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# Middle East Brief

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## Turkey's Economic Crisis and Erdoğan's Multiple Rapprochement Initiatives

Nader Habibi

In early 2020, President Recep Tayyip Erdoğan of Turkey launched an aggressive rapprochement initiative to repair Turkey's relations with four Middle Eastern neighbors: Egypt, Israel, Saudi Arabia, and the UAE. Erdoğan initiated this policy out of necessity, to end Turkey's isolation and attract financial investment to alleviate the country's ongoing economic crisis. The success of this initiative, particularly with respect to oil-rich Saudi Arabia and the UAE, is crucial for President Erdoğan as he tries to improve economic conditions ahead of the May 2023 presidential elections. The record-high inflation rates and rising poverty in recent years have reduced Erdoğan's popularity, and the latest opinion polls, taken before the massive February earthquakes, suggest that unlike as in previous national elections since his first victory in 2002, Erdoğan and his Justice and Development Party (AKP) might face strong competition this time.

As a result, President Erdoğan has gone out of his way to charm the political leaders of these four countries, by means of both personal visits and diplomatic concessions. But while these efforts have partially improved Turkey's diplomatic relations with these governments, those governments remain cautious on account of Erdoğan's history of erratic foreign policy. During the two decades that he has governed Turkey, President Erdoğan has not hesitated to alter Turkey's priorities and alliances, and the bilateral relations of each of these four countries with Turkey have been impacted by these unexpected swings in his foreign policy. Despite the steady expansion of diplomatic and economic ties with Saudi Arabia and the UAE for nearly a decade, for example,

Erdoğan supported the Muslim Brotherhood movement—which these countries view as a threat to their stability, both during and after the 2011 Arab Spring uprisings.

Nevertheless, this rapprochement initiative is important because it follows several years of tensions between Turkey and these four Middle Eastern countries. The initiative has the potential to improve Turkey's relations with these countries in the long run quite aside from how it might affect Erdoğan's reelection prospects, and it deserves to be studied in detail. In this Brief, I will first analyze the political, economic, and diplomatic factors that have influenced Erdoğan's rapprochement initiative over the past two years. I argue that in the 2010s, Erdoğan's insistence on a few unconventional economic policies led to an unprecedented economic crisis—and his confrontational foreign policy worsened this crisis by alienating many of Turkey's neighbors and regional economic partners. Then, I will analyze the progress of this rapprochement initiative, and its implications for Turkey and for Erdoğan's May 2023 election prospects.<sup>1</sup> I will also examine the broader implications of this initiative for the Middle East region as a whole. While many experts and scholars have paid attention to Erdoğan's rapprochement policy since 2021, they have primarily focused on its diplomatic causes and consequences. In this Brief, I will consider the initiative's economic and financial aspects as well.

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## From “Zero Problems” to Many Problems and Back

Turkey's foreign policy in the Middle East under Erdoğan can be divided into three distinct phases: economic diplomacy (2003–2010), neo-Ottoman interventionism (2011–2019), and selective rapprochement (2020–present). The first phase is best known for the “Zero Problems toward Neighbors” doctrine of Erdoğan's foreign minister, Ahmet Davutoğlu.<sup>2</sup> In this phase, Turkey improved its diplomatic and economic relations with Middle Eastern and Central Asian countries. For economic reasons, Erdoğan prioritized improving relations with the rich oil-exporting countries of the Persian Gulf who had benefited from the high price of oil since 2000 and were actively looking for foreign investment opportunities. Though the Gulf countries traditionally favored investments in Europe and the United States, after the September 11, 2001, terrorist attacks led to diplomatic tensions with the West, they showed more interest in alternative investment destinations such as Turkey. Saudi Arabia and the UAE also appreciated Turkey's refusal to cooperate with the U.S. invasion of Iraq in 2003.

Consequently, bilateral economic relations between Turkey and the Gulf countries grew rapidly during the first decade of Erdoğan's leadership (2003–2012). Turkey's exports of goods to the UAE and Saudi Arabia, for example, rose steadily, from \$1.44 billion in 2003 to \$5.55 billion in 2010.<sup>3</sup> Turkey also received a significant amount of direct and financial investment from these countries in this period.<sup>4</sup> Erdoğan also improved Turkey's relations with Israel during these years, and he tried to play a mediation role in the Israeli-Palestinian conflict. This phase gradually came to an end in 2010, however, as President Erdoğan adopted a more interventionist and assertive policy toward Turkey's Middle Eastern neighbors.<sup>5</sup>

Overall, Turkey's foreign policy changed in two ways after the “Zero Problems” era. It became more assertive and less coordinated with Turkey's NATO allies; and it became more unstable and erratic when it came to bilateral relations with many countries. Both domestic and international factors contributed to these policy reversals. Starting in 2010, Erdoğan consolidated the power of the executive

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branch through constitutional reforms, eventually effecting a transition from a parliamentary to a presidential political system in 2018. These enhanced powers enabled Erdoğan and the AKP to bypass Turkey's foreign ministry establishment and manipulate foreign policy for domestic political gains, thereby diminishing the role of the foreign ministry and the well-established institutions that had theretofore guided Turkey's foreign policy. Some important foreign policy decisions were hence made directly in the presidential office, without adequate consultation with the appropriate offices in the foreign ministry. As a result, Turkey's foreign policy became more personalized and more politicized. Weak consultation with the foreign policy establishment opened the door for some ill-planned policies that failed to achieve their objectives.

The concentration of foreign policy decision-making in the presidential office also increased the influence on foreign policy of conservative Islamists and of President Erdoğan's nationalist coalition partners.<sup>6</sup> Some of Turkey's aggressive postures, such as its support for the Muslim Brotherhood and its more assertive Blue Homeland policy in the East Mediterranean, reflect the rising influence of these groups.<sup>7</sup> As well, the gradual disengagement of the United States from the Middle East during the Obama and Trump administrations created an opportunity for Turkey to play a more active regional role. Finally, the Arab Spring uprisings created another unexpected opportunity for Turkey to activate its pan-Islamist policies in the Arab countries in which the authoritarian leaders were either removed (Egypt) or weakened (Syria). These assertive neo-Ottoman policies had some unintended adverse consequences for Turkey, which will be discussed below.

### Isolation, Exclusion, and Economic Crisis

The market-oriented reforms that Turkey introduced in the 1980s and 1990s led to strong economic growth, but they also made its economy heavily dependent on exports and foreign investment for maintaining this growth. Erdoğan expanded Turkey's economic relations with its Middle Eastern neighbors rapidly before the Arab Spring tensions, and the setback in economic and diplomatic relations after the Arab Spring has contributed to Turkey's economic troubles ever since—although Erdoğan's ill-advised economic policies played an even larger role in the worsening economic crisis.

The deterioration of Turkey's relations with Egypt, Israel, Saudi Arabia, and the UAE after the Arab Spring led to the exclusion of Turkey from several regional multi-country agreements. This isolation was particularly visible in the case of the East Mediterranean natural gas cooperation agreements. Recent discoveries of new natural gas fields have made the East Mediterranean a significant production and export region for the European market. Egypt, Greece, and Cyprus launched the Eastern Mediterranean Gas Forum (EMGF) in 2018, and participation in the development of transportation and delivery networks was extended to Israel, Jordan, Italy, and the Palestinian Authority in 2019. As a result of its disputes with Egypt, Israel, and Greece, however, Turkey was excluded from this arrangement<sup>8</sup>—a major setback to its goal of becoming the main energy transit hub for the Mediterranean region.<sup>9</sup> The announcement of the Abraham Accords<sup>10</sup> between Israel and several Persian Gulf Arab States in 2020 served as another signal to Erdoğan of Turkey's exclusion from emerging regional arrangements.

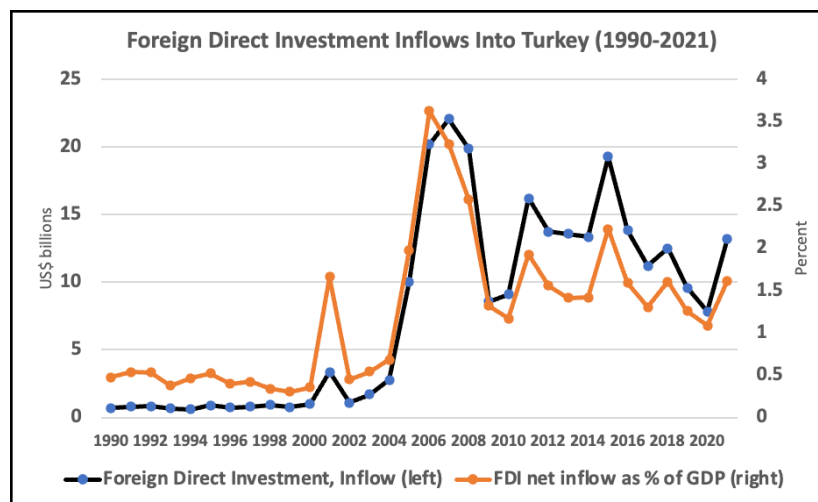


Figure 1. (Source of data: The World Bank)

Turkey also suffered a setback in the quantity of foreign investment and bilateral trade vis-à-vis some of its major economic Middle East partners. As shown in Figure 1, foreign investment inflow into Turkey rose sharply after Erdoğan's initial appointment as prime minister and reached a peak during 2005–2008; it became more volatile and fell sharply thereafter and again after 2016.<sup>11</sup>

The flow of investments into Turkey from Saudi Arabia and the UAE in particular diminished as Turkey's tensions with these countries intensified. Between 2014 and 2018, Saudi Arabia's direct investments fell from \$1.81 billion to \$591 million, while UAE investments fell from \$6.85 billion to \$1.68 billion.<sup>12</sup> The decline in investment flows from these and other Gulf countries became even more critical after mid-2018, when the Turkish economy faced a severe exchange rate crisis, and the Turkish lira suffered a substantial depreciation.<sup>13</sup>

Turkey relies heavily on exports and foreign investment to keep its economy strong, and the country's growing tensions with the U.S., the European Union, and other investor countries had an adverse effect on both indicators. Turkey experienced record-high trade deficits and the Central Bank's foreign currency reserves declined sharply, from \$84 billion in January 2018 to \$40 billion in October 2020. For a large middle-income country like Turkey, \$40 billion in Central Bank reserves is very low, and that raised alarm among international investors about the ability of the Central Bank to keep the exchange rate stable. These weak investment inflows reduced the supply of hard currency and contributed to the sharp depreciation of the lira after 2016.<sup>14</sup>

The depreciation of the lira, in combination with some ill-advised monetary policies, led to a sharp increase in the inflation rate. Since Turkey relies heavily on imports of oil, natural gas, and many other such commodities, the declining value of the lira increased the cost of these imports and resulted in a sharp increase in inflation.<sup>15</sup> The wages and incomes of most Turkish citizens have not kept pace with this rapid inflation, and as a result, many people have experienced a sharp decline in their purchasing power and standard of living. Since wages have not kept pace with rising prices, many low-income households have had to cut back on their consumption of some food items, such as meat. The average annual meat consumption of a family of four, for example, fell by half, from 56 kilograms in 2017 to 28 kilograms in the first half of 2022.<sup>16</sup>

It was to a large extent Erdoğan's bad economic policies that plunged the Turkish economy into the severe economic crisis that is still underway. Whereas policy-

makers in modern economies adjust the interest rate for lending and borrowing to achieve a balance between price stability (low inflation) and the availability of loans for economic growth, Erdoğan insisted on maintaining low interest rates to promote economic activity. In doing so, he ignored the risk of injecting too much money into the economy, which causes inflation. Indeed, he insisted—and continues to insist—that interest rates have no impact on inflation, and he imposed low interest rates on the Turkish Central Bank despite the objections of his own economic advisors. Over the past five years, Turkey has changed Central Bank directors four times because of their opposition to Erdoğan's insistence on low interest rates even when inflation was on the rise.

Even as the lira lost value and inflation rose to record highs, Erdoğan resisted changing his economic policy for political reasons. Low interest rates benefit an important political constituency—Anatolian business people in the real estate and construction sectors—while also appealing to conservative religious households, who oppose high interest rates because of their Islamic faith. High and rising inflation rates, however, have diminished public confidence in the national currency and encouraged businesses and people to convert their savings into reliable foreign currencies, such as the U.S. dollar and the euro.

In 2018 and 2019, the economic crisis in Turkey worsened as major credit rating agencies lowered the country's creditworthiness score, further eroding investors' confidence. The deteriorating economic conditions along with Turkey's increasing isolation from regional agreements finally convinced Erdoğan to adopt a more moderate foreign policy and repair Turkey's damaged relations with countries that had the most potential to assist Turkey with these issues.

## Economic Diplomacy Redux: Rapprochement and a Credibility Deficit

Since 2020, President Erdoğan has invested in a regional rapprochement initiative that could improve his chances for victory in the May 2023 elections and might serve Turkey's economic and geopolitical interests in the long run as well. Its success going forward can be assessed in terms of the degree to which it achieves: a) normalization of diplomatic relations and expansion of bilateral economic ties; b) large short-term investment inflows that can relieve the country's economic crisis and improve Erdoğan's popularity ahead of the 2023 elections; and c) inclusion of Turkey in new regional agreements and alliances such as the Eastern Mediterranean

Gas Forum and the Abraham Accords. What can be accomplished vis-à-vis each of these objectives depends on the response of the targeted countries to Turkey's initiative and to any additional concessions offered by Turkey.

**Normalization of Diplomatic Relations:** Initial positive and conciliatory signals by Erdoğan were conveyed to some of the target countries beginning in 2019, but solid actions in this direction were only initiated in 2021 with several high-level diplomatic visits. After two visits by UAE diplomats to Ankara in August and November 2021, Erdoğan visited that country in February 2022 to normalize diplomatic relations, which had deteriorated after the Arab Spring over Turkey's support for the Muslim Brotherhood, its assistance to Qatar during the blockade, and its actions in Syria. In light of the intense hostility between Turkey and the UAE, which had continued well into 2020, Erdoğan's ability to normalize Turkey's relations with the UAE came as a big surprise<sup>17</sup>—the more so as it preceded a similar outreach with respect to Saudi Arabia.

Erdoğan used a similar diplomatic approach to improving Turkey's relations with Saudi Arabia when he visited that country in May 2022. As a precursor to this visit, Turkey agreed to move the location of the Khashoggi murder trial to Saudi Arabia.<sup>18</sup> This concession in effect terminated the prosecution of Saudi agents who had been sent to Istanbul to commit this crime and hence served as a major concession to the Saudi ruling regime. Interestingly, the reduction of U.S. involvement in the Middle East, which has been underway for more than a decade,<sup>19</sup> served as an incentive for both Saudi Arabia and the UAE to try to resolve their tensions with regional rivals such as Turkey. At the same time, the gradual reduction of Qatar's tensions with Saudi Arabia and the UAE, starting in 2020, reduced the significance of another factor that had contributed to both countries' anger against Turkey, which supported Qatar.

Turkey's tensions with Israel remained high with regard to both Gaza and natural gas disputes in the East Mediterranean.<sup>20</sup> When Naftali Bennett replaced Benjamin Netanyahu as Israel's prime minister in June 2021, however, Erdoğan saw an opportunity to initiate normalization with Israel, with whom relations had been severed in 2018. After several rounds of diplomatic negotiations, Turkey and Israel announced the restoration of diplomatic relations on August 17, 2022.

Turkey's tensions with Egypt after the Arab Spring were multifaceted, and the process of normalization has moved at a slower pace than with respect to the other three

countries.<sup>21</sup> Two high-level diplomatic visits took place in May and September of 2021, as President Erdoğan signaled his desire for the improvement of relations in several remarks. Turkey took the first major step toward rapprochement when the Turkish ambassador in Tripoli visited Benghazi (the capital of the pro-Egyptian government in the eastern region of Libya) in January 2022. In another important gesture, in April 2022 Turkey terminated the Muslim Brotherhood's satellite television station operating in Istanbul. In the same month, Turkey announced plans to appoint an ambassador to Egypt after a hiatus of nearly nine years.<sup>22</sup>

Despite these positive gestures by both sides, however, Turkey-Egypt relations remain vulnerable to many unresolved issues. They are still supporting opposite sides in Libya, and Egypt has continued its occasional agreements and cooperation with Greece, as both countries oppose any maritime deal that Erdoğan signs with Libya. Although Turkey has made many efforts to improve relations with Egypt, the announcement of a new agreement with Libya in October 2022 came as a surprise and triggered a visit by the Greek foreign minister to Cairo to enable a coordinated response.<sup>23</sup>

Overall, Erdoğan's multi-nation rapprochement initiative represents a major shift in Turkish foreign policy—and a major retreat from his vision of neo-Ottoman greatness and regional leadership, which motivated many of Erdoğan's assertive foreign policies during the 2010s, and to a large extent grew out of Turkey's unprecedented economic and diplomatic success in the first decade of Erdoğan's rule. As we have seen, those policies did not result in the outcomes that Erdoğan was envisioning. Many countries pushed back against Erdoğan's interventions and retaliated by reducing their economic engagement with Turkey. The combination of these diplomatic failures and Turkey's worsening domestic economic crisis finally convinced Erdoğan to set a new, more humble course for Turkish foreign policy.

Though Turkey has been successful in beginning a normalization process with all four countries under consideration, rapprochement will likely proceed at a different pace with respect to each country. All four countries provided support and assistance to Turkey in response to the devastating February 2023 earthquake. That strong response was partly a result of the rapprochement initiative and is likely to further improve Turkey's relations with these countries. At the same time, based on their interactions with Turkey over the past decade, they may remain skeptical about the credibility of Erdoğan and the long-term stability of his policies. The October 2022 maritime agreement between Turkey and



the Tripoli government of Libya, for example, confirmed the earlier skepticism of some Egyptian analysts<sup>24</sup> about Turkey's positive gestures toward Egypt. Israeli officials also have some reservations about normalization after prior rapprochement efforts failed because of the Turkish reaction to Israel's 2018 war with Hamas.

While the rapprochement strategy is underway, however, Turkey is likely to tone down its criticism of Israel. This more moderate approach was already evident in Turkey's response to the latest episode of violence in the West Bank village of Hawara.<sup>25</sup> When Israeli settlers attacked this village in late February 2023 and set many cars and houses on fire, the Turkish government did not issue a strong condemnation, as it had in response to previous incidents on a similar scale. This was also partly because Israel provided valuable support for search and rescue missions in Turkish regions that were hit by the earthquake. Nevertheless, bilateral relations between Israel and Turkey will remain vulnerable to Turkey's reaction to any future episodes of Israeli-Palestinian violence.<sup>26</sup>

We must also differentiate between the desire of these countries to improve bilateral relations with Turkey in the long run and their willingness to improve relations in a manner that may help Erdoğan win reelection in 2023. Erdoğan's tensions with some leaders, such as Mohammed bin Salman and el-Sisi, became personal,<sup>27</sup> and these leaders may hold personal grudges against him even as they are interested in improving their long-term relations with Turkey.

**Foreign Investment and Financial Support:** As expected, Turkey has sought to gain from the diplomatic negotiations with Saudi Arabia and the UAE large investments that could help stabilize the Turkish economy. Both countries have in fact pledged large investment sums, in the range of \$5 to \$10 billion;<sup>28</sup> these will have a positive impact if they materialize in the short run, but Turkey needs substantially larger amounts if Erdoğan is hoping to improve economic conditions before the May 2023 presidential elections. Between March and September of 2022, the Turkish government sold \$17.9 billion of its international reserves to stabilize the exchange rate, and yet the lira still lost 24% of its value.<sup>29</sup>

The Turkish Central Bank's hard currency reserves remain low relative to the size of the country's economy, and Turkey has tried to reduce the demand for hard currency by signing currency swaps with Azerbaijan, the UAE, China, and several other countries, thereby enabling trade in each other's currency without needing to trade in U.S. dollars or euros. This remedy, however,

does not address Turkish citizens' demand for hard currency as a hedge against record-high domestic inflation rates.

There are some indications that the rapprochement policy has generated some financial benefits for Turkey in recent months. The assistance offered Turkey by all four countries (Egypt, Israel, Saudi Arabia, and the UAE) in response to the twin February 2023 earthquakes was in part a result of their improved relations with the country. The UAE took the lead by providing more than \$100 million in assistance, followed by Saudi Arabia, Israel, and Egypt.<sup>30</sup>

The rapprochements have also generated two additional positive steps on the part of Saudi Arabia and the UAE. On March 3, Turkey and the UAE signed a free trade agreement that is expected to pave the way for a faster growth of economic relations. This was followed on March 6 by a Saudi decision to provide a \$5 billion unconditional loan to the Turkish Central Bank.<sup>31</sup> Despite continuing high inflation rates, the Central Bank has been able to keep the lira relatively stable since September 2022,<sup>32</sup> and it is working hard to prevent a large decline in the value of the lira before the May 2023 elections.

At the same time, one factor that might limit the size of financial investments in the Turkish economy by these and other oil-rich countries is the continuation of the bad economic policies that have contributed to the current economic crisis. So far there are no indications that Erdoğan is willing to modify his low interest rate policy and other harmful economic actions of recent years. Consequently, while diplomatic relations are expected to improve as Erdoğan continues his regional rapprochement initiative, major investors may remain cautious and wait for some significant economic reforms.

**Regional Agreements:** By reducing tensions with Egypt and Israel, Erdoğan will be in a better position to end Turkey's exclusion from multilateral regional agreements for developing and exporting East Mediterranean natural gas; serving as a regional energy hub for oil and natural gas is an important component of Turkey's long-term development strategy. During the 2010s, when tensions were high with Turkey, Egypt and Israel joined Greece, Cyprus, France, Italy, Jordan, and the Palestinian Authority to form the East Mediterranean Gas Forum (EMGS) to develop the infrastructure and a framework for the export of East Mediterranean natural gas to Europe. If Turkey's relations with Israel improve, the two nations could build a pipeline to transfer Israel's natural gas to Turkey and connect it to the Anatolian Natural

Gas Pipeline (which is already in operation) for export to Europe. Turkey would also be able to use a portion of this natural gas for domestic consumption, thereby reducing its dependence on Russian and Iranian supplies. Turkey could likewise increase its regional influence by participating in the Abraham Accords. Turkey's support for these agreements is likely to help Turkey win more favors from the United States, which has invested heavily in bringing about the Accords.

How much Turkey can benefit from these rapprochement initiatives, particularly with respect to participation in regional agreements, will depend partly on its relations with several other countries in the region. Even as Turkey has been trying to improve its relations with these four countries, its tensions with Greece have escalated over the past three years. Since Israel and Egypt are both cooperating with Greece to develop and commercialize the natural gas deposits of the East Mediterranean region, Turkey's tensions with Greece might have an adverse effect on its prospects for joining regional natural gas agreements.

Similarly, the continuation of Turkey's military presence in northern Syria and its hostile posture toward the Assad regime might prevent Turkey from fully benefiting from its rapprochement with Saudi Arabia and the UAE. In recent years, both countries and many other Arab governments have taken important steps to restore their diplomatic relations with Syria.<sup>33</sup> And not only is Syria an important transit route for Turkey's trade with the Gulf region, but once the post-war reconstruction of Syria begins, Turkey may be excluded from the attractive investment opportunities that will become available.

Improved relations with Saudi Arabia and the UAE might encourage Erdoğan to expedite the normalization process with Syria, and there are some indications that Turkey is moving in that direction. Russia arranged a meeting between the defense ministers of Turkey and Syria in December 2022, which was the first high-ranking diplomatic meeting between the two countries in eleven years. President Erdoğan has even expressed a desire for a face-to-face meeting with Bashar al-Assad to accelerate the normalization process.<sup>34</sup>

## Final Thoughts

Erdoğan's simultaneous rapprochement initiative toward Egypt, Israel, Saudi Arabia, and the UAE over the last two years represents a significant shift in Turkey's foreign policy—a modification of Erdoğan's neo-Ottoman policies of ideological and political interventions in the

Middle East and North Africa. At the same time, Turkey's foreign policy has undergone so many wide swings and unexpected reversals that all four governments have greeted this gesture with some degree of skepticism about its authenticity and durability.

The prospects for another revision of Turkey's foreign policy after the May 14, 2023 elections might also influence the response of these four countries to Erdoğan's charm offensive. Several secular opposition parties, which have created a united coalition for the upcoming elections, have recently issued a joint statement setting forth their common vision for Turkey's foreign policy.<sup>35</sup> They called for greater economic and strategic cooperation between Turkey and the West, and also proposed to enhance the institutionalized role of the foreign ministry, which was marginalized in recent years by Erdoğan's direct interventions.

Israel might welcome a victory by the secular opposition parties, as they have traditionally advocated for warmer relations with the United States and Europe, which by extension has led to less tension between Turkey and Israel. The three Arab countries might have mixed feelings about a victory by the secular parties, however, because they might both distance Turkey from the Middle East and support U.S. policies in the region, as was the case before Erdoğan. If they can trust Erdoğan to restore Turkey's foreign policy to the "Zero Problems toward Neighbors" status of the 2000s (before the Arab Spring), they might prefer an Erdoğan victory.

Overall, concerns about the consequences of the May 2023 election will likely not deter these four countries from improving their bilateral relations with Turkey, but may influence how fast they are willing to move forward, and how open they are to the sort of large-scale financial and diplomatic support that might improve Erdoğan's reelection prospects.

## Endnotes

- 1 For more on Turkey's relations with these countries in the 2010s see: [Amelia Atalay and Nader Habibi, "Erdoğan's regional reset may not get him re-elected, but benefits Turkey," \*Ahval\*, July 14, 2022.](#)
- 2 Davutoğlu served as Turkey's foreign minister from 2009 to 2014 but his influence on Turkey's foreign policy, particularly the Zero-Problem initiative began in 2003, when Erdoğan became the prime minister. See Ahmet Davutoğlu, "Turkey's Zero-Problems Foreign Policy," *Foreign Policy*, May 20, 2010, <https://foreignpolicy.com/2010/05/20/turkeys-zero-problems-foreign-policy/>.
- 3 Calculated by the author based on country data as reported in the [United Nations Comtrade Database, 2022.](#)

- 4 Between 2004 and 2011 the Gulf countries spent \$6.5 billion in direct investments in Turkey, more than half of it from the UAE. The UAE and Saudi Arabia also made very large asset purchases in this period: The Saudi firm Oger Telecom, for example, bought 55% of Türk Telekom shares for \$6.5 billion in 2005. For more details on Turkey's economic relations with Saudi Arabia and the UAE since 2002, see [Anadolu Center for Near Eastern Studies, "The Gulf Countries' Investments in Turkey," September 8, 2021.](#)
- 5 For a detailed review of Turkey's relations with the Persian Gulf Arab states in the "Zero Problems" era, see my 2019 Brief, ["Turkey's Economic Relations with Gulf States in the Shadow of the 2017 Qatar Crisis," Middle East Brief 132 \(Brandeis University, Crown Center for Middle East Studies, December 2019\).](#)
- 6 After 2015, Erdoğan's AKP party no longer enjoyed a majority despite being the largest bloc in the parliament. This shortcoming forced Erdoğan to form a coalition government with the Nationalist Movement Party (MHP), which took strong hawkish and nationalist stands on foreign policy.
- 7 [Ilke Toygür, Funda Tekin, Eduard Soler i Lecha, and Nicholas Danforth, "Turkey's Foreign Policy and Its Consequences for the EU" \(European Parliament, Directorate-General for External Policies, Policy Department, February 2022\).](#)
- 8 [Pınar İpek and V. Tibet Gür, "Turkey's Isolation from the Eastern Mediterranean Gas Forum: Ideational Mechanisms and Material Interests in Energy Politics," Turkish Studies 23, no. 1 \(2022\): 1–30.](#)
- 9 [Justyna Misiągiewicz, "Turkey as an Energy Hub in the Mediterranean Region," Spectrum: Journal of Global Studies 4, no. 1 \(2012\): 107–26.](#)
- 10 The Abraham Accords were a set of four diplomatic normalization agreements involving Israel and Arab countries that were signed in September 2020 and January 2021 with United States mediation: The four Arab countries were Bahrain, the United Arab Emirates, Morocco, and Sudan.
- 11 See data as reported in ["World Bank Development Indicators Data Base", The World Bank.](#)
- 12 See data as reported by the [Central Bank of Turkey in Table 12 of Central Bank of the Republic of Türkiye, Data Governance and Statistics Department, Balance of Payments Division.](#)
- 13 The exchange rate increased from 3.1 liras per U.S. dollar in early July of 2017 to 17.3 liras per dollar in the last week of June 2022.
- 14 See [Turkey's lira exchange rate history.](#)
- 15 The annual inflation rate rose from 10.16% in January 2018 to 20.35% in January 2019. The inflation rate has increased to a record 83% in October 2022.
- 16 ["Turkey's Meat Consumption Drops by Half in Five Years," Ahval, July 10, 2022.](#)
- 17 The UAE's warm response to Erdoğan's visit was one of a series of initiatives undertaken by the UAE government beginning in 2020 that were intended to reduce its tensions with several Middle Eastern countries. They included the Abraham Accords initiative with Israel and positive steps with respect to Qatar and Syria.
- 18 For details, see ["How the Killing of Jamal Khashoggi Affects Turkish-Saudi Relations," The Economist, November 1, 2018.](#)
- 19 [Jonathan Panikoff, "Shifting Priorities: The US and The Middle East in a Multipolar World" \(Atlantic Council, July 12, 2022\).](#)
- 20 Turkey was concerned about Israel's cooperation with Greece and Cyprus with respect to the development of a gas pipeline that would transport both countries' natural gas to Europe.
- 21 Aside from geopolitical disputes with respect to Qatar, Libya, East Mediterranean gas fields, and the Muslim Brotherhood, Erdoğan refused to recognize el-Sisi as the legitimate leader of Egypt and escalated tensions to the level of personal animosity.
- 22 [Ragip Soylu, "Turkey to Appoint Ambassador to Egypt, Ending Nine-Year Standoff," Middle East Eye, April 5, 2022.](#)
- 23 [Samy Magdy, "Greek FM in Egypt for Talks after Turkey's Deals with Libya," ABC News, October 9, 2022.](#)
- 24 ["Media, Libya and a Sisi Handshake: Why Egypt Remains Wary of Turkey Rapprochement," Middle East Eye, April 12, 2022.](#)
- 25 [David Gritten, "Settlers Rampage in West Bank Villages after Israelis Killed," BBC News, February 27, 2023.](#)
- 26 [Gallia Lindenstrauss and Remi Daniel, "Normalization between Turkey and Israel: Will It Last?" \(Institute for National Security Studies, August 28, 2022\).](#)
- 27 ["Erdogan Slams Sisi as 'Tyrant' over Cairo Policy," Al Arabia News, July 19, 2014 \(updated May 20, 2020\).](#)
- 28 [Nadeen Ebrahim, "Gulf States Use New Oil Reaches to Gain Regional Influence," CNN, October 31, 2022.](#)
- 29 [Ayla Jean Yackley and Samer Al-Atrush, "Saudi Arabia in Talks to Deposit \\$5bn into Turkey's Central Bank," Financial Times, November 23, 2022.](#)
- 30 [Sarah Cahn, and Erik Yavorsky, "Disaster Dynamics: Assessing Middle East Responses to the Turkey-Syria Earthquake and Other Destructive Events," Washington Institute for Near East Policy, March 3, 2023.](#)
- 31 Turkey's exports to Saudi Arabia also increased sharply in January and February, relative to the comparable months in 2022.
- 32 The Central Bank's success is partly a result of substantial investments by both Russians and Ukrainians since their conflict began in February 2022. Russians have invested heavily in Turkish real estate in order to qualify for residency and eventual citizenship.
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- 34 ["Turkey, Syria, Russia Defence Ministers Hold Talks in Moscow," Al Jazeera, December 28, 2022.](#)
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