

## Spain and Turkey: A Budding Relation (ARI)

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**Theme<sup>1</sup>:** In April Turkey joined the small group of countries (France, Portugal, Poland, Italy, Morocco and Germany) with which Spain, an active supporter of Turkey's bid to join the EU, holds an annual government summit. The scope for enhanced bilateral relations in the trade, investment, political and cultural spheres is considerable.

**Summary:** Spain and Turkey are enjoying a burgeoning economic and political relation. Two-way trade more than doubled between 2002 and 2008 –excluding the EU, Turkey is Spain's third most important trade partner after the US and Mexico–, Spanish direct investment in Turkey has grown considerably in the last four years and the countries' two Prime Ministers co-sponsor the UN-backed 'Alliance of Civilisations', an initiative in the field of preventive diplomacy to defuse tensions between the West and Islam.

**Analysis:** After winning the support of the United Nations in 2005 for the 'Alliance of Civilisations', a project initiated by Prime Minister José Luis Rodríguez Zapatero with the support of Prime Minister Recep Tayyip Erdogan, the two leaders agreed in September 2008 to upgrade their relations and hold an annual summit. Turkey holds an annual summit with only one other country, Italy.

Until then, Turkey was not very much on the Spanish radar, although its bid to join the EU is backed by both the ruling Socialists and the conservative Popular Party (PP), the main opposition, and is one of the few foreign policy initiatives that enjoys the support of both parties. It was the PP under its former Prime Minister, José María Aznar, which pushed recognition of Turkey as a candidate for EU membership at the 1999 EU summit in Helsinki.

Among the large EU economies, Spain, the UK and Italy are Turkey's most active backers. Germany and France are opposed to Turkey's full EU membership and instead believe the country's closer EU ties should take the form of a privileged partnership.

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Spain and Turkey share a number of historic similarities which, coupled with contemporary considerations, make them suitable partners.<sup>2</sup> Among them are:

- The countries are at opposite ends of the Mediterranean, on the periphery of Europe.
- Both have a long Islamic past (between 711 and the fall of the last Moorish kingdom in Granada in 1492 the whole of southern Spain and parts of the northern half were under Muslim rule).
- Both have had large empires, in Turkey's case the Ottoman Empire and in Spain's case its colonies in Latin America and the Philippines.
- Both were, or in Turkey's case still are, significantly agricultural economies.
- Both have undergone massive internal migration from rural areas to cities and towns.
- Both have 'exported' hundreds of thousands of workers to Europe (Turks began to emigrate to Germany at around the same time as Spaniards in the 1960s).
- Both countries have had strong statist economic policies, until their economies began to be opened up.
- Both countries were enlisted for geostrategic reasons during the Cold War years by the US, which established military bases in Spain and Turkey (in 1953 and 1952, respectively). Both joined the Organisation for Economic Co-operation and Development (OECD) in 1961, Turkey as a founder member.
- Both have problems in containing minority nationalisms, in Turkey's case the Kurds and in Spain's case the Basques and Catalans (incidentally, Basque is an agglutinating language and in that respect is closer to Turkish than to Spanish). Terrorism exists in both countries. ETA has been fighting for an independent Basque Country since 1968 and the PKK for an independent Kurdish state.
- Both countries also have disputes over small territories that continue to cause headaches –in Spain's case its North African territories and Gibraltar, and in Turkey's Cyprus–.
- Both Spain and Turkey have also suffered from real or imagined 'black legends' that even today affect the countries' images abroad.

The two countries have come a very long way since the famous naval battle of Lepanto in 1571 in the Gulf of Patras off western Greece when the so-called 'Holy League', a Christian coalition formed by Spain, Venice and the Papacy, defeated the galleys of the Ottoman Turks and prevented the Muslims from advancing into Europe. The battle, at which Miguel de Cervantes, the author of *Don Quixote*, lost the use of his left arm, is commemorated in a painting hanging in the Prado Museum in Madrid by an unknown artist; Spanish and Turkish children learn about it from very different perspectives (see Figure 1). It is thus rather appropriate that more than 400 years later Spain and Turkey should spearhead an initiative to promote better understanding between religions.

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<sup>2</sup> See the author's Paper *Spanish Trajectory: A Source of Inspiration for Turkey?*, Open Society Foundation, Istanbul, November 2008, <http://www.aciktoplumenstitusu.org.tr/images/basin/pdf/RaporESP8.pdf>.

**Figure 1. The Battle of Lepanto**



Source: Courtesy of the Prado Museum.

In 1968, Spain and Turkey both had populations of around 30 million. Today, Turkey's population is 74 million and Spain's 44 million. The average age in Turkey is 29 years compared with Spain's 45 years. Turkey's per capita GDP of around US\$13,000 is roughly the same as Spain's before it joined the EU in 1986. Just as Spain's per capita income began to shoot up as of 1986 (to US\$30,000 in 2008), spurred by EU membership and macroeconomic stability, so Turkey's, too, began to climb significantly as of 2002, under the momentum of its customs union with the EU (as of 1996) and the structural reforms under the Justice and Development Party (AKP), which has been in power seven years.

#### *Trade*

When Mariano Rajoy, the PP leader, met Erdogan in 2008 in Madrid he was much keener to talk about the business possibilities for Spain in Turkey than the issue of Turkey's flagging EU negotiations, and with reason.

Two-way trade between the two countries increased from €2.85 billion in 2002 to €6.6 billion in 2008 (see Figure 2). Spanish exports to Turkey, over this period, doubled to €2.98 billion (from 1% of the total to 1.6%) and its imports from the country more than doubled to €3.66 billion (from 0.8% to 1.3% of the total). The balance has been in Turkey's favour since 2004. Nonetheless, Turkey is a significant trade partner. Excluding the EU, Turkey is Spain's third most important trade partner after the US and Mexico. Its exports to Turkey in 2008 were more than those to Poland and to Russia and represented close to 40% of those to the US.

**Figure 2. Merchandise Trade between Spain and Turkey (€billion)**

	<b>Exports to Turkey</b>	<b>Imports from Turkey</b>	<b>Trade volume</b>	<b>Balance</b>
2002	1.45	1.40	2.85	+0.05
2003	1.73	1.79	3.52	-0.06
2004	2.59	2.45	6.04	+0.14
2005	2.69	2.88	5.57	-0.19
2006	2.78	3.56	6.34	-0.78
2007	2.94	4.21	7.15	-1.27
2008	2.98	3.66	6.64	-0.68

Source: Ministry of Commerce, Spain.

Spain's main exports to Turkey are cars, machinery, boilers, steel and iron, electrical appliances and chemicals. The chief imports from Turkey are car components (both countries have significant motor industries), clothing and chemicals.

### *Direct Investment*

The direct investment relation is very much in Spain's favour. Net direct investment by Spanish companies in Turkey (inflows less outflows) amounted to €2.15 billion between 2000 and 2008, compared with €13.7 million of Turkish net direct investment in Spain (see Figure 3). The main Spanish investments in Turkish companies are the acquisition in 2006 by La Seda –the textiles and chemicals group and one of Europe's largest producers of artificial and synthetic fabrics and yarns– of the textiles group Advansa, which also has plants in the UK and Rumania, for €320 million, Mapfre's purchase in 2007 of 80% of the insurer Genel Sigorta for €285 million and Grupo Essentium's acquisition in 2008 of 80% of Universal Cimento –one of Turkey's biggest cement producers– for around €400 million. Essentium has an option to fully own Universal Cimento.

Sigorta is Turkey's sixth-largest motor insurer and the 10<sup>th</sup> biggest in non-life business. It has a market share of more than 3%. Per capita insurance levels are very low in Turkey and thus the potential for growth in this sector is considerable. Likewise, Turkey's construction sector is enjoying a boom along the lines of Spain's before the economy went into recession and several large companies collapsed under the overload of their debts and stocks of houses they were unable to sell. Future projects in a country with huge infrastructure needs include a third bridge over the Bosphorus and one for cars under the waterway.

**Figure 3. Spain's Net Direct Investment in Turkey (€million) (1)**

	2000	2001	2002	2003	2004	2005	2006	2007	2008
In Turkey	25.8	29.7	36.1	2.5	-8.0	105.5	201.4	1,108	650.4

(1) Excluding investment in special-purpose entities (ETVEs).

Source: DataInVex.

The largest project involving Spanish companies is the recently completed high-speed train line between Ankara and Eskisehir (245km). Construcciones y Auxiliario de Ferrocarriles (CAF) supplied 12 trains with six carriages for €220 million and OHL carried out the railway work. The rest of the line to Istanbul is in the hands of a Chinese company. Future railway projects, for which Spain is well placed, include Ankara-Sivas, Ankara-Konya and Ankara-Izmir. CAF was also awarded the contract to supply the Mediterranean coastal city of Antalya with 14 trams and 33 suburban trains for Izmir, the country's largest port, after Istanbul, on the Aegean coast. CAF has around €400 million worth of business in Turkey.

Seopan, the body representing the powerful Spanish construction sector, that is desperate to win more contracts abroad to offset the big slump in its domestic business, signed a memorandum of co-operation with its Turkish counterpart in April. Several big Spanish companies have been particularly successful in Latin America and the US, while Turkish companies have won business in Turkic republics and in Russia. Whether Spanish companies win any significant business in Turkey remains to be seen as Turkish construction companies are as powerful in their own country as Spanish ones are in theirs and like them reluctant to cede any of the pie.

Renewable energy, where several Spanish companies are world leaders, is another area of potential co-operation. The two governments signed an agreement during the summit. Like Spain, Turkey is virtually 100% energy dependent, but unlike it it receives two-thirds of its natural gas from Russia, which has proved to be an unreliable source. Turkey intends to spend US\$120 billion on energy by 2020 (nuclear plants, dams for hydraulic power, etc). Iberdrola, the world's largest producer of wind power, has agreements with

Calik Enerji and Turkas, but, despite this, has not entered the Turkish market as it does not find the conditions attractive, particularly in distribution of power (Turkey does not want to sell companies with networks and substations but only operating rights) and in nuclear generation (the remuneration framework guarantees are not sufficiently stable).

Telvent, the majority-owned subsidiary of the Spanish engineering company Abengoa, is active in Turkey's energy sector. It has worked with Botas, the state-owned natural gas pipeline company. This sector is viewed as particularly promising since Turkey is involved in several very large gas and oil pipeline projects (Nabucco, Tapco and BTC). Inabensa, another subsidiary of Abengoa, has won business in the electricity sector.

In retailing, Spain's Inditex, Europe's leading clothes retailer, has 93 of its 4,264 stores in Turkey (see Figure 4).

**Figure 4. Inditex Stores in Turkey**

	Number of stores
Zara	25
Pull and Bear	13
Massimo Dutti	10
Bershka	13
Stradivarius	13
Oysho	11
Zara Home	8
Total	93

Source: Inditex.

In IT, Indra, the premier company in Spain, won a €38.5 million contract in March to refurbish and extend the air space surveillance network that controls Turkey's air traffic. The radar stations to undergo modernisation are: Merzifon, Ankara, İzmir Adnan Menderes, İzmir Akdağ, Batman, Karaman Ermenek, Burdur Eğlence, İstanbul Yenibosna, Cyprus Ercan, Esenboğa Mira, Bahçe Akçadağ, Dalaman Nuribaba, İnebolu Göynük, Erzurum, Ağrı, Antalya, Trabzon and Kıbrıs Ağırdağı.

In banking, Spanish banks have not added Turkey to the growing list of countries where they have acquired banks. Banco Sabadell, based in Catalonia, is the only Spanish bank with a permanent presence in Turkey and that is only in the form of a representative office.

The Turkish banking system, thanks to the strong central bank oversight that Spain also enjoys, has become one of the more solvent in Europe; following the Bank of Spain's recent intervention in Caja Castilla La Mancha, a troubled savings and loans institution, and the country's first bank rescue in the current financial crisis, Turkey is the only big European country without an ailing bank that has had to be rescued.

#### *Terrorism Co-operation*

Both Spain and Turkey still suffer from the scourge of terrorism. ETA, founded in 1959, is still fighting for an independent Basque Country and the PKK, established in 1973, for an independent Kurdish state. The Basque Country enjoys a considerable degree of autonomy in the spheres of taxes, policing, education and language, unlike the predominantly Kurdish areas in eastern Turkey which are very much under the thumb of Ankara.

The Turkish authorities would like their counterparts to co-operate more in preventing the PKK from laundering money and trafficking in drugs in Spain and clamp down on the group in the same way that it has increasingly been doing on ETA. There are around 70 Turks in prison in Spain, 45 of them on drugs-related offences. Many doner kebabs in Spain, according to official Turkish sources, are PKK fronts and used for money-laundering and propaganda purposes. The signing of an agreement during the summit to co-operate more on organised crime is a mechanism that could be used to get tougher with PKK activists or supporters in Spain.

The arrest on 24 March of Remzi Kartal, a former deputy in the Turkish parliament of the banned Democracy Party (DEP) and a leading PKK suspect, when he entered Spain pleased the Turkish authorities, but they were dismayed when he was released on parole on 28 March and told to report to the police every day as it is assumed he will disappear. Kartal was detained under an international red warrant. The Spanish court had 45 days to respond to Turkey's request for Kartal's extradition.

#### *Visas*

It is much easier for Spaniards to enter Turkey with a visa than it is for Turks to come to Spain, and this bone of contention was not resolved at the summit. Spaniards can get their visa at a cost of €10 at their point of entry or from the Turkish embassy in Madrid or consulate in Barcelona (re-opened in 2008), while Turks have to apply for it in Turkey. There is no guarantee they will get it from the consulate in Istanbul or the embassy in Ankara (as inexplicably happened, for example, to lawyers from Gaziantep who were invited to a football match) and the process can take a long time. Particularly affected are Turkish students, including those under the Erasmus programme, some of whose visas take so long to come through that they miss their courses in Spain.

Ankara would like a visa arrangement with Spain similar to the one it has with Italy, under which visas are much more quickly facilitated to Turks –and free of charge–. As Italy, like Spain, is one of the 15 Schengen agreement countries (which create a borderless zone in the EU) some Turks, particularly businessmen, frustrated by Spanish restrictions, have taken to obtaining an Italian visa and then using it to come to Spain. This makes a mockery of Spain's tighter controls.

#### *Cultural Sphere*

Spain and Turkey (established in 1923 on the ruins of the Ottoman Empire) both created empires and claimed leadership of the Christian and Muslim worlds, respectively. They have left indelible marks on world culture. Over the past 30 years both nations have experienced profound cultural change and interest in each one has increased notably. Picasso and Dali exhibitions in Istanbul, for example, attracted more than 250,000 visitors and the films of Pedro Almodóvar are popular, as is the new wave of Turkish films in Spain. Spanish artists have taken part in the Istanbul biennale and Turkish galleries participate in the Arco Art Fair in Madrid. Most of the novels of Orhan Pamuk, who won the Nobel Prize for Literature in 2006, have been translated into Spanish.

In 2001 Spain set up a Cervantes Institute in Istanbul for the teaching of Spanish and dissemination of Hispanic culture. It has more students than the departments of Spanish philology in Turkish universities. Few Spanish universities, however, teach Turkish studies. In 2006 Spain and Turkey signed a three-year cultural and educational exchange agreement to promote co-operation between higher education establishments. Some secondary schools in Turkey have begun to teach Spanish.

**Conclusion:** Relations between Spain and Turkey are bound to strengthen, even if the country does not become a full EU member. Turkey's EU negotiations and general reform process have stalled over the last two years; only 10 of the 35 chapters required for membership have been opened and one of them closed since accession negotiations started in October 2005, a further eight are suspended until Turkey agrees to open its ports to Greek Cypriot ships and five are blocked by France because President Nicolas Sarkozy says that to open them would assume an outcome of full membership.

Turkey has to resolve the long-drawn-out dispute over Cyprus (divided along ethnic lines since Turkey invaded the island in 1974), an essential precondition for Turkish EU entry, by the end of the year or face the possibility of a suspension of negotiations. Cyprus joined the EU in 2004 and Turkey's ban on Greek Cypriot ships contravenes the Union's principles.

Spain is the EU President in the first half of 2010; the Turkish authorities are hoping Rodríguez Zapatero will find creative ways to get more chapters opened and so make its support of Turkey's full membership more visible. Turkey is reluctant to budge on Cyprus without a clear assurance that it will be rewarded with full EU membership at the end of its bumpy negotiating road. Depending on what happens before the end of the year, it would send a positive signal to Ankara if Miguel Ángel Moratinos, Spain's Foreign Minister who knows the Cyprus problem well, agreed to meet, for the first time, the Turkish Cypriot leader Mehmet Ali Talat before Spain takes over the EU Presidency. Washington, keenly pressing Turkey's EU membership for its own geostrategic reasons, is already moving on this front: Talat met the US Secretary of State, Hillary Clinton, on 15 April in the American capital.

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