

Turkey's Reconfigured Ties with the 'Strategic West'

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Brief Analysis

Despite diluting certain commonalities with Europe and Washington over the past decade, Ankara still relies on the West in the trade, investment, and security realms.

Turkey's recent decision to purchase the Russian S-400 missile defense system has led many to wonder whether Ankara aims to exit the West. Such questions are understandable given the many steps President Recep Tayyip Erdogan has taken to distinguish his country politically and culturally from the United States and the European Union. Yet he also realizes how much he needs them to fuel Turkey's economy, to keep winning elections, and to maintain keep the NATO security umbrella against Russia, a geopolitical rival whose historical enmity against the Turks runs deeper than any single arms deal can erase.

ENTER THE "STRATEGIC WEST"

Although Erdogan has increasingly cast Western nations as Turkey's political "other" through a string of populist moves in recent years, he is aware that most of his electoral success since 2002 has been driven by the record amount of mostly European foreign direct investment (FDI) the country has attracted over that time. This cash has propelled the country's growth and, in turn, boosted Erdogan's voter base, many of whom are attracted to him because he lifted them out of poverty.

Accordingly, Erdogan still wants to keep Turkey as part of the "strategic West," a club that includes member states of NATO and the Organisation for Economic Co-operation and Development (OECD). In the wake of a 2018 currency crisis, Erdogan is aware that only Europe, the United States, and the IMF are willing and able to rescue his country in the event of a financial meltdown. Given the size of its economy, occasional partners like Russia and Iran cannot provide the cash necessary to mitigate such a crisis, and China seems unwilling to do so given its lack of help so far—not to mention its differences with Ankara over the Turkic Uyghur minority

<https://www.washingtoninstitute.org/policy-analysis/view/will-turkey-and-china-become-friends>) in repressive Xinjiang.

MAINTAINING TRADE PATTERNS, ATTRACTING INVESTMENT

With an annual energy import bill of about \$30 billion, Turkey needs tens of billions in foreign investment or a hot cash flow each year to keep growing at a rate of over 4% annually. Furthermore, the nature of its economic transactions and trade with China, Russia, Iran, and the broader Middle East are quite asymmetrical and nowhere near a match for its supply chains from the “strategic West.” Compared to its large trade deficits with Beijing and Moscow, Ankara’s trade ties with the EU and United States are more balanced.

In 2018, for example, Turkish imports from China amounted to \$20.7 billion, while its exports remained at \$2.9 billion. Similarly, its imports from Russia totaled \$22 billion, but exports were only \$3.4 billion. To be sure, Turkey has diversified its foreign trade partners under Erdogan, with non-Western countries constituting nearly 44% of its trade last year. Yet the EU alone still accounted for 42%, and the strategic West as a whole 56%. Meanwhile, Russia, China and the Gulf Cooperation Council countries collectively made up just 16%. Thus, it is premature to speak of a major economic shift away from the West, and the diversification seen since 2002 has not given any single group of non-Western countries a distinct advantage.

Other figures only reinforce that gap. For instance, Turkey’s top four export destinations in 2018 were Germany (\$16.1 billion), Britain (\$11.1 billion), Italy (\$9.6 billion), and the United States (\$8.3 billion), all well above Russia and China. Regarding Europe as a whole, Turkey was the EU’s fourth-largest export market and fifth-largest provider of imports last year, making it by far Ankara’s top trade partner.

The same goes for investment. While Turkey’s partners on this front have diversified, the share of FDI it receives from the “strategic West” has increased as well, suggesting even stronger financial ties than in the past. In 2005, 60% of its net FDI inflows came from NATO/OECD states (including 58% from the EU), but that figure had grown to 78% by last year (61% from the EU). Put another way, Turkey’s unprecedented economic growth during much of Erdogan’s tenure has been accompanied by increased financial dependence on the West, especially Europe.

In contrast, the proportion of net FDI inflows from Russia, China, the GCC, and the rest of Middle East all decreased over this period. Turkey still managed to diversify its sources of investment, however, with FDI from all other countries increasing from less than 1% in 2005 to over 15.6% in 2018.

TIES WILL REMAIN TRANSACTIONAL

To the extent that European countries recognize these financial trends, they will have ample leverage with Ankara for the foreseeable future. Yet this leverage comes with significant financial exposure. Nearly 80% of Turkey’s foreign debt is owned by banks in the EU; Spanish and French institutions alone held more than half of it as of last year. As such, any financial crisis in Turkey is bound to have significant shocks across Europe. Regardless of their feelings about Erdogan’s populist tendencies, then, European leaders cannot afford to see the Turkish economy collapse.

In the security realm too, Turkey needs the West, especially NATO. Although Erdogan has been brokering ad hoc deals with Moscow on missile defense and Syria, he is aware that a full rupture with NATO would put his country at the mercy of its historical Russian nemesis.

Therefore, policymakers in Washington and Europe should put the growing anti-Western animus in Turkish politics in perspective—in practice, the most likely scenario is that Ankara will continue transactionalizing its ties with them. Regarding Syrian refugees, for example, it has often threatened to “let them free” into Europe as a way of pressuring

governments there to adopt friendlier positions. And even as Erdogan pummeled the continent rhetorically in the run-up to Turkey's 2017 constitutional referendum, his government was simultaneously trying to deepen its customs union with the EU in order to allow more industrial goods to flow freely across the border without tariffs.

Finally, Western leaders should not forget that they often need Ankara's help with important foreign policy matters. For instance, the EU has relied on Turkish defense cooperation in Bosnia and Africa, and in handling refugee flows out of Syria and other parts of the Middle East. For its part, Washington needs Turkey on its side given the country's crucial geopolitical situation next to Iran, Russia, and the core territories of the Islamic State, Iraq and Syria. Although Erdogan's tight grip is troubling, Turkey remains a relatively stable nation—a fact that should not be minimized at a time when political turmoil and military flare-ups are paralyzing much of the Middle East.

Soner Cagaptay is the Beyer Family Fellow at The Washington Institute and author of the new book [Erdogan's Empire: Turkey and the Politics of the Middle East \(https://www.erdogansempire.com/\)](https://www.erdogansempire.com/). Deniz Yuksel is a research assistant at the Institute. ❖

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