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Germany and Turkey in Europe: Strategic Outlook

Introduction

Erdal Yalcin*

Germany and Turkey are unique partners in Europe, who are tied to each other through a variety of economic and political links. Germany has been Turkey's largest trade partner for decades and its leading foreign investor. Intensive cooperation between the two countries takes place under the umbrella of various major international organisations. The launch of the German-Turkish Strategic Dialogue Mechanism in 2013 and the recent announcement that regular intergovernmental consultations will be held as of 2016 highlight the intensity of political dialogue between Germany and Turkey, and both countries' ambitions to find joint solutions to common challenges. This more frequent dialogue is not surprising given the fact that the German-Turkish partnership is currently at a crossroads as a result of various challenges facing Europe. While the political accession negotiations between Turkey and the EU have stagnated in recent years, economic cooperation has steadily improved, particularly after Turkey joined the European Customs Union. However, the negotiations on several free trade agreements recently initiated by the EU uncover a fundamental misalignment in the existing contractual economic relation between Turkey and the EU.

A core question in light of the recent developments is how Germany and Turkey will proceed in an EU that looks for new strategic economic partnerships on the bilateral or plurilateral level. With the aim of shedding light on this question, the Ifo Institute and the Istanbul Policy Center (IPC) organised a joint conference in April 2016 and brought together stakeholders from political and private institutions, German companies, academics and diplomats, to scrutinise the current *status quo* in the German-Turkish partnership, taking into account the recent economic and political challenges.[1] The following articles represent a collection of selected contributions that were presented and discussed during the conference.

Germany and Turkey are increasingly the focus of both public and political attention. The recent public debate has focused on the refugee crisis and the role of Turkey, but there are other important topics that need to be addressed, particularly from an economic point of view. A crucial question at this juncture is how the EU's recent trade policy (e.g. the Transatlantic Trade and Investment Partnership, TTIP) will affect Turkey's economic relationships with the EU, the rest of the world, and particularly with Germany. The importance and relevance of this economic aspect is dealt with in the first three articles of this issue.

Departing from an economic perspective the remaining two contributions discuss the question of whether the recent refugee crisis really changed Turkey's political and economic integration path into the EU. Işik Özel, Associate Professor at Sabancı University, explores the institutional foundation of Turkey's widely praised 'success story' in the 2000s, and then discusses a potential erosion in institutions that may have contributed to the slow-down and increasing vulnerability of the Turkish economy over the last five years. Besides the institution-based analysis, Professor Özel also compares Turkey's economic situation with that of other emerging countries and elaborates a comparative perspective.

Helge Tolksdorf, Director of the Division for EU-Enlargement, Southeast Europe, Turkey, at the Federal Ministry for Economic Affairs and Energy discusses the economic relations between Germany and Turkey. After a concise overview of how economic relations have developed over the past decade, several key challenges with a focus on economic affairs are presented before a final, brief discussion of ongoing political and institutional efforts.

Erdal Yalcin, Deputy Director of the Ifo Center for International Economics, enriches the economic analysis by illustrating how the European-Turkish customs union has benefited both the EU and Turkey in the past. After his positive analysis, he adopts a broad-

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[1] The conference (Germany and Turkey in Europe) is available as a video stream in the CESifo Group's media library.

er perspective by accounting for the EU's recent trade policy agenda and discusses its implications for Turkey and EU-Turkey relations. A major emphasis is placed on elaborating how the EU and Turkey may mitigate the existing flawed customs union in the light of the increasing economic regionalism observed.

Nilgün Arısan Eralp, Director of the EU Studies Center, at TEPAV in Ankara extends the discussion by addressing how the recent refugee crises has changed Germany's and the EU's partnership with Turkey. By analysing the so-called refugee deal she elaborates on its implications for cooperation between Germany, the EU, and Turkey.

Ebru Turhan, Assistant Professor at the Department of Political Science and Public Administration of the Turkish-German University in Istanbul presents a broader analysis of how Germany influences and shapes EU-Turkey relations. After analysing the changing role of Germany in the EU during recent crises such as the financial and migration crisis, Turhan examines its implications for Turkey's future in the EU.

For years now, Turkey has been involved in a process of economic and political integration process with the EU. The economic integration of the country over the past decade, in particular, has been very successful and supported by the European-Turkish customs union. Today, however, Turkey's long-standing bid to become an EU member appears a long way from being realised any time in the near future. The successful future integration process involves many challenges both for the EU and for Turkey itself. The EU's new trade policy agenda in the form of new free trade agreements on a bilateral or plurilateral level such as TTIP has highlighted institutional weak points in what was previously a successful customs union between Turkey and the EU. Moreover, reform processes in Turkey have changed substantially, fostered by difficult political developments in regional neighbouring countries like Syria. At the same time, the EU is struggling with an internal crisis that has prompted scrutiny of the EU's administrative structure. The question of Turkey's future in the EU has undoubtedly reached a critical stage in which Germany plays a crucial role both economically and politically. The following contributions aim to shed light on urgent economic and political issues.