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**Research Report**

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# SWP Comment

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## Turkey-UAE Relations: Economic Cooperation against the Backdrop of Geopolitical Incompatibility

Galip Dalay

Turkey and the United Arab Emirates (UAE) are taking steps to mend their ties. The UAE, it seems, is eager to refashion its image as a bridge-builder in regional politics and hedge its options in the face of the US downsizing its regional security commitments in the Middle East. Turkey, on its end, is eager to get out of the political/ideological box that it has found itself in since the onset of the Arab Uprisings and to lessen the economic cost of its geopolitical activism in the time of a deepening economic crisis at home. Though economic interests can bring the two countries closer, geopolitics can just as easily drive them apart. In spite of a seeming thaw, major sources of tension in these relations remain.

On 24 November, 2021, the UAE's de-facto leader Sheikh Mohammed bin Zayed al-Nahyan's (MBZ) visited Turkey. To reciprocate, Turkey's President Recep Tayyip Erdogan announced that he would visit the UAE in February with a large delegation. This represents a major turning point in the relations between the two countries.

Since the onset of the Arab Spring, Turkey has arguably experienced its deepest rift with the UAE in the Middle East. The sources of this have been ideological, geopolitical and personal. Conflicting approaches to political Islam and the Arab Uprisings have represented the *ideological/political* rift. Meanwhile, adversarial stances on the geopolitical crises from the blockade of Qatar in 2017 to the Libyan, Eastern

Mediterranean and Syrian crises have represented the *geopolitical* rift. Both sides have long engaged in information warfare against each other. Turkey accused the UAE of allegedly financing the coup attempt in Turkey in 2016 — this episode has arguably left a thick imprint on Erdogan's idea of friends and foes in foreign policy, with the UAE being in the latter category back then. In addition, Erdogan and the UAE's officials had heretofore engaged in an exchange of insults. For instance, UAE Foreign Minister Sheikh Abdullah bin Zayed Al Nahayan previously shared a tweet which blamed Turkish soldiers for looting the Muslim holy city of Medina more than a century ago. Erdogan publicly lambasted him and said that he was sinking low and was spoiled by oil

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and money. These activities increased the level of personal enmity between the two countries' political leadership.

Of all the countries with which Turkey has an acrimonious relationship in the region like Saudi Arabia, Egypt, and Israel, the UAE has moved the fastest to mend its ties with Turkey. The UAE clearly wants to rebrand its image in regional politics as a conciliatory actor and possibly as a mediator to settle regional feuds as it is also seeking to repair its ties with Iran and the Syrian regime, while also forming close relations with Israel as reflected through the Abraham Accord. Similarly, Turkey is also eager to get out of the political/ideological box that it has been in since the onset of the Arab Uprisings, during which period Turkey had presented itself as the regional champion of these uprisings and formed close relations with political Islamic actors across the region — two issues that the UAE avidly opposed.

But many of the sources of tension in Ankara-Abu Dhabi relations still remain. For this reason, the two sides prefer to focus on the economy. Turkey is in dire need of hard currency and investment to deal with its economic downturn. The UAE, as a cash-surplus country, is exploring good investment opportunities. Plus, both sides are looking for ways to decrease the economic burden of their regional policies and over-extension.

## Economic Cooperation

To enhance economic cooperation, the UAE has allocated a \$10 billion fund for investment in Turkey. Turkey and the UAE have signed 10 deals and MoUs. How many of these deals will be realized is a question that remains to be answered. However, as a result of the depreciation of the Turkish lira, Turkish assets are currently much cheaper than only a year ago, and UAE investments will probably yield significant profits down the road. Plus, in spite of all the turbulence in Abu Dhabi-Ankara relations, the UAE is already Turkey's largest

trade partner in the Gulf. The economic logic of these commercial deals is self-evident, yet their strategic logic is not as straightforward. Such agreements can be categorized under three headings.

**Investment in lucrative technology firms:** The Abu Dhabi Developmental Holding Company (ADQ) signed a deal to invest in Turkish technology firms and establish a technology-oriented fund. In fact, the ADQ is already investing in Turkey's lucrative online brands Getir (a fast grocery delivery firm) and Trendyol (an e-commerce platform). Trendyol has become Turkey's first decacorn with a valuation hovering around \$16.5 billion by August of this year, whereas Getir became the country's second unicorn, with a valuation around \$7.5 billion.

**Strategic investments:** There has been much speculation about the UAE buying shares in Turkey's growing defence industry or one of Turkey's ports. In fact, of the deals that Turkey and the UAE have signed, one concerns the Turkish-Emirati cooperation on port and logistics. Yet this deal lacks specificity. If the UAE acquires a share in one of Turkish defence companies such as ASELSAN and/or a Turkish port, this would mean that the rapprochement in the relations is more substantive than just being a tactical pause in their enmity. However, acquiring a share in Turkish defence companies, particularly public ones such as ASELSAN, will necessitate a cumbersome bureaucratic process. Without some progress on their geopolitical contentions, Ankara is unlikely to allow the UAE to have a share in Turkey's strategic defence industries.

**Currency swap deals:** Turkey is in dire need of such a deal in order to support its currency reserves and its national currency, the lira. At present, the Turkish Central Bank has swap agreements worth a total of \$23 billion: \$6 billion with China, \$15 billion with Qatar and \$2 billion with South Korea. Turkish officials indicate that a currency swap agreement with the UAE might be in the offing.

## Systemic and Geopolitical Drivers

Though the economy was at the centre of this latest visit, the deescalating in relations is occurring as a result of broader regional and international dynamics.

The US downsizing its regional security commitments in the Middle East and the arrival of the Biden administration in the White House provide the overarching framework for a regional reset. The new US administration is asking all sides to deescalate in the region. As a result of the change in US policy many regional players have engaged in hedging their policies. Globally, regional states are seeking to form closer relations with China and Russia, a process that is fully underway. At the regional level, actors are recalibrating their policies, seeking to reduce tension with their adversaries.

During the Trump era, the US tried to create an anti-Iranian regional bloc, commonly referred to as the Arab NATO, a factor that increased the tension between the regional foes. But the Biden administration dropped this policy, and is seeking ways to find a diplomatic solution to the Iranian nuclear issue. So, the UAE is not only reaching out to Turkey, but to Iran as well, in order to adjust itself to a period in which the US is decreasing its regional security commitments and appears unwilling to pick a side in the feud between the Arab-Gulf states and Iran.

Finally, relatively speaking, the Arab Spring and political Islamic actors appear to have lost their importance in regional politics. This has taken out much of the steam of the political and ideological battles that were previously raging across the region and between Turkey and the UAE over the last decade. Finally, in regional conflict zones such as Libya, no side has emerged as a clear winner. Instead, there is a geopolitical stalemate amongst Turkey, the UAE and Egypt, and for that reason Russia and France as well.

## Geopolitical Test Cases

Though economics can bring the two countries closer, geopolitics can drive them apart.

Libya represents potentially the most explosive geopolitical rivalry between Ankara and Abu Dhabi who are supporting opposing sides. Thus far, both sides are sticking to their policies, but have refrained from escalation. That can be a prelude to more normalisation or simply just a tactical deescalation. In any case, the Libyan conflict is a vantage point from which to analyse the depth and fragility of the current thaw between Turkey and the UAE.

The Eastern Mediterranean is another conflict context that can serve as a testing ground to analyse the seriousness, durability and depth of the ongoing deescalation. The UAE has actively taken part or supported all anti-Turkey regional blocs in the Eastern Mediterranean. It has also cultivated closer relations with Greece and unreservedly supported Athens in its dispute with Turkey. If the UAE continues with this policy, this will surely raise red flags in Ankara about the UAE's true intentions and commitment to normalising relations with Turkey.

Moreover, one of the UAE's latest foreign policy offensives was its outreach to the Assad regime in Syria. The UAE is increasingly emerging as the Arab state that is most active in promoting normalisation with the Assad regime at the regional level. This presents the UAE with common ground with Iran and Russia as well. However, Ankara will look particularly at what the UAE's new Syria policy would mean for the Syrian Kurdish YPG/PYD, as preventing an expansive Kurdish autonomy project in Syria forms one of the major goals of Turkey's Syria policy. If the UAE does not confine its efforts only to the rehabilitation of the Assad regime but forms closer links with the YPG/PYD, Ankara would oppose it outrightly. However, if the UAE confines its role to bringing the Assad regime back into the Arab fold, most notably by facilitating Syria's return to the Arab League, Turkey would not actively object.

Finally, other geopolitical contexts such as Sudan, Somalia, Ethiopia and Tunisia would also bear implications for Turkish-UAE relations. For instance, in Ethiopia, there is an interesting realignment emerging. In spite of differences in their end goals and strategic calculations, in Ethiopia, Turkey and the UAE are supporting the same side, Addis Ababa. In contrast, Egypt and Saudi Arabia support the rebel side. This is one of the first conflicts in which Turkey and the UAE have been geopolitically on the same side and can potentially cooperate. However, Turkey is likely operating cautiously in Ethiopia in order not to antagonise Egypt and Saudi Arabia, as Ankara wants to repair its ties with them. In any event, these cases would have a secondary degree of importance in Turkey-UAE relations, when compared to the areas of their geopolitical contestations in the MENA region.

### **The Political and Institutional Ownership Question in Turkey-UAE Relations**

To assess the current and future depth of Turkey-UAE relations we may compare them with relations between Ankara and Doha. Turkey's relationship with Qatar has an institutional basis in the form of the Turkish military base in Doha. The existence of this military base means support for this relationship can be found within Turkey's foreign and security policy establishment, as well as amongst the Turkish political elite, all the way up to the president. Due to the alignment in both countries' foreign policies and close personal ties between the leaders, the governments' social basis, namely conservative circles, have a largely positive view of Qatar and Turkish-Qatari relations. However, this relationship faces certain challenges and has become a hot topic of Turkey's domestic political agenda and contestations. Turkish opposition is highly critical of this relationship because it sees it solely through the prism of Erdogan, viewing Qatar more

as an ally of President Erdogan rather than of Turkey. However, if the opposition comes to power, it is plausible to expect that they will judge the merit of this relationship with political realism and pragmatism rather than through the binary framework of the opposition – government divide.

In contrast, for long, Turkey's governing elite has accused the UAE of malign policies and operations against Turkey. The pro-government media has broadcast negative coverage of the UAE and its anti-Islamist regional policy. Corollary to this, Turkish conservative social circles also hold highly adverse views of the UAE. In developing a narrative of the new period in the relations, economics will play the central role. The fact that the UAE is already Turkey's largest trade partner in the Gulf can help with this. In addition, the UAE's anti-Islamist foreign policy can help it cultivate a more receptive audience within Turkey's nationalist and broader opposition circles, which can prove to be highly functional in the event of an opposition victory in the upcoming elections in Turkey. However, in its current form, the fledgling Ankara-Abu Dhabi relationship is not only being premised on mistrust and geopolitical incompatibility, it also lacks a strong institutional basis on which to develop in the foreseeable future.

Therefore, while the institutionalisation serves as a major strength of Doha-Ankara relations, the size of trade relations has the potential to serve the same purpose for Turkish-Emirati relations.

### **Conclusion and Outlook**

Compartmentalisation in the ties might become an even more pronounced feature of Turkish-UAE relations. In fact, the UAE is already Turkey's largest trade partner in the Gulf. Going forward, Turkey and the UAE are set to further expand their economic relations. However, their geopolitical posturing will likely remain adversarial for some time, as they will most likely continue to be on the opposing sides of many regional crises. However, reflecting the

spirit and imperative of the new period, they might refrain from actively escalating tensions. Turkey and the UAE have already dialled down their information warfare. Meanwhile, the UAE has muzzled Turkish mobster Sedat Peker, who lives in Dubai and who released damning videos about the wrongdoings and criminal activities of some senior Turkish officials and ministers.

The thaw in the relations would also have regional reverberations. At a time when there is more decoupling between the UAE and Saudi Arabia (the clearest example of this has been their divergent path in the Yemeni conflict) and more efforts by the UAE to mend its ties with its regional rivals, Saudi Arabia might recalibrate its regional policy and display more willingness to restore ties with Turkey – as an important turning point, Erdogan recently announced that he will visit Saudi Arabia in February. On this point, it would also be pertinent to observe how the tripartite relations between Turkey, Qatar, and Saudi Arabia unfold.

Finally, in spite of the rapprochement, there are many crises that can also lead to a reescalation of tension. For instance, if the UAE continues to actively take part in anti-Turkey regional blocs in Libya, the Eastern Mediterranean or Syria, then we are likely to see Ankara and/or Abu Dhabi hit the normalisation brakes.

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