

---

## Turkey and Spain: bilateral relations and the road ahead for Customs Union modernisation

Ilke Toygür | Analyst of European Affairs, Elcano Royal Institute | @ilketoygur 

### Theme

This paper analyses the bilateral relationship between Turkey and Spain, with a specific focus on the current state of economic relations. It aims to examine the Spanish position on the modernisation of the Customs Union (CU) agreement with Turkey.

### Summary

Spain has always been one of the supporters of Turkey's accession to the EU. Since there is no historical baggage or public opinion to please, the relationship is based on fruitful cooperation in various spheres. As two former empires at each end of the Mediterranean Sea, they also share historical analogies. Today their relations are mostly based on economic links, trade and security cooperation through NATO. Lately, Spanish investments in Turkey have intensified and reached out to important sectors of the Turkish economy, like the banking sector. For this reason, modernisation of the Customs Union (CU) with Turkey could also be seen as a contribution to the Spanish economy. To assess the Spanish attitudes towards modernisation, this paper analyses bilateral relations with a special focus on the current state of economic relations while presenting relevant data. It also introduces the Spanish political elites' attitudes towards Turkey's EU accession and the position on the modernisation of the CU agreement. It ends by presenting some conclusions.

### Analysis

#### Introduction

Turkey and Spain share many historical analogies.<sup>1</sup> Both are at opposite peripheries of the European continent, with access to the Mediterranean Sea, and have developed strong bonds.<sup>2</sup> Both having been very powerful empires, they share a common culture of an imperial past.<sup>3</sup> In this context, they have been crossroads, hosting different cultures and people. Granada's Alhambra Palace is always compared to Istanbul's Topkapi

---

<sup>1</sup> This paper is part of a trans-European research project on member state perceptions on customs union modernisation with Turkey. The project is run and financed by Center for Applied Turkey Studies (CATS) at *Stiftung Wissenschaft und Politik* (SWP) Berlin, <https://www.swp-berlin.org/en/catsturkey/>. There are other studies available on Germany, France, Italy and Greece in the same framework.

<sup>2</sup> The author is very grateful to Spanish officials from the Ministry of Foreign Affairs, European Union and Cooperation for their time and valuable contributions.

<sup>3</sup> The author thanks Iness Arabi, an intern at the Elcano Royal Institute at the time of writing, for her research assistance. In addition, the author is immensely grateful to Isik Ozel, professor at the Department of Social Sciences at Madrid's Carlos III University for her comments to an earlier version of this paper.

Palace. Their history is not just filled with similarities though: they have also fought each other.

In addition to historical similarities, when looking at their history in the 20<sup>th</sup> century, they were both agrarian economies, mostly state controlled until they decided to open up. They both experienced emigration by sending workers to other countries. They also share similarities on fighting nationalist movements within their countries (ETA and PKK) and having disputes over adjacent territories (Gibraltar and Cyprus).<sup>4</sup> These similarities have led to a mutual understanding in various dimensions.

Modern Spain, immediately after its transition to democracy and accession to the EU, has developed strong ties with its Turkish counterpart. The evolution of bilateral trade relations between the two countries has resulted from decades-long political and economic advancement. In addition to economic links and trade relations, one can also talk about security cooperation through NATO. Furthermore, there is the UN's Alliance of Civilisations,<sup>5</sup> initiated by the former Spanish Prime Minister José Luis Rodríguez Zapatero and the then Prime Minister Recep Tayyip Erdoğan.<sup>6</sup>

Even if both countries have gone through crucial changes and crises, the COVID-19 pandemic being the latest, their relationship has remained relatively stable –especially compared with Turkey's ties to some other EU members–. Given the inexistence of important bilateral crises and a public opinion to please, Spanish politicians have a privileged position when it comes to relations with Turkey.

As the EU's fourth-biggest member state when it comes to population –following Germany, France and Italy–, Spain could play a constructive role for the Union's relationship with Turkey. When it comes to foreign policy decisions, though, Spain generally follows the common position of the Union. Having said that, Spanish actors could be encouraged to lead the discussion towards a more positive course. Recently, the Spanish Minister of Foreign Affairs, EU and Cooperation, Arancha González Laya, visited Turkey to mediate the tensions in the Eastern Mediterranean,<sup>7</sup> which could be taken as an intention to play the role mentioned above.

Furthermore, the current institutional cycle in the EU gives Spanish actors a critical role to play. First and foremost, a veteran Spanish politician, Josep Borrell, is the new High Representative of the Union for Foreign Policy. He is currently the head of the Union in foreign policy –even if foreign policy is a member-state competence, the European Council could still lead the way–. In addition, Ignacio Sánchez Amor, a Spanish MEP from the Socialists and Democrats group has become the standing rapporteur on Turkey

---

<sup>4</sup> W. Chislett (2009), 'Spain and Turkey: A Budding Relation', ARI, nr 63/2009, Elcano Royal Institute, [http://www.realinstitutoelcano.org/wps/portal/rielcano\\_en/contenido?WCM\\_GLOBAL\\_CONTEXT=/elcano/elcano\\_in/zonas\\_in/ari63-2009](http://www.realinstitutoelcano.org/wps/portal/rielcano_en/contenido?WCM_GLOBAL_CONTEXT=/elcano/elcano_in/zonas_in/ari63-2009).

<sup>5</sup> For more information on the Alliance of Civilisations, its composition and projects see the official website at <https://www.unaoc.org/>.

<sup>6</sup> M. Cajal (2009), 'The Alliance of Civilisations: a Spanish view', *Insight Turkey*, vol. 11, nr 3, p. 45–55.

<sup>7</sup> Andres Mourenza wrote a detailed article for *El País* about the efforts of Spain in mediating: <https://elpais.com/internacional/2020-08-04/alemania-y-espana-median-para-reducir-la-tension-en-el-mediterraneo-oriental.html>.

in the European Parliament. Sánchez knows Turkey well, since he was an electoral observer at several Turkish elections for the OSCE Parliamentary Assembly.

In addition to these strategic posts on the European scene, Juan González Barba, who previously held the position of Spanish Ambassador to Turkey, has been appointed State Secretary for the EU. By virtue of holding these strategic posts, together with a desire to increase trade relations and functioning security cooperation, Spain could play a role when it comes to Turkish-EU relations, which is essential for modernising the Customs Union (CU). The following sections present the history of bilateral relations, looks at Spanish attitudes towards Turkey in multiple dimensions and concludes with data on and the prospects for CU modernisation.

### A history of the bilateral relations between Spain and Turkey

The evolution of bilateral trade relations has been a result of decades-long economic and political advances in both countries. Regardless of all the crises that the countries have undergone, they have both continued investing in this relationship. Historically, Turkish-Spanish relations began with the signing of the Treaty of Peace, Friendship and Commerce in 1782. When we look at the 20<sup>th</sup> century, after Spain's accession to the EU and NATO, the country's relationship with Turkey became even more structured. Traction was gained when Turgut Özal, then Prime Minister of Turkey, visited Spain in 1989. It was the first time Spain held the rotating presidency of the EU.<sup>8</sup> Özal managed to gain the Spanish Prime Minister Felipe González's public support. Since then, all Prime Ministers of Spain –José María Aznar, José Luis Rodríguez Zapatero, Mariano Rajoy and lately Pedro Sánchez– have supported Turkey's integration in the Union. Spanish support for Turkish accession and friendly relations could even be considered state policy. In that regard, both the Spanish Socialist Party (PSOE) and Popular Party (PP) have converged in their position towards Turkey. In addition, they sustain this position both in government and in opposition. That is why, since the transition to democracy, the Spanish stance has remained positive towards Turkey in general and to its EU bid in particular. On some occasions, certain political parties at the fringes (mostly extreme-left parties or regional parties) voiced their concerns over Turkey's human-rights record or its attitude towards the country's minorities. However, these positions did not necessarily become official party positions and nor were they debated in elections.

José Luis Rodríguez Zapatero took the relationship one step further and co-chaired the Alliance of Civilisations in 2005 together with his Turkish counterpart, the then Prime Minister of Turkey, Recep Tayyip Erdoğan.<sup>9</sup> Spain and Turkey also initiated high-level summits –*Reuniones de Alto Nivel* (RAN)– in 2009.<sup>10</sup> These platforms were designed to

---

<sup>8</sup> E. Soler i Lecha (2014), '¿Qué horizonte estratégico a 10 años para las relaciones hispano-turcas?', ARI, nr 17/2014, Elcano Royal Institute, [http://www.realinstitutoelcano.org/wps/portal/rielcano\\_es/contenido?WCM\\_GLOBAL\\_CONTEXT=/elcano/elcano\\_es/zonas\\_es/politicaexteriorspanola/eee17-2014-soler-horizonte-estrategico-relaciones-hispano-turcas](http://www.realinstitutoelcano.org/wps/portal/rielcano_es/contenido?WCM_GLOBAL_CONTEXT=/elcano/elcano_es/zonas_es/politicaexteriorspanola/eee17-2014-soler-horizonte-estrategico-relaciones-hispano-turcas).

<sup>9</sup> M. Cajal (2009), 'The Alliance of Civilisations: a Spanish view', *Insight Turkey*, vol. 11, nr 3, p. 45-55.

<sup>10</sup> For details of the bilateral relations see Ministry of Foreign Affairs, European Union and Cooperation, Diplomatic Information Office's Turkey page, [http://www.exteriores.gob.es/Documents/FichasPais/TURQUIA\\_FICHA%20PAIS.pdf](http://www.exteriores.gob.es/Documents/FichasPais/TURQUIA_FICHA%20PAIS.pdf).

increase the level of dialogue between the two countries, with Ministers of both taking part in the meetings. The sixth, and latest, took place in April 2018.<sup>11</sup>

All in all, looking from a general perspective, Turkish-Spanish relations are mostly shaped around trade, security and defence cooperation (generally in the framework of the North Atlantic Treaty Organisation, (NATO) and cooperation via the EU. Since both countries are highly integrated in the multilateral institutional structure of the West, they are members of the Council of Europe (CoE), the Organisation for Security and Cooperation in Europe (OSCE) and the World Trade Organisation (WTO). Furthermore, they are both in the Union for Mediterranean, while Spain has a role as the host of the initiative in Barcelona. Given these circumstances, Spanish attitudes towards Turkey can be better understood.

### Spanish attitudes towards Turkey's EU accession

The EU is divided on not only Turkey's accession but even on whether accession negotiations should remain on the table. Spain, on the other hand, sees Turkey's EU membership as essential for the region's geopolitical stability.<sup>12</sup> Furthermore, Spain also sees Turkey as an important partner in security and defence, perceives the country as a geostrategic asset.<sup>13</sup> In addition, Spanish officials thought that Turkey's accession could strengthen the Mediterranean axis in the EU.<sup>14</sup> For this reason, the country would prefer Turkey closer to the Union than further away.

Both Socialists and Conservatives in Spain share common ground in supporting Turkey's EU membership. Since it has never been a major issue in public debate, it has never been a salient item during national elections. Also, there is no Turkish community or minority lobby to please or historical bilateral issues to resolve. This gives Spain a privileged position amongst the big member states of the EU. Compared with France or Germany, the relationship is less complicated. In these countries, relations with Turkey are mostly defined with a crisis discourse. This is not necessarily the case with Spain. In addition, the Spanish public is less informed on Turkey, although this has, however, been changing since the country's most prestigious newspaper, *El País*, has a very active correspondent in Istanbul.<sup>15</sup>

Even if the relationship is mostly positive and high-level dialogue is fluid, some officials from the Ministry of Foreign Affairs, the European Union and Cooperation admit to some irritants in the relationship. First and foremost, they underline Turkey's unilateral foreign policy and its involvement in various conflicts in the international arena (naming Syria,

---

<sup>11</sup> For more information see the Prime Minister's office's website:

[https://www.lamoncloa.gob.es/presidente/actividades/Paginas/2018/230418ran\\_turquia.aspx](https://www.lamoncloa.gob.es/presidente/actividades/Paginas/2018/230418ran_turquia.aspx).

<sup>12</sup> J. Barigazzi (2019), 'EU finds agreement on Turkey (but only just)', *POLITICO*, <https://www.politico.eu/article/eu-finds-agreement-on-turkey-but-only-just-bloc-foreign-ministers-incursion-north-syria/>.

<sup>13</sup> Melike Janine Sökmen and Eduard Soler i Lecha wrote a country report on Spain for the FEUTURE Project that evaluates bilateral relations. See <https://feuture.uni-koeln.de/en/eu-28-country-reports/spain>.

<sup>14</sup> *Ibid.*

<sup>15</sup> Articles by Andrés Mourenza, *El País*'s Istanbul correspondent, are available at <https://elpais.com/autor/andres-mourenza-urbina/>.

Libya and the tensions in the Eastern Mediterranean). They specifically mention that conflicts with other member states like Greece and Cyprus make it too difficult for countries like Spain to defend Turkey in the EU. Even if France and Germany are the key actors to define the future of the relationship, it is essential to keep other member states in the discussion.

Spanish officials also underline that it is important not to lead to Turkey fatigue in a country like Spain. Even if the country has been supporting Turkey's EU accession and any advancement in the relationship, the continuous spiral of problems (the issue of Turkey's purchase of Russian S400 anti-missile systems were mentioned as an example here) have been very tiring for the administration. In a possible discussion on the future of Turkey-EU relations in general, the Spanish administration will still support Turkish accession, although enthusiasm is clearly lower than it was before.

### Turkey and Spain in security and defence cooperation

Spain maintains a friendly relationship with Turkey in the area of defence.<sup>16</sup> The relationship includes institutional (both bilateral and multilateral) and operational cooperation in addition to the defence industry. In this framework, the traditional facets of defence diplomacy<sup>17</sup> like meetings between army commanders take place occasionally between Spain and Turkey.<sup>18</sup> Bilateral relations are maintained between the different divisions of the army especially for information sharing –even if there is no permanent structure established as in the case of other countries–. Furthermore, there is no defence dimension in the RAN, which are organised bilaterally.

When we think about multinational cooperation, the relationship is mostly maintained through NATO. There are common training exercises in addition to operations within the NATO framework. However, Spain and Turkey have also cooperated in other international platforms such as the OSCE and the UN.<sup>19</sup>

When looking at operations, cooperation has been intense, even if it is not structured around multinational units. Turkey is an Associate Nation of the Eurocorps<sup>20</sup> while Spain is a full member and, in this framework, the two countries have coincided in joint missions. So far, the armies of Turkey and Spain have been together in Afghanistan, Bosnia Herzegovina, Lebanon, Iraq and Kosovo since 1995 in missions under the UN, NATO and the EU.

---

<sup>16</sup> The author is immensely grateful to Felix Arteaga, Senior Analyst at Elcano Royal Institute, for his support in writing this section.

<sup>17</sup> For more details see 'Plan de Diplomacia de Defensa', <https://www.defensa.gob.es/Galerias/misiones/diplomaciaDefensadoc/DGL-110506-Plan-Diplomacia.pdf>.

<sup>18</sup> It is important to underline that these are occasional meetings, with no permanent structure such as those between Spain and the US, France or Portugal. Thus, there is cooperation, but it is not perceived to be strategic as in other countries.

<sup>19</sup> The latest example of this cooperation has been the supervision of the Vienna Document in Russia by inspectors from Turkey, Spain and Lithuania in February 2018.

<sup>20</sup> Once a French-German Corps, today it is a multinational corps that works together. See <https://www.eurocorps.org/>.

The most intense cooperation in the defence area between Turkey and Spain is in NATO's naval groups for surveillance in the Mediterranean and Black Seas. As for operational cooperation, it is important to underline the significance of the presence of Spanish troops in Turkey under NATO's Active Fence operation.<sup>21</sup> The Spanish Cabinet agreed to deploy a Patriot battery to Turkey, operative since January 2015. The move has increased the presence of officials from the Ministry of Defence and also from the Ministry of Foreign Affairs, European Union and Cooperation in Turkey.

When it comes to the defence industry, there is a Protocol of Understanding between the Spanish and Turkish Ministries of Defence about technical cooperation, signed on 27 September 1999, which has been complemented with another agreement on the protection of classified information.<sup>22</sup> Nevertheless, there is room for improvement in defence-industry cooperation.

### The current state of Spanish-Turkish economic relations

When it comes to exports, Spain is Turkey's 7<sup>th</sup> biggest export recipient according to TurkStat. Turkish exports to Spain have been on a rising trend in the past 10 years.<sup>23</sup> This is not only true in terms of absolute value but also for their share of total Turkish exports. On the other hand, Spain is Turkey's 11<sup>th</sup> largest importer. Spanish imports to Turkey have seen a greater fluctuation than exports from Turkey to Spain.

---

<sup>21</sup> For more information on Spanish missions and troops in Turkey see the Ministry of Defence's website at [https://www.defensa.gob.es/misiones/en\\_exterior/actuales/listado/ayudaturquia.html](https://www.defensa.gob.es/misiones/en_exterior/actuales/listado/ayudaturquia.html).

<sup>22</sup> For more information, see 'Acuerdo sobre Protección de Información Clasificada en la industria de la Defensa entre el Reino de España y el Gobierno de la República de Turquía, hecho en Ankara el 25 de junio de 2014', [https://www.boe.es/diario\\_boe/txt.php?id=BOE-A-2018-3856](https://www.boe.es/diario_boe/txt.php?id=BOE-A-2018-3856).

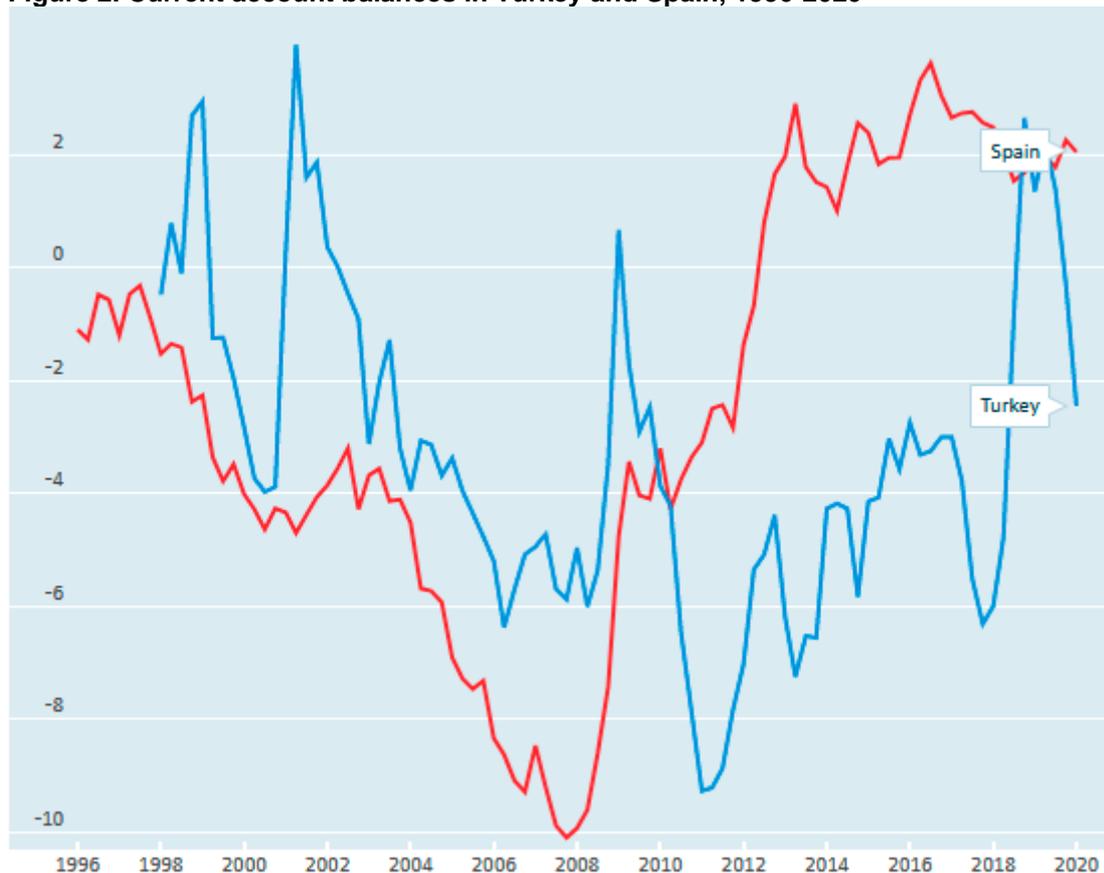
<sup>23</sup> Germany, the UK, Italy, the UAE, Iraq and the US have a bigger share in Turkey's exports according to 2019 data. Spain comes after.

**Figure 1. Exports and imports between Spain and Turkey, 2010-19**

Year	Exports to Spain (US\$ '000)	Share in total exports (%)	Imports from Spain (US\$ '000)	Share in total imports (%)
2019	7,664,173	4.5	4,226,810	2.1
2018	7,708,391	4.6	5,492,456	2.5
2017	6,302,135	4.0	6,372,911	2.7
2016	4,988,483	3.5	5,679,305	2.9
2015	4,742,270	3.3	5,588,524	2.7
2014	4,749,584	3.0	6,075,843	2.5
2013	4,334,196	2.9	6,417,719	2.6
2012	3,717,345	2.4	6,023,625	2.5
2011	3,917,559	2.9	6,196,452	2.6
2010	3,536,205	3.1	4,840,062	2.6

Source: Turkish Statistical Institute (TurkStat).

**Figure 2. Current account balances in Turkey and Spain, 1996-2020**



Source: OECD, Current Account Balance.

Figures 3 and 4 provide a clearer picture of the state of trade between Spain and Turkey as they list the top five products imported and exported between the two countries. Interestingly, the top products both imported and exported between the two countries are vehicles and the automotive industry components. The bottom two products in both tables are also the same: 'iron and steel' and 'boilers, machineries and mechanical appliances'. This shows that cross-border trade between Spain and Turkey –both in exports and imports– is concentrated around a cluster of sectors and responds to very similar needs as to demand and supply in both countries. What is more important here is that the two countries actually have more or less similar comparative advantages.

**Figure 3. Top five products exported to Spain from Turkey in 2018 (US\$ mn)**

		US\$ mn
1	Vehicles other than railway or tramway rolling-stock, parts thereof	1,614
2	Non-knitted and crocheted goods and articles thereof	1,354
3	Knitted and crocheted goods and articles thereof	976
4	Iron and steel	765
5	Boilers, machineries and mechanical appliances, parts thereof	470

Source: Turkish Statistical Institute (TurkStat).

**Figure 4. Top five products imported from Spain to Turkey in 2018 (US\$ mn)**

		US\$ mn
1	Vehicles other than railway or tramway rolling-stock, parts thereof	1,277
2	Plastic and articles thereof	482
3	Electrical machinery and equipment, parts thereof	477
4	Iron and steel	450
5	Boilers, machineries and mechanical appliances, parts thereof	370

Source: Turkish Statistical Institute (TurkStat).

As shown in Figure 5 the largest sector in which Spanish companies operate in Turkey is wholesale and commission trade. Additionally, over 50 Spanish companies in Turkey are in key strategic sectors such as electricity and gas. Also, the largest number of companies is classified under 'others', showing that Spanish companies in Turkey do not tend to be clustered around a few sectors but are rather spread across the economy.

**Figure 5. Sectoral breakdown of Spanish companies in Turkey**

	Number
Wholesale trade and commission trade, except of motor vehicles and motorcycles	122
Other business activities	86
Electricity, gas, steam and hot water supply	54
Retail trade, except motor vehicles and motorcycles; repair of personal & household goods	48
Construction	38
Supporting and auxiliary transport activities; activities of travel agencies	27
Real estate activities	26
Hotels and restaurants	21
Others	284
<b>Total</b>	<b>705</b>

Source: Ministry of Industry and Technology, Government of Turkey, as of the end of June 2019.

When it comes to a sectoral breakdown, one Spanish company, a bank to be exact, is at the front line. Banco Bilbao Vizcaya Argentaria (BBVA) has a 49,85% stake in Türkiye Garanti Bankasi,<sup>24</sup> meaning that a Spanish company has practically half of Turkey's largest bank. The interconnectedness between the two banks led to a Turkish citizen, Onur Genç, being appointed CEO of BBVA.<sup>25</sup> Furthermore, since financial markets are very sensitive to political and governance crises, Spanish stakes in Turkey's domestic stability increase thanks to this specific investment.

When it comes to the energy sector, Enagas, a Spanish company, owns 16% of the company that develops the Trans Adriatic Pipeline (TAP) project. The project consists of the construction of an 878 km long gas pipeline that will link Turkey with Italy, through Greece and Albania, including associated compression stations. It is expected that the TAP pipeline will become operational in 2020.<sup>26</sup> However, since the EU defined very ambitious goals to fight climate change, fossil fuels will not be at the centre of future cooperation when it comes to energy.

When looking at the overall trade figures between Turkey and Spain, Figure 6 clearly shows that the establishment of the CU increased trade activity between the two countries.<sup>27</sup> This, in turn, means that proper implementation of the already existing framework and the modernisation of the CU could strengthen and reinvigorate trade. Thus, Spanish officials have been in favour of starting modernisation talks, which are

<sup>24</sup> For more information see <https://www.bbva.com/en/bbva-raises-stake-garanti-49-85/>.

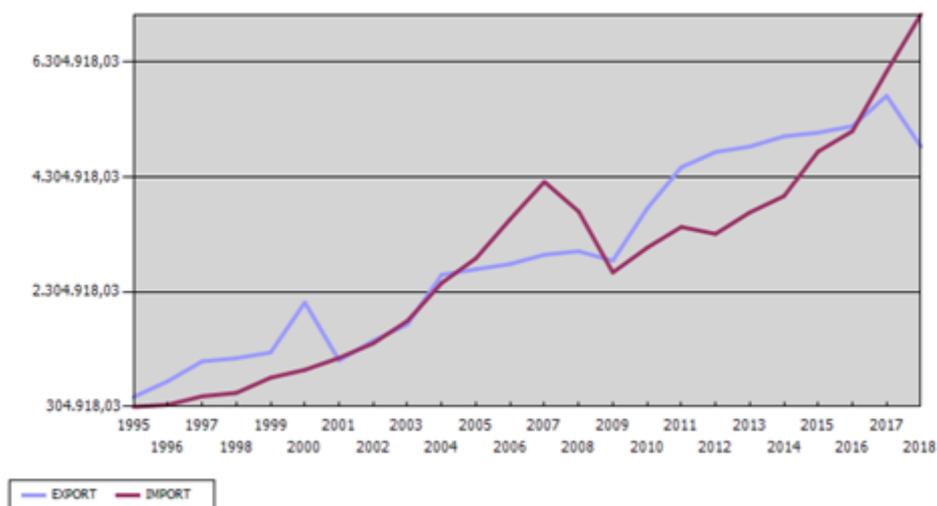
<sup>25</sup> More on BBVA's CEO at <https://www.bbva.com/en/onur-genc-will-be-the-next-ceo-of-bbva/>.

<sup>26</sup> For more information on the Trans Adriatic Pipeline see <https://www.tap-ag.com/>.

<sup>27</sup> DataComex, Ministerio de Industria, Comercio y Turismo, Gobierno de España, <http://datacomex.comercio.es/CabeceraPersonalizada.aspx>.

expected to be beneficial to the Spanish economy as well. Furthermore, the positive outlook of relations between Turkey and Spain resulted in economic incentives for Spanish firms that would like to invest in Turkey.

**Figure 6. Exports and imports from Spain to Turkey, 1995-2018**



Source: Comex, Ministry of Industry, Trade and Tourism, Government of Spain.

As to the bilateral agreements between the two countries, the Agreement between the Republic of Turkey and the Kingdom of Spain on the Reciprocal Promotion and Protection of Investments was signed at Ankara in 1995. The agreement entered into force three years later, in 1998. It was signed for the purpose of creating ‘favourable’ conditions for investments in both states and to intensify the cooperation between enterprises in both states with a view to stimulating the productive use of resources.

In 2002 the two countries signed in Madrid an Agreement for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income. It entered into force on 19 January 2004 and applied to persons resident of one or both countries and aimed to avoid income tax evasion.

**Figure 7. Bilateral agreements between Spain and Turkey**

Free Trade Agreements	–
Bilateral Agreements for the Promotion and Protection of Investments	✓
Double Taxation Prevention Treaties	✓
Social Security Agreements	–

Source: the author.

Tourism, on the other hand, is one of the most important industries in both countries. As shown in Figure 8, the number of Spanish tourists in Turkey gradually decreased between 2014 and 2015. In the following year, there was a drastic change as the number

of tourists fell by half. The country's political instability contributed to this decline. In 2016, following the failed coup attempt in Turkey, the number of Spanish tourists decreased significantly, although from 2017 the number started growing again.

**Figure 8. Tourists in Spain and Turkey, 2014-18**

Number of Tourists	2014	2015	2016	2017	2018
From Spain to Turkey	256 887	219 993	102 109	104 680	173 294
From Turkey to Spain	32 477	74 867	110 873	79 384	27 379

Source: Turkish Statistical Institute (TurkStat).

The number of tourists travelling from Turkey to Spain increased by half from 2014 and 2015 and continued growing after that for a further year. When it comes to Turkish tourists, however, the lira's sharp depreciation affected their prospects in international tourism. Furthermore, the COVID-19 pandemic negatively affected tourism in 2020 everywhere, even if related data is not yet available.

All in all, looking at the data, Spain and Turkey have been intensifying their economic relations through the years and there is still room for improvement.

### Spanish attitudes towards the modernisation of the CU

In 1995 the Association Council (established following the Ankara Agreement) implemented a CU between the EU and Turkey. In 1996 a free trade area was created. This allowed Turkey's imports and exports to grow. Additionally, it helped Turkey's transition from an agricultural to an industrial-led economy as, historically, the most important sector in Turkey had been agriculture. Today, agriculture, fisheries and forestry account for only 6.1% of its GDP (2017) and employ 19.4% of its population.

Given the changes in today's trade composition, the rising importance of other sectors and existing trade agreements with third countries, the CU with Turkey lacks the equipment and expertise necessary to keep up.<sup>28</sup> Regardless of accession negotiations being stalled, the CU with Turkey presents an opportunity to continue cooperating in the economic area. As stated in a Chatham House report,<sup>29</sup> 'the Turkish government and the European Commission recognize the need to modernize the CU, and they have considered two options to achieve this purpose':

- Replacing the CU for industrial goods with a new Deep and Comprehensive Free Trade Area (DCFTA). This would replace the CU with full liberalisation of trade in industrial goods and preferential access in non-goods areas.

<sup>28</sup> European Commission (2016), 'Commission proposes to modernize the Customs Union with Turkey', European Commission, <http://trade.ec.europa.eu/doclib/press/index.cfm?id=1609>.

<sup>29</sup> F. Hakura (2018), 'EU-Turkey Customs Union: prospects for modernisation and lessons for Brexit', Chatham House, nr 6, <https://www.chathamhouse.org/sites/default/files/publications/research/2018-12-12-eu-turkey-customs-union-hakura.pdf>.

- Modernising and improving the current CU, extending it to cover services, right of establishment, public procurement and agriculture.

On 12 May 2015, the then EU Trade Commissioner Cecilia Malmström and Turkish Economy Minister Nihat Zeybekçi committed themselves to the second approach, focusing on upgrading the current CU.

So far, the Council has refrained from giving a mandate to start negotiations. Meanwhile, trade irritants have accumulated. In addition, there are issues related to fulfilling the requirements of the already existing CU agreement. The worsening of relations between Turkey and the EU have created mutual grievances. Spain thinks modernisation of the CU with Turkey will be a positive step forward and the Spanish political elite has been in favour of this for various reasons: (a) they support further integration with Turkey in any dimension; (b) they have the desire to increase the volume and intensity of trade relations between the two countries; (c) Spanish officials underline that an agreement that dates back to 1995 is too outdated for the world we are living in today and even think it harms both Turkey and the EU, while the core rationale is that an outdated deal leads to both malfunctioning and irritants in trade; and (d) Spanish officials consider that further engagement is beneficial to Turkish citizens and business people and helps the EU to be an indispensable anchor for them.

Very much related to this, officials from the Ministry of Foreign Affairs, the European Union and Cooperation have said that they have been against the cuts in IPA funds as a sanction to Turkey. They consider them a vital instrument and think that any resources that support Turkish civil society and contribute to its well-being should be continued.

However, Spanish officials underline that before moving forward with the process of modernising the CU, there should be a period of full implementation of the existing framework. They claim that in bilateral meetings between Turkey and the EU these points have been discussed (such as trade barriers and other irritants for businesses) and that the technical details of these barriers should be studied before moving forward. They believe that studying them could also help understanding the areas that require a special focus in the future agreement.

What can be improved in order to make a stronger CU between the EU and Turkey according to Spanish officials? On a bilateral level, the facilitation of the resolution of disputes through technical contacts, including high-level contacts, and addressing the elimination of barriers that affect Spanish companies, in particular regarding tenders or technical barriers, would be an important step further. Additionally, giving institutional support to large-scale projects involving Spanish companies would also benefit Spanish investors. Since Turkey is trying to move towards a renewable energy regime, the promotion of Spanish financial instruments that support the internationalisation of Spanish companies (FIEM, COFIDES and CESCE) would also benefit both parties. In the pharmaceutical sector Spain could support market studies and research in Turkey.<sup>30</sup>

---

<sup>30</sup> Secretaría del Estado de Comercio (2019), 'Países con Actuación Sectorial Estratégica (PASE): Turquía', ICEX España Exportación e Inversiones, Ministerio de Industria, Comercio y Turismo, (cont.)

If we think about improvements in the CU agreement that the Spanish government would not necessarily support, we should underline that the agricultural sector has been out of the content of the existing agreement with Turkey. While its materialisation is highly unlikely, Turkey wants agriculture to be included in the CU when (and if) it is modernised, along with the services sector. This would imply huge competition for Spain and, from a rational point of view, the country would not necessarily want that.

Another point that would not necessarily gain the Spanish government's support is Turkey's involvement in the EU's agreements with third countries. Thinking about the organic links between Spain and Latin America, the country would not necessarily support Turkey's involvement in these deals. The example of Mexico is a case in point. Turkey is a competitor for low- and middle-added value industrial products from Mexico. So we should expect some resistance when it comes to Turkey's petition to sit on the table in EU's trade deals with third countries.

## Conclusions

Turkey and Spain share similarities in both history and their recent past. This situation brings the two countries together and motivates them to invest in the relationship. Since there is no deeply rooted problem or public opinion to please, Spain is freer to act when it comes to the Turkish dossier. In comparison with other big member states in the Union, such as Germany or France, its political actors and decision makers have fewer electoral concerns in this respect. Thus, Spain is in a privileged position to become an interlocutor with Turkey. Furthermore, it currently has various key actors in the EU that might play a positive role when it comes to Turkish-EU relations.

Both countries share multinational organisations –such as NATO, the WTO, the UN and the OSCE– as platforms in which to relate. However, they have been intensifying their bilateral relationship as well. Spain's two main parties, the PSOE and PP, share a consensus in their support for Turkey's accession to the EU, which Spain has been supporting for decades regardless of who is governing. In January 2020 Spain had its first coalition government since its transition to democracy. *Unidas Podemos*, the extreme left-wing alliance, is a partner of the aforementioned coalition. This alliance had a critical position when it comes to Turkish-EU relations; however, to date, this has not been brought to the government's agenda. In addition, a new extreme right-wing party, VOX, entered the Spanish parliament. All these changes should be watched to see if Spain's position towards Turkey changes in the future.

In addition to that, as one of the most affected countries by COVID-19, Spain is and will be mostly focused on the pandemic's political, economic and social consequences, in addition to its most visible effects on public health. This is why the country will spend its energy mostly on domestic affairs.

All in all, Spain supports both Turkey's accession to the EU and the modernisation of the CU agreement for now. Since the country is looking forward to intensifying its trade

relations with Turkey, any opportunity for further economic integration would be perceived as a plus. However, officials underline the importance of the correct application of the already existing framework and also of trade irritants. In addition to that, they emphasise that the EU's mounting problems with Turkey complicate its defence in the European arena, especially when the problems have a vital impact on other member states' interests (highlighting the example of the non-recognition of the Republic of Cyprus by Turkey or the recent tensions in the Eastern Mediterranean), making the situation more difficult.