) on October 13, 2021.<sup>3</sup>

The large scale of foreign direct investments (FDI) from Germany also constitutes another dimension of the economic relationship. Between 2005 and 2021, USD 10.4 billion worth of FDI flows to Turkey originated from Germany, while Turkish investors also invested USD 3.1 billion in Germany. While more than 7,600 German companies operate in Turkey, about 80,000 Turkish-German businesses have been established in Germany, with an annual turnover of USD 52 billion and employing nearly 500,000 persons inside Germany.<sup>4</sup> While FDI originating from Germany constitutes about 14% of total FDI flows in Turkey, major new greenfield investments decreased in the recent period due to concerns about democratic governance, legal predictability, and the rule of law as exemplified by the German carmaker Volkswagen's decision to pull out its investments from Turkey.<sup>5</sup> Hence, the upgrading of bilateral relations not only concerns the trade aspect but also maintaining FDI flows, which play a very important role in the production potential of the Turkish economy and exports to Europe. FDI flows into new green plants and tech-

nology carries the utmost importance for Turkey's adaptation to the European Green Deal. Furthermore, green transformation can be a crucial foreign policy tool in securing stability in the Eastern Mediterranean. Germany's ability to contribute to the transformation of regional energy resources in a way that would fit into the EU's emerging green economy would bring "new economic perspectives and incentives for political cooperation both on regional and international levels."<sup>6</sup>

In the wake of the COVID-19 pandemic, the EU is redefining its trade strategy toward "open strategic autonomy," which prioritizes diversification of supply chains; achieving resilience, sustainability, and accessibility; interconnectedness of transport, mobility, and internet connectivity; and the incorporation of environmental, climate-related, social and human rights principles.<sup>7</sup> Hence, the upgrading of the EU's relationship with Turkey assumes greater importance in view of the adaptation to the green and digital agenda. Turkey should likewise prioritize maintaining and improving its standing in European supply chains by way of adapting to the changing standards, norms, and codes of conduct in production, distribution, services, logistics, and related sectors.

These changing methods and norms are determined by the green and digital transitions: hence, embodying elements of the circular economy model, which rests on the renewable energy transition, energy efficiency, sustainable production and consumption, reusing and recycling, and waste management. Moreover, the increasing merger of the manufacturing and services sectors requires a deeper trade and investment relationship that takes into account the changing nature of economic processes including the regulation of issues such as e-commerce, artificial intelligence, and data transfer.

Germany, being Turkey's major trading partner in the EU, assumes a central role in this transition period. Within the context of the EU, the modernization of the Turkey-EU Customs Union may be the most important mechanism that could be employed to upgrade the trade and economic relationship. If formal negotiations are opened between Turkey and the EU, the Customs Union should be mod-

ernized by including liberalization of agriculture, services, and public procurement and adopting effective dispute resolution and trade policy consultation mechanisms. In line with the EU's evolving trade policy, norms and standards will also play a major role in the upgraded relationship.

The modernization process has yet to be initiated despite a common understanding reached by the parties in 2015.<sup>8</sup> The first obstacle was related to questions about human rights, democracy, and the rule of law in Turkey. The coalition government formed in Germany in 2018 agreed not to start Customs Union modernization talks due to concerns about the rule of law and independence of the judiciary as well as limitations of freedom of expression and freedom of the media in Turkey. While these criticisms are still valid, the tension over the Eastern Mediterranean further complicated relations.

The Customs Union modernization goal reemerged within the framework of the Positive Agenda proposed by the European Council in 2020 to ease tension and engage with Turkey.<sup>9</sup> However, negotiations could not be started due to problems regarding the extension of the Customs Union to all member states and trade irritants in the current functioning of the Customs Union. The EU gave priority to resolving problems in the Customs Union before starting formal negotiations with Turkey. In the meantime, precious time has been lost, and Turkey-EU relations continue to lose ground. In our opinion, Germany and the new German government should take the initiative to accelerate this process. The Turkish government could be persuaded to engage in certain reforms based on a clear and positive signal from the EU side that negotiations may be opened in the near future. The German government may take an active role in this respect in order to create a common perspective in the EU with a view to the revitalization of Turkey-EU relations by initiating formal negotiations for the modernization of the Customs Union, which would effectively upgrade trade and economic relations and establish a rules-based economy in Turkey to a significant extent. In this way, the Customs Union modernization process could trigger a new period of Europeanization in Turkey in terms of adapting norms and principles of rules-based governance.

## Future Scenarios

With such considerations, let us focus on short-, medium- and longer-term prospects in the Turkey-Germany-EU relationship:

**In the short term**, it is difficult to expect any major change in relations. The change-oriented program of the new German government will not change relations with Turkey. We will observe a “wait-and-see” policy until the Turkish general elections, which are expected to be held in 2023. As emphasized in this policy brief, it is even difficult to maintain interest-driven functional relations because of concerns over human rights and the rule of law in Turkey. The two sides may even face friction on these issues in the short term if Turkey continues such policies, e.g., over the ongoing trial of Turkish philanthropist Osman Kavala. As official relations face important hurdles, there is more room for cooperation in the informal arena of civil society relations. The coalition agreement emphasizes people-to-people contact between Germany and Turkey. In this context, there could be more dialogue between German and Turkish civil society groups and local actors.

In the short term, it is also not politically feasible to expect any movement forward in terms of a rules-based relationship in the context of the modernization of the Customs Union and/or accession negotiations. However, with a view to political change in Turkey, there is no overtly negative policy orientation within the German government toward the issue of Customs Union modernization in the longer term. The same attitude is to be expected also in terms of accession negotiations. While the new coalition has agreed to adopt a negative stance on the membership issue at present and the Liberals want to formulate a new framework for the EU-Turkey relationship, it is rather difficult to expect an important change in this regard in the short term. The Greens and the Social Democrats do not want to give up the membership framework at least until the elections in 2023.

**In the medium and long term**, in the case that political constellations change in Turkey and bring forth a new approach to democracy, rule of law, and human rights issues, then it may be possible

to expect changes in the Turkey-Germany-EU relationship. In the medium term, we may expect more focus on a rules-based relationship, which seems to be the main orientation of the new German government as underlined in the coalition agreement. This change could be reflected in the activation of the much-needed upgrading of Customs Union negotiations.

In addition to issues related to the trade and green agendas, there could be more dialogue on visa liberalization, if Turkey fulfills the necessary criteria. It is also possible to facilitate renewed cooperation on refugee issues, with more focus on humanitarian problems related to refugees and clearer burden sharing. With more cooperation and rules-based relations, it could be possible to revitalize the stagnant membership negotiations in the medium and long term, if Turkey carries out the necessary political and economic reforms and moves in the direction of democracy/multilateral orientation. If Turkey gains the support of the German government after its elections and adapts economic and political reforms, then Germany may have the potential to change the stalemate in the EU-Turkey relationship. As mentioned, the role of Germany was critical in the “Helsinki turn” in the Turkey-EU relationship. At that point, the Social Democrat-Green coalition signaled the green light to change the stagnating EU-Turkey relationship if Turkey met the necessary Copenhagen criteria. At present, however, there is a different global context. The EU also faces major internal debates, and there is a more negative stance on enlargement across the Union. Turkey also has exhibited a long period of authoritarian policies and tendencies. Therefore, there are important hurdles facing the revitalization of accession negotiations. Nonetheless, the accession framework is still the most effective framework to anchor Turkey within the European and transatlantic framework and to move Turkey forward in its democracy at home and multilateral orientation globally.

It also needs to be mentioned that in the medium to long run, one of the important objectives of the new coalition government is to change Germany’s stance toward its population of German citizens of Turkish descent. In addition to prioritizing the fight against racism and Islamophobia, the coali-



tion envisages emphasizing the importance of the diversity of German society and allowing dual citizenship. These policies have the potential to further integrate the population of German Turks and may serve as an impediment to the Turkish government(s)' ability to manipulate this population during election periods in Turkey.

In recent years, Turkey has lost its democratic and multilateral anchor and drifted toward authoritarian/unilateral tendencies. This orientation has had important costs economically, socially, and politically, as there is also a strong connection between the lack of democracy in Turkey and its weakening effectiveness as a foreign policy actor. Hence, at present, this orientation is facing a major crisis, and Ankara's foreign policy is reaching its limits.

While it would be wrong to ditch Merkel's so-called "constructive dialogue" with Turkey on the part of Germany and the EU, it is necessary to transform this policy from "appeasement" to "engagement" and from personal to institutional as soon as possible. Merkel's policy managed to keep relations with Turkey on track. However, weakening normative conditionality (e.g., sidelining universal values like democracy, rule of law, and conditionality) for the sake of sustaining the country's role as a buffer state to keep refugees outside the territories of EU member states has contributed to democratic backsliding in the country.

There is an increasing domestic demand for change toward a more democratic Turkey, which may help to transform its international orientation toward multilateralism. There is a possibility that this demand may meet with a changing European foreign policy in the aftermath of the war in Ukraine, with significant implications for decisions on EU enlargement, neighborhood policy, and differentiated integration, which may also constitute a push factor in putting Turkey-Germany-EU relations on the path of a virtuous cycle of reform and rapprochement. Although the possibility of attaining membership in the near future looks dim, Ukraine's application to join the EU, followed by Georgia's and Moldova's application, may trigger an accelerated rethinking of the EU's enlargement policy. The EU may be compelled to welcome these applications in rhetoric and devise innovative ways

to accommodate the expectations of these two countries due to the geopolitical challenges posed by Russia's invasion of Ukraine. This exercise may lead to a reform of the integration process by way of applying new methods of differentiated integration, such as a core league of fully integrated countries with a second tier of less-integrated countries sharing common policies in wider Europe. If possible, such a form of advanced differentiated integration may also include Turkey, based on its clear European perspective and accompanying democratic reforms.

Civil society may play a critical role in achieving a breakthrough in the stalemate in Turkey-EU relations and enable progress in the direction of greater coordination and integration. Turkish civil society actors would need to follow the debates in Germany and Europe closely and reflect on the possibility of Germany as the new anchor in Turkey's EU orientation and transatlantic relations, whereas both Germany and the EU would have to foster engagement with multi-level actors like local governments, opposition parties, and civil society institutions.

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