

A REVIEW OF U.S.-TURKEY RELATIONS IN 2017 AND PROSPECTS FOR 2018



TURKISH-
HERITAGE
ORGANIZATION

A REVIEW OF U.S.-TURKEY RELATIONS IN 2017

AND PROSPECTS FOR 2018

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A MESSAGE FROM THO'S PRESIDENT

In January 2017, Turkish Heritage Organization released the first edition in an annual report series assessing the previous year's most pressing developments in U.S.-Turkey relations.

With this report series, now in its second year, we aim to present a comprehensive, yearly accounting of the state of the bilateral relationship between Washington and Ankara across THO's six issue areas: security, humanitarian aid, economy, energy, education, and technology.

It is our hope that this series can serve as a guidepost for those in the U.S. and Turkey who seek to better understand the dynamics between Washington and Ankara, whether they are policymakers, business leaders, media professionals, or members of academia.

Since 2015, THO has been dedicated to supporting a strong partnership between the U.S. and Turkey by providing a platform for constructive and informative dialogue. To this end, in 2017 we organized 25 events, released more than 20 original publications, and conducted 14 "Exclusive Insight" video interviews with experts and practitioners on a wide variety of subjects in U.S.-Turkey relations.

Now more than ever, it is crucial that both the American and Turkish communities are given opportunities to engage with each other and participate in candid and constructive dialogue. Tensions that had been simmering in U.S.-Turkey relations reached their most serious level in 2017 with the October 8 decision by Washington to suspend non-immigrant visa services at its embassy and consulates in Turkey, prompting Ankara to respond in kind. Though this visa dispute was resolved at the end of December, the potential for U.S.-Turkey relations to sour further in 2018 remains high.

We believe that it is crucial for policymakers in both Washington and Ankara to engage in more effective communication in 2018 to resolve tensions between these two NATO allies. We also believe that even in times of difficulty, there remain ample opportunities for both the U.S. and Turkey to cooperate with each other and advance their bilateral relationship.

As such, in 2018 we look forward to strengthening our portfolio of programs and activities in order to continue to provide a platform for members of the American and Turkish communities to improve their existing ties and build new, lasting bonds.

Ali Cinar
THO President

**THE ACTIVITIES
IN 2017
BY THE NUMBERS**

25
EVENTS

MORE THAN
20
ORIGINAL
PUBLICATIONS

14
EXCLUSIVE
INSIGHT
VIDEO
INTERVIEWS



EXECUTIVE SUMMARY

U.S.-TURKEY RELATIONS IN 2017: AN OVERVIEW

2017 was a year of rising tensions for U.S.-Turkey relations. Washington and Ankara experienced disagreements over a variety of issues, including:

- the U.S.' arming of the People's Protection Units (YPG) in Syria;
- the Iran sanctions trial of Halkbank executive Mehmet Hakan Atilla;
- the Trump administration's decision to recognize Jerusalem as the capital of Israel;
- Turkey's purchase of the S-400 missile system from Russia; and
- the U.S.' ongoing review of Turkey's extradition request for Fethullah Gulen.

In October 2017, tensions heightened when the U.S. decided to suspend non-immigrant visa services at its embassy and consulates in Turkey over the arrest of Turkish nationals working at U.S. consulates. Turkey responded in kind.

The visa dispute was resolved at the end of December 2017.

Despite these tensions, there were over 30 instances of high-level engagement between Turkish and American government officials.

Turkish officials such as President Recep Tayyip Erdogan, Prime Minister Binali Yildirim, Foreign Minister Mevlut Cavusoglu, then Defense Minister Fikri Isik, and then Justice Minister Bekir Bozdog visited the U.S. during 2017 to meet with their counterparts.

U.S. officials such as Secretary of State Rex Tillerson, Chairman of the Joint Chiefs of Staff Gen. Joseph Dunford, Deputy Assistant Secretary of State Jonathan Cohen, and U.S. Permanent Representative to the United Nations Amb. Nikki Haley visited Turkey in 2017.

SECURITY

Major Developments in 2017

In May 2017, the U.S. announced its decision to directly arm the YPG in Syria as part of its plan to defeat ISIS. The move angered Turkey, which sees the YPG as a major threat to its domestic security due to the group's ties to the PKK.

Turkey moved forward with plans to acquire the S-400 missile system from Russia, sparking concern in the U.S., given that the system would not be interoperable with NATO technology.

Prospects for 2018

Turkey's January 2018 launch of "Operation Olive Branch" against YPG elements in the Afrin district of northwestern Syria, combined with continued U.S. support of the YPG east of the Euphrates, indicate that U.S.-Turkey tensions over the YPG will continue in 2018.

While the S-400 deal between Ankara and Moscow has not yet been finalized, there are concerns that it could trigger U.S. sanctions in 2018 under the "Countering America's Adversaries Through Sanctions Act" (CAATSA), which was signed into law in August 2017.

HUMANITARIAN AID

Major Developments in 2017

Rising tensions between international non-governmental organizations (INGOs) and the Turkish government regarding registration procedures worsened when U.S.-based aid organization Mercy Corps' registration was revoked due to Turkey's security concerns about its cross-border operations in northern Syria.

To emphasize U.S. commitment to cooperating with Turkey on the humanitarian crisis, U.S. Permanent Representative to the United Nations Amb. Nikki Haley visited Turkey to assess Ankara's refugee response. Amb. Haley commended Turkey for continuing to provide aid to its Syrian refugee community.

Prospects for 2018

In 2018, the global community will continue to emphasize burden-sharing in order to relieve some of the financial burden on host countries with large refugee communities. Though Turkey is still waiting to receive the entirety of funds promised by the EU as part of a 2016 deal, cooperation between Turkey and the EU will continue, with the latter providing increasing assistance to Turkey's refugee population.

Many INGOs remain in Turkey despite bureaucratic tensions, carrying out valuable programs and providing aid to refugees both in Turkey and across the border in Syria. In 2018, Turkey's government will need to better communicate rules and regulations to INGOs so that these organizations may continue to operate legally within the country.

ECONOMY

Major Developments in 2017

Overcoming the residual challenges of 2016, Turkey's gross domestic product (GDP) experienced 11.1% growth in Quarter 3 of 2017. Overall, Turkey closed out 2017 with higher growth expectations than initially forecasted by organizations like the World Bank, the OECD, and the European Commission.

Throughout 2017, the Turkish lira (TRY) fluctuated against the U.S. dollar (USD), hinting at underlying instability despite high GDP growth. The lira hit a new record low of 3.98 TRY to one USD on November 22, a month after the U.S. and Turkey mutually suspended non-immigrant visa services.

Prospects for 2018

Turkey is expected to continue its positive GDP growth, with the World Bank projecting growth of 3.5% in 2018. With moderate to high GDP growth, Turkey is considered one of the most attractive emerging markets going into 2018.

Consumer inflation remains high and will continue to be a challenge for Turkey's investment atmosphere in 2018 if household income does not rise to meet the inflation rate. The private sector will become increasingly hesitant to pursue new investments in Turkey if inflation is not stabilized.

ENERGY

Major Developments in 2017

In April 2017, Turkey unveiled a national energy policy that is aimed at reducing its dependence on foreign energy imports, which come primarily from Russia and Iran. In 2017, over 50% of Turkey's natural gas imports came from Russia, while almost half of its crude oil imports came from Iran.

The U.S. made modest strides toward deepening U.S.-Turkey energy cooperation by increasing its liquefied natural gas (LNG) exports to Turkey. U.S. companies like General Electric (GE) also made investments in Turkey's renewables sector.

Prospects for 2018

Despite Turkey's desire to wean itself off Russian energy, progress on the Turk-Stream national gas pipeline will do the opposite in 2018 and could even trigger U.S. sanctions.

Regardless, Turkey will continue to shore up its domestic energy sector in 2018, especially its renewables sector, and U.S. companies will have even greater opportunities to invest.

EDUCATION

Major Developments in 2017

U.S.-Turkey academic ties continued to weaken in 2017 as both the number of Turkish students studying in the U.S. and the number of American students studying abroad in Turkey continued to drop.

Following the July 2016 coup attempt and throughout 2017, a majority of U.S. higher education institutions as well as some U.S. government-funded programs chose to continue the suspension of their study abroad programs in Turkey.

Prospects for 2018

There are signs that some study abroad opportunities for American students will come back online in 2018; for example, it is expected that the Fulbright English Teaching Assistantship (ETA) program in Turkey, which has been suspended since the fall of 2016, will reopen during the 2018-19 academic year.

However, in January 2018 the U.S. updated its travel warning for Turkey, advising U.S. citizens to reconsider travel to the country. As long as this travel warning remains in effect, many U.S. institutions will likely refrain from sending students to Turkey.

TECHNOLOGY

Major Developments in 2017

Despite initially feeling the negative effects of the July 2016 coup attempt on the investment environment, Turkey's innovation ecosystem regained some of its momentum, with Turkish startups – overwhelmingly dominated by tech ventures – receiving \$140 million in investment in the first 11 months of 2017.

Additionally, some U.S. companies made strides toward building up ties with Turkey's innovation ecosystem. In November 2017, Boeing revealed plans to open a development center in Istanbul, while in July 2017, Chobani founder Hamdi Ulukaya launched an initiative to train promising Turkish entrepreneurs.

Prospects for 2018

Turkey will continue to build up its research and development (R&D) potential in 2018 by increasing the number of its technoparks to 80, its R&D centers to 1,000, and its design centers to 250.

However, Turkey's innovation ecosystem remains reliant on foreign investment, which is still being negatively affected by the security and political situation in the country. Additionally, Turkey's economy remains fragile going into 2018; if it experiences a crisis this year or beyond, Turkish tech startups will suffer.

THO RECOMMENDATIONS FOR 2018

In 2018, Washington and Ankara need to make strides towards overcoming the tensions that have brought this bilateral relationship to the lowest point in recent memory.

To do so, direct high-level engagement between American and Turkish officials should continue in 2018 and should consist of dialogue that is clear and constructive. As such, it is imperative that a new U.S. ambassador to Turkey be appointed and confirmed as soon as possible to ensure that communication can continue without interruption during this critical period.

Additionally, officials on both sides should avoid harsh, unproductive rhetoric that

could further inflame tensions between the two countries.

Instead, in 2018 both sides should make efforts to translate rhetoric about the “strategic” importance of the alliance into a partnership that goes beyond the transactional approach that both countries have increasingly taken toward each other.

Finally, despite ongoing tensions, American and Turkish actors at both the state and non-state levels should strive to find opportunities for collaboration in 2018, especially in the areas humanitarian aid, economy, energy, education, and technology.



U.S.-TURKEY RELATIONS IN 2017: AN OVERVIEW

On September 21, 2017, for the second time since his inauguration eight months earlier, U.S. President Donald J. Trump met face-to-face with his Turkish counterpart, President Recep Tayyip Erdogan.

“We have a great friendship as countries,” he told the press prior to their meeting. “I think we’re, right now, as close as we have ever been.”¹

Eight months earlier, such a sentence would have been exactly what many high-level officials in Ankara were likely hoping to hear. When Donald Trump was elected president in November 2016, various Turkish officials expressed their hopes that the outcome would offer a clean slate for the U.S. and Turkey to overcome differences that had been building during the latter years of the Obama administration.

Following President Trump’s inauguration, Turkish presidential spokesman Ibrahim Kalin said that the new administration “has a perspective that will guard Turkey’s sensitive position in the region.”²

Ankara held out hope that the Trump administration would bring new approaches to two of the most major issues in the bilateral relationship: the requested extradition of Fethullah Gulen and the U.S.’ support of the Democratic Union Party (PYD) and its armed wing, the People’s Protection Units (YPG), in Syria.

“We are convinced and hopeful that, especially regarding Turkey and the U.S. relations, the old administration’s mistakes will not be repeated,” then Deputy Prime Minister Numan Kurtulmus said following the inauguration.³

Unfortunately, however optimistic President Trump’s remarks in New York on September 21 seemed, they have not reflected the relationship on the ground, which is fraught with disagreement and a lack of trust.

2017 was a tough year for the U.S.-Turkey bilateral relationship. Whereas 2016 saw tensions in the alliance

deepen, 2017 saw the relationship hit its lowest point in recent memory with a mutual non-immigrant visa suspension by both countries in October 2017. The visa dispute ended on December 28 when both countries announced a resumption of full visa services.⁴

This visa dispute marked a new low in a relationship that, while sometimes rocky, has undoubtedly been one of the most crucial for both the U.S. and Turkey for more than 60 years. Beyond the visa dispute, a number of additional developments in 2017 served to deepen the tensions between these two NATO allies.

WASHINGTON’S ARMING OF THE YPG IN SYRIA

In May 2017, the Trump administration approved a plan to provide arms to the YPG in Syria, putting an end to Ankara’s hopes that a Trump presidency would reject a policy that had first been considered by the Obama administration.

While Turkey sees the YPG as a terrorist actor due to its links to the PKK, the U.S. views the YPG as the most effective actor in the fight against ISIS in Syria. (Learn more about the effects of this decision in the “Security” section of this report, beginning on page 18.)

THE REQUESTED EXTRADITION OF FETHULLAH GULEN

More than a year after Turkey submitted an official request for the extradition of Fethullah Gulen – a Pennsylvania-based cleric who is considered by the Turkish government and the majority of the Turkish public to have masterminded the July 2016 coup attempt – the case remains under review.

The extradition request remains one of the major issues brought up by Turkish officials in high-level discussions with their American counterparts. Turkish officials continue to push for the case to be resolved quickly and bemoan a perceived lack of urgency on the part of U.S. officials.

Diplomatic Engagement

There were more than **30** instances of high-level engagement between American and Turkish officials in 2017.

President Donald Trump and President Recep Tayyip Erdogan met **TWICE** and spoke on the phone **FIVE** times.

Vice President Mike Pence and Prime Minister Binali Yildirim met **TWICE** and spoke on the phone **ONCE**.

Secretary of State Rex Tillerson and Foreign Minister Mevlut Cavusoglu met **FIVE** times and spoke on the phone **FIVE** times.

Secretary of Defense James Mattis met **FOUR** times with then Defense Minister Fikri Isik and spoke on the phone with him **ONCE**. Secretary Mattis met with Defense Minister Nurettin Canikli, who was appointed in July 2017, **TWICE**.

SELECT HIGH-LEVEL TURKISH OFFICIALS WHO VISITED THE U.S. IN 2017

PRESIDENT
Recep Tayyip Erdogan

PRIME MINISTER
Binali Yildirim

FOREIGN MINISTER
Mevlut Cavusoglu

THEN DEFENSE MINISTER
Fikri Isik

THEN JUSTICE MINISTER
Bekir Bozdag

ENERGY MINISTER
Berat Albayrak

ECONOMY MINISTER
Nihat Zeybekci

DEPUTY PRIME MINISTER
Mehmet Simsek

SELECT HIGH-LEVEL AMERICAN OFFICIALS WHO VISITED TURKEY IN 2017

SECRETARY OF STATE
Rex Tillerson

CHAIRMAN OF THE JOINT
CHIEFS OF STAFF
Gen. Joseph Dunford

SPECIAL PRESIDENTIAL
ENVOY FOR THE GLOBAL
COALITION TO COUNTER ISIS
Brett McGurk

CIA DIRECTOR
Mike Pompeo

DEPUTY ASSISTANT SECRETARY
OF STATE FOR EUROPEAN &
EURASIAN AFFAIRS
Jonathan Cohen

U.S. PERMANENT
REPRESENTATIVE TO THE
UNITED NATIONS
Amb. Nikki Haley

COMMANDER OF U.S.
CENTRAL COMMAND
Gen. Joseph Votel

NATO SUPREME ALLIED
COMMANDER, EUROPE;
COMMANDER OF U.S.
EUROPEAN COMMAND
Gen. Curtis Scaparrotti

SELECT HIGHLIGHTS

On **May 16**, President Trump and President Erdogan met for the first time since the former's inauguration. During the meeting, several pressing tensions in U.S.-Turkey relations were discussed, including **the U.S.' arming of the YPG, Turkey's extradition request for Fethullah Gulen, and the continued imprisonment of American Pastor Andrew Brunson.**³⁰

On **November 9**, Prime Minister Binali Yildirim met with Vice President Mike Pence during the former's visit to Washington. Pence expressed the U.S.' concern about **Americans arrested in Turkey**, while Yildirim mentioned Turkish concerns about the **Iran sanctions case involving Reza Zarrab and Mehmet Hakan Atilla.**³¹

During a **November 24** phone call, President Trump told President Erdogan that the U.S. would be **adjusting its support to the YPG following the defeat of ISIS in Raqqa.**³²

In his **July 9** remarks at the World Petroleum Council Congress opening ceremony in Istanbul – where he received an award for his previous work at ExxonMobil – Secretary of State Rex Tillerson said that “[t]he **United States looks forward to engaging with Turkey on projects that will increase global energy security.**”³³

During an August 2016 interview with the Turkish press, then Justice Minister Bekir Bozdag argued that the U.S. is required per a 1979 agreement to provisionally arrest Gulen while the review of Turkey's extradition request is being carried out.⁵ As of January 2018, Gulen had not been arrested.

In response to Turkish concerns, U.S. officials have endeavored to underline the seriousness with which the U.S. government considers the request.

"The Department of Justice has allocated unprecedented resources to the review of Turkey's Gulen-related requests and is continuing to review material that's been provided by Turkey. I'm told by my colleagues at the Department of Justice that they have allocated more resources to this extradition request than any other extradition request they've dealt with since the Shah of Iran," Jonathan Cohen, Deputy Assistant Secretary of State for European and Eurasian Affairs, told the audience at a think tank conference in Washington, D.C. in December 2017.⁶

THE TRIAL OF HALKBANK EXECUTIVE MEHMET HAKAN ATILLA

In March 2016, Turkish-Iranian businessman Reza Zarrab was arrested by U.S. authorities in Florida on charges that he had conspired to evade sanctions against Iran. A year later in March 2017, Mehmet Hakan Atilla – a deputy chief executive officer at the Turkish state-owned Halkbank – was also arrested in the U.S. on similar charges.

On November 27, 2017, a trial anticipated since Zarrab was first arrested more than a year before began with a major twist: Zarrab had decided to cooperate with U.S. prosecutors, leaving Atilla "the sole defendant standing trial."⁷ Atilla pleaded not guilty.

Since the arrest of Zarrab, the case has added yet another wrench to U.S.-Turkey relations, as his sanctions evasion scheme allegedly involved high-level ministers and officials in the Turkish government. In September 2017, four additional Turkish officials were indicted as part of the scheme, including the former Minister of Economy, Zafer Caglayan.⁸

Officials in Turkey denounced the trial as a conspiracy to discredit Turkey, and President Erdogan

labeled the trial a "clear plot" devised by followers of Gulen in the U.S.⁹

As Amanda Sloat, former U.S. Deputy Assistant Secretary of State for Southern Europe and Eastern Mediterranean Affairs, explained in a November 21 blog post, the accusations of involvement by followers of Gulen are derived from a December 2013 anti-corruption investigation in Turkey against Zarrab as well as various Turkish government officials.

"It was widely believed Gulenist police and judicial officials were behind the probes," she writes. "Turkish officials have criticized American prosecutors for basing part of their case against Zarrab and Atilla on evidence from this period."¹⁰

On January 3, 2018, the jury convicted Atilla of four conspiracy-related charges and one bank fraud charge. He was acquitted of money laundering.¹¹ The Turkish foreign ministry denounced the conviction, decrying the trial as an "unprecedented interference in Turkey's internal affairs" and saying that the evidence used was "fake and open to political exploitation."¹² The conviction left open the possibility that some Turkish banks may face fines over their potential role in the sanctions evasion.¹³

THE VISA DISPUTE

On October 8, 2017, the U.S. government took an unprecedented decision to indefinitely suspend the processing of all non-immigrant visas at its embassy and consulates in Turkey. The move came as a response to the arrest of Metin Topuz, a Turkish national employed at the U.S. Consulate in Istanbul.

Topuz was arrested on terrorism charges, with Turkish authorities alleging that he had been in regular contact with members of the Fethullahist Terrorist Organization (FETO), the name that the Turkish government uses for followers of Gulen.¹⁴ Topuz was the second U.S. consulate worker arrested on terrorism charges in 2017. In March, Hamza Ulucay, an employee at the Adana consulate, was arrested on terrorism charges due to alleged links with the PKK.¹⁵

Following the initial arrest of Topuz, outgoing U.S. Ambassador John Bass – who finished his term in late October 2017 – strongly criticized the move.

“There is a big difference between pursuing justice and pursuing vengeance in terms of the rule of law and the democratic norms that this country, and my country, have committed themselves to, both through the Helsinki Charter and their own constitutions,” he said in a statement to the press.¹⁶

Turkish Justice Minister Abdulhamit Gul responded that the decision to arrest Topuz was taken by the judiciary and could not be carried out by the executive.¹⁷

In response to the U.S.’ decision, the Turkish government immediately responded with a similar measure, halting visa processing for U.S. citizens at its U.S. embassy and consulates as well as preventing U.S. citizens from being able to obtain visas through the e-visa system and on arrival in Turkey.

The seriousness of the dispute was not lost on observers of the U.S.-Turkey relationship. According to Amb. James Jeffrey, a former U.S. Ambassador to Turkey, the situation was “very, very serious because suspending all visa issuance has a huge effect on routine business of every sort between the two countries, not just the two governments. It involves your military programs, military sales, business activities, education, culture, etc.”¹⁸

The effects of the dispute were immediately felt on the ground. Prior to October, the number of U.S. non-immigrant visa issuances to Turkish nationals in 2017 ranged from 7,419 (September 2017) to 10,530 (March 2017). However, only 2,558 non-immigrant visas were issued to Turkish nationals in October 2017, a 65.5% drop from the previous month. The number dropped a further 5.6% in November to 2,416; it then increased 31.5% in December to 3,177.

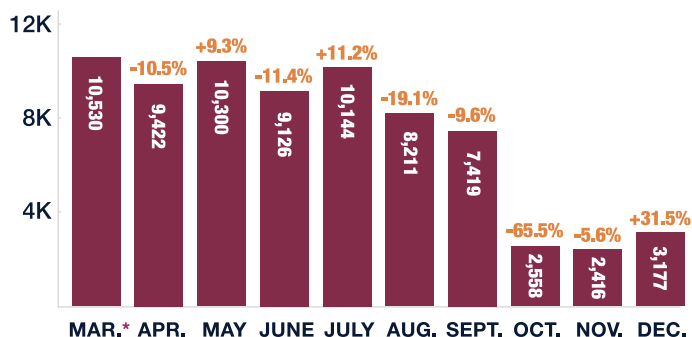
The dispute triggered a flurry of high-level contact to resolve the issue, including an October visit to Ankara by a U.S. delegation headed by Deputy Assistant Secretary Jonathan Cohen. Following these efforts, on November 6, the U.S. announced “the resumption of limited visa services in Turkey.”¹⁹

On December 28, the U.S. announced that it would resume all visa services in Turkey. In a December 28 Media Note, the U.S. State Department gave the following reason for the resumption:

Impact of the Visa Dispute

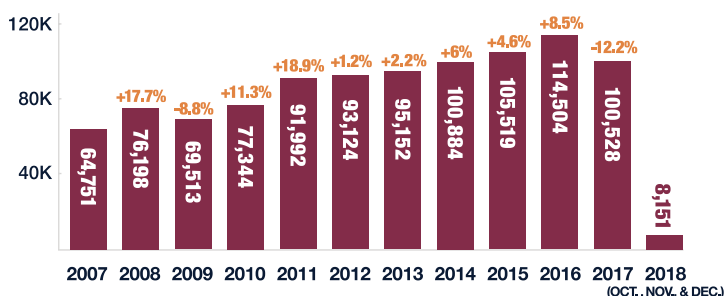
NUMBER OF NON-IMMIGRANT VISAS TO THE U.S. ISSUED TO TURKISH NATIONALS

By Month: Fiscal Years 2017 and 2018³⁴



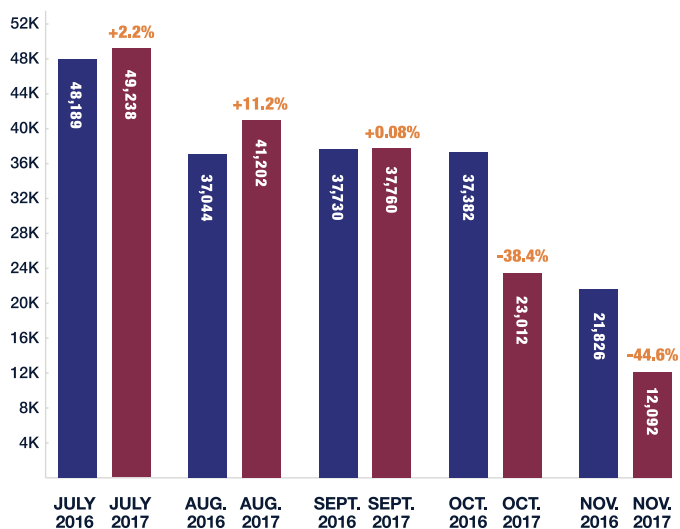
* Earliest for which monthly information is available.

By Fiscal Year³⁵



NUMBER OF U.S. CITIZENS WHO VISITED TURKEY

(JULY-NOVEMBER, 2016 VS. 2017)³⁶



Turkey-Related Legislation Introduced in Congress in 2017³⁷

ON THE ARMENIAN GENOCIDE

S.Res.136

A resolution expressing the sense of the Senate regarding the 102nd anniversary of the Armenian Genocide.

Sponsor: Sen. Robert Menendez (D-NJ)

Co-sponsors: 15

Last action: April 24, 2017 – Referred to the Committee on Foreign Relations.

H.Res.220

Expressing the sense of the House of Representatives regarding past genocides, and for other purposes.

Sponsor: Rep. David A. Trott (R-MI)

Co-sponsors: 113

Last action: March 22, 2017 – Referred to the House Committee on Foreign Affairs.

ON THE MAY 16 BODYGUARDS INCIDENT

S.Res.180

A resolution condemning the violence against peaceful protesters outside the Turkish Ambassador's residence on May 16, 2017, and calling for the perpetrators to be brought to justice and measures to be taken to prevent similar incidents in the future.

Sponsor: Sen. Edward J. Markey (D-MA)

Last action: May 25, 2017 – Referred to the Committee on Foreign Relations.

H.Res.354

Condemning the violence against peaceful protesters outside the Turkish Ambassador's residence on May 16, 2017, and calling for the perpetrators to be brought to justice and measures to be taken to prevent similar incidents in the future.

Sponsor: Rep. Edward R. Royce (R-CA)

Cosponsors: 45

Last action: June 6, 2017 – Agreed to by the Yeas and Nays (397-0).

OTHER LEGISLATION

H.Res.581

Congratulating the people of the Republic of Turkey and Turkish Americans nationwide on Turkish Republic Day.

Sponsor: Rep. Don Bacon (R-NE)

Last action: Nov. 29, 2017 – Referred to the Subcommittee on Europe, Eurasia, and Emerging Threats.

H.R.3146

United States-Turkey Free Trade Promotion Act of 2017

Sponsor: Rep. Alexander X. Mooney (R-WV)

Last action: July 19, 2017 – Referred to the Subcommittee on Trade.

H.Res.626

Commending Turkish Americans nationwide for their rich contributions to the diversity of society, culture, economy, and civic life in the United States.

Sponsor: Rep. Anthony G. Brown (D-MD)

Last action: Nov. 16, 2017 – Referred to the House Committee on Oversight and Government Reform.

H.Res.573

Calling on the President to work toward equitable, constructive, stable, and durable Armenian-Turkish relations based upon the two countries' common interests and the United States' significant security interests in the region.

Sponsor: Rep. Steve Stivers (R-OH)

Co-sponsors: 2

Last action: Nov. 29, 2017 – Referred to the Subcommittee on Europe, Eurasia, and Emerging Threats.

“Since October, the government of Turkey has adhered to the high-level assurances it provided to the United States that there are no additional local employees of our Mission in Turkey under investigation, that local staff of our Embassy and consulates will not be detained or arrested for performing their official duties – including communicating with Turkish officials also working in an official capacity – and that Turkish authorities will inform the U.S. Government in advance if the Government of Turkey intends to detain or arrest any member of our local staff in the future.”²⁰

Turkey also resumed its visa services for U.S. citizens, including the issuance of e-visas.²¹ However, Turkey denied that it had offered any assurances of the nature described by the State Department. Speaking about a December 28 phone conversation with Secretary of State Rex Tillerson, Turkish Foreign Minister Mevlut Cavusoglu told media bureau chiefs in Ankara, “I asked him: ‘Rex, can you give me any assurances on ongoing legal cases in the U.S., given the principle of the rule of law? No, you can’t. How can you expect me to give you such assurances?’”²²

OTHER ISSUES

Numerous other issues and developments throughout 2017 chipped away at once strong U.S.-Turkey relations.

The Jerusalem Decision

President Trump’s December 6, 2017 recognition of Jerusalem as Israel’s capital and announcement of his intent to move the U.S. embassy from Tel Aviv to Jerusalem earned strong retribution from President Erdogan. The announcement not only opened yet another rift in U.S.-Turkey relations but also in Turkey-Israel relations.

S-400 Purchase

Turkey’s decision to move forward with the purchase of the S-400 missile system from Russia bolstered worries in NATO about Ankara’s commitment to the alliance. NATO has warned that the system is not interoperable with its technology, while Turkey has underlined that it has only moved forward with the system out of a lack of options from its NATO allies.²³ Meanwhile, it is still uncertain whether the purchase

will trigger sanctions under the “Countering America’s Adversaries Through Sanctions Act” (CAATSA), which was signed into law in August 2017.²⁴ (See “Turkey’s Rapprochement with Russia” on page 21.)

Turkey’s State of Emergency

Throughout 2017, various U.S. government officials expressed concern over Turkey’s rule of law and human rights abuses under the ongoing state of emergency, which has been in place since shortly after the July 2016 coup attempt. In an October 2017 bipartisan letter signed by select members of the Commission on Security and Cooperation in Europe, U.S. lawmakers wrote that “[t]he prolonged state of emergency is gravely undermining Turkey’s democratic institutions and the durability of our countries’ longstanding strategic partnership.”²⁵ (See “Terrorism and the State of Emergency” on page 18.)

Pastor Andrew Brunson

Since October 2016, American pastor Andrew Brunson has been imprisoned in Turkey on charges of terrorism. Brunson’s case has been brought up in discussions between U.S. and Turkish officials, including by President Trump in his May 16 meeting with President Erdogan and by Vice President Mike Pence in his November 9 meeting with Prime Minister Binali Yildirim.²⁶ During his meeting with Vice President Pence, Prime Minister Yildirim also expressed concerns about Turkish citizens who had been arrested in the U.S., referencing Reza Zarrab and Mehmet Hakan Atilla.²⁷

The May 2017 Bodyguards Incident

Following President Erdogan’s May 16 meeting with President Trump, a violent incident between the former’s bodyguards and protestors occurred outside of the Turkish ambassador’s residence in Washington, D.C. In response, the D.C. police issued arrest warrants for 12 members of President Erdogan’s security team.²⁸ Ankara has said that the issuing of the arrest warrants “is wrong, biased and lacks legal basis” and that the incident was the result of insufficient security measures put in place by local U.S. authorities to protect President Erdogan.²⁹ The incident triggered harsh criticism from U.S. officials and lawmakers. (See “Turkey-Related Legislation Introduced in Congress in 2017” on page 14.)

2017 IN SUMMARY

SECURITY

ECONOMY

EDUCATION

HUMANITARIAN AID

ENERGY

TECHNOLOGY

JANUARY 1

An ISIS attack on the Reina nightclub in Istanbul leaves 39 dead.

JANUARY 11

Turkey changes the law to offer citizenship to foreign property buyers in a move to encourage investment.

FEBRUARY 7

Putin ratifies the deal on the TurkStream natural gas pipeline project.

FEBRUARY 28

Turkish Aerospace Industries and U.S.-based Sikorsky sign a \$270 million deal to produce components for various helicopter platforms.

APRIL 25

Turkey carries out air-strikes on YPG positions in Syria, a few miles from U.S. troops.

APRIL 6

Turkey unveils a new national energy policy aimed at reducing Turkey's dependence on foreign energy sources.

MARCH 29

Turkey ends Operation Euphrates Shield in northern Syria.

MARCH 7

The Turkish government revokes U.S.-based aid organization Mercy Corps' registration to operate in Turkey.

MAY

Registration for the Emergency Social Safety Net (ESSN), which began in November 2016, reaches half a million refugees in Turkey.

MAY 9

President Trump announces that the U.S. will arm the YPG as part of the fight against ISIS in Syria, drawing Turkey's ire.

MAY 16

President Erdogan visits Washington, D.C. for his first meeting with President Trump since the latter's inauguration.

MAY 24-25

U.S. Permanent Representative to the U.N. Amb. Nikki Haley travels to Turkey to observe and assess Turkey's refugee response.

JUNE 28

The European Commission pledges €714 million in humanitarian assistance to Syrian refugees in Turkey and an additional €50 million in skills training.

JULY 2

The inaugural class of Hamdi Ulukaya's HUG Program arrives in the U.S. for several weeks of trainings and networking on entrepreneurship.

JULY 9

U.S. Secretary of State Rex Tillerson attends the World Petroleum Congress in Istanbul, where he receives an award for his previous work at ExxonMobil.

JULY 11

GE's LM Wind Power opens a factory in Turkey that will produce wind turbine blades.

SEPTEMBER 21

President Trump and President Erdogan meet for a second time on the sidelines of the annual meeting of the UN General Assembly in New York City.

SEPTEMBER 13

Turkey signs a deal with Russia to purchase the S-400 anti-aircraft missile system, triggering concerns about U.S. sanctions.

SEPTEMBER 7

The U.S. dollar hits the lowest level against the Turkish lira in 2017, with an exchange rate of 3.415 lira to the dollar.

JULY 24-AUGUST 24

American students participate in Yunus Emre Institute's Summer Turkish Language School in Turkey for the first time.

OCTOBER 6

The Fulbright U.S. Student Program application for the 2018-19 academic year closes. The Fulbright Program accepted applications for 20 ETAs, suggesting that the program will be reopened in 2018-19.

OCTOBER 8

The U.S. suspends non-immigrant visa services in Turkey; Turkey responds in kind.

OCTOBER 17

The European Commission announces that the ESSN has reached its target of one million registered refugees in Turkey.

NOVEMBER 13

The Institute of International Education releases its annual Open Doors report, which shows that there has been a drop in the numbers of Turkish students studying in the U.S. and American students studying abroad in Turkey.

DECEMBER 28

The U.S. and Turkey announce a mutual restoration of non-immigrant visa services.

END OF NOVEMBER

Turkish startups attract \$140 million in investment in the first 11 months of 2017.

NOVEMBER 21

The Turkish lira hits a record low against the U.S. dollar, with an exchange rate of 3.978 lira to the dollar.

SECURITY

In the early hours of January 1, 2017, a gunman stormed into the Reina night club in Istanbul, killing 39 people in an attack eventually claimed by ISIS.

The horrific attack at the very start of the new year fed fears that Turkey would experience terrorism in 2017 to a similar or even greater extent than it had in 2016, when more than 500 people were killed in at least 26 terrorist attacks that caused four or more fatalities.¹

However, Turkey's domestic security showed signs of modest stabilization in 2017. It suffered fewer major terrorist attacks, though these attacks still claimed more than 45 lives.² (See "Major Acts of Terror" on page 23.) The conflict between the Turkish state and the Kurdistan Workers' Party (PKK) terrorist group, which was reignited after a breakdown in a peace process in 2015, also saw fewer fatalities in 2017 compared to 2016. (See "Fatalities from the PKK Conflict" on page 23.)

Despite the decrease in major terrorist incidents, Turkey's security in 2017 remained fragile. Beyond domestic terrorism, Turkey continued to confront the aftermath of the coup attempt of July 15, 2016; it also struggled to manage the fallout of the ongoing civil war in Syria, where Turkey remains at odds with the U.S. over differences in policy.

TERRORISM AND THE STATE OF EMERGENCY

After 2016, Turkey's domestic security in 2017 seemed on the mend.

After suffering five major ISIS attacks in 2016, Turkey cracked down on the group in 2017. According to the Turkish press, at least 739 people were arrested and 4,765 were detained as part of this crackdown.³ Turkey also made progress on efforts to strengthen its border security, including by building a wall on its border with Syria.⁴

But Turkey hasn't just been targeting ISIS. Throughout 2017, Turkey's domestic counterterrorism efforts

DID YOU
KNOW?

Turkey is the world's

18TH-LARGEST

military spender, and the government has called for a

30% INCREASE

in military defense spending in its 2018 budget.²⁸

focused heavily on two other groups: the PKK, with which it has been in conflict for four decades; and followers of Fethullah Gulen, who are considered terrorists by the Turkish government.

A state of emergency has been in place since shortly after the coup attempt. According to Metin Gurcan, a Turkish security analyst, while the state of emergency was initially put in place to root out individuals within the state bureaucracy and military who were responsible for the coup attempt, Turkish officials have since rationalized that it is also needed to respond to threats posed by terrorist organizations, including the PKK.⁵

Since the state of emergency was first instated, more than 50,000 people have been arrested on allegations of involvement in the 2016 coup attempt alone.⁶ More than 100,000 individuals from state institutions, including from the military, have been purged from their positions.⁷

The U.S. government has criticized Turkey's ongoing state of emergency – which was extended for another six months in early January 2018 – particularly as it relates to multiple American citizens who have been detained and arrested since 2016. An October 2017 Congressional letter issued by the Commission on Security and Cooperation in Europe urged the Turkish government to “lift the state of emergency and immediately restore Turkey's commitment to international standards of due process and judicial independence.”⁸

The U.S.' concern over Turkey's state of emergency resulted in concrete action in October 2017, when Washington decided to temporarily suspend non-immigrant visa services at its embassy and consulates in Turkey following the arrest of a second Turkish national working at a U.S. consulate in Turkey. The Turkish government responded in kind, and the dispute was resolved more than two months later at the end of December 2017. (See “The Visa Dispute” beginning on page 12.)

Turkey has defended the state of emergency as necessary to restore security by bringing to justice those who attempted to overthrow the government in July 2016. In response to an October 2016 Human Rights Watch report alleging that the state of emergency had led to a resurgence in the use of torture in Turkish prisons, the Turkish Ministry of Justice issued a statement saying that its efforts against the coup plotters “comply with the fundamental human rights set out in our Constitution, [and] the principles of the rules of law and our international obligations.”

The statement also said that the state of emergency was announced “[w]ith a view to eliminating the risk of armed coup aimed at overthrowing the democratic order” and that its extension has been “aimed at taking and completing sound and right decisions more swiftly and effectively given the type and gravity of security threat[s].”⁹

Turkey has the world's

**8TH-MOST
POWERFUL**

military, as ranked by the Global Firepower Index.²⁹

TURKEY'S SYRIA POLICY

Turkey's volatile domestic security situation in recent years – particularly ISIS and PKK terrorism – can be directly linked to the ongoing civil war in Syria.

Turkey remains a key member of the Global Coalition to Defeat ISIS, and as such, has pursued combat operations against the terror organization in Syria. Turkey's Operation Euphrates Shield – which was launched in August 2016 to preserve border security as well as to confront ISIS and the YPG in the field¹⁰ – was declared complete in late March 2017. The operation encompassed nearly 2,000 km of territory in northern Syria, where elements of the Free Syrian Army (FSA) backed by Turkish soldiers cleared ISIS from towns like Azaz and Al-Bab and blocked the advance of the YPG.¹¹

Following the resolution of Euphrates Shield, Ankara has undertaken the task of stabilizing the region included in the operation; Turkey's efforts have included reconstruction, providing security, and facilitating local governance. An Atlantic Council report assessing these efforts between March 1 and June 20, 2017 found that more than 80% of the governance of the area was being carried out by local civil society – though their efforts were still “subject to Turkish political oversight.”¹²

The report also found that despite clearing ISIS from the area, the terrorist organization retained “the capability to carry out attacks” over the three-month period that was assessed. In addition, the report attributed more than half of the violence during that period to “inter- and intra-rebel clashes.”

In the second half of 2017, Turkey expanded its military presence in northern Syria with an “observation” mission in Idlib. The province had gradually come under the control of Hayat Tahrir al-Sham (HTS), formerly the Nusra front. When announcing the mission in October 2017, President Erdogan indicated that the move was part of efforts to enforce a “de-escalation zone” agreed upon during the Astana peace talks, which are headed by Ankara, Moscow, and Tehran.¹³ (See “Turkey's Rapprochement with Russia” on page 21.)

GEOPOLITICAL CONSEQUENCES FOR U.S.-TURKEY RELATIONS

Turkey's actions in Syria have come with a series of foreign entanglements and disputes. In 2017, the already strained ties between the U.S. and Turkey over divergent approaches to the Syrian conflict were exacerbated further by two major issues: 1) the U.S.' decision to provide arms to the YPG; and 2) Turkey's close cooperation with Russia.

The U.S. Decision to Arm the YPG

The strain between the U.S. and Turkey over the former's support of the YPG against ISIS is a hold-over from the Obama administration, which stopped short of directly arming the group despite drawing up plans to do so.

Despite hopes in Ankara that President Trump would scrap these plans and instead choose to work more closely with Turkey and the FSA to fight ISIS, in May 2017, the Trump administration officially decided to arm the YPG. (See “The U.S.-YPG Arms Deal” on page 23.)

Ankara strongly criticized Washington's decision, as it sees the YPG as a terrorist group due to its links with the PKK. “We want to believe that our allies will prefer to side with us, not with a terrorist organization,” President Erdogan said.¹⁴

The decision was made in advance of a final push to oust ISIS from Raqqa, at the time its de-facto capital in Syria. The U.S. has insisted that the weapons it has provided the YPG are on loan and will be returned once ISIS has been fully defeated. The battle for Raqqa ended in October 2017, but analysts have cautioned against considering ISIS as completely defeated, even after the loss of its capital.¹⁵

According to a White House readout of a November 2017 phone call between President Trump and President Erdogan, the former expressed to the latter that his administration is expecting to make “adjustments to the military support provided to our partners on the ground in Syria.”¹⁶

Jack Detsch, the Pentagon correspondent for Al-Monitor, wrote in a November 2017 article that such adjustments could include “recouping” weapons but

are not likely to include rescinding all support for the YPG. In addition, he noted that the process of getting weapons back from the YPG would be complicated.¹⁷

Turkey is concerned that the YPG's links with the PKK will result in the latter using U.S. weapons supplied to the former in its armed struggle with Turkey. According to Detsch, the Pentagon is sharing lists with Turkey of the "major military equipment provided to the YPG" that is slated to be returned.

Following a January 24, 2018 phone call between President Trump and President Erdogan, Turkish sources said that the former told the latter that the U.S. had stopped providing arms to the YPG and would not resume arming the group in the future.¹⁸

The threat to Turkey's domestic security from the conflict in Syria was further compounded in late 2017 by measures that were taken at the end of the battle for Raqqa. According to an investigation conducted by the BBC, the Syrian Democratic Forces (SDF) – of which the YPG is the dominant actor – allowed approximately 250 ISIS fighters to evacuate from Raqqa with weapons in tow, a development that was confirmed by a Coalition spokesperson.¹⁹

According to interviews with individuals who drove trucks that were part of the convoy of ISIS evacuees, some of the fighters indicated their intent to flee to Turkey. Ankara responded harshly to the evacuation deal, warning that these fighters could go on to threaten not only Turkey's citizens but also people in Europe and the U.S.²⁰

Turkey's Rapprochement with Russia

Turkey's ongoing tensions with the U.S. over Syria contrasted starkly with its close cooperation with Russia throughout 2017. A rapprochement with Moscow that was launched in 2016 gained momentum the following year, especially with regard to the "Astana process" to resolve the conflict in Syria.

Hosted by Kazakhstan, the Astana peace talks are headed by Russia, Turkey, and Iran. Officially launched in late January 2017, the talks have been plagued by many of the issues that have stymied other efforts to resolve the conflict, namely seemingly insurmountable differences between the

regime and the opposition that are compounded by disagreements among the mediators (in this case, Russia, Turkey, and Iran).

For example, in May 2017 the talks briefly ground to a halt when the Syrian opposition suspended its participation over continued regime shelling.²¹ Meanwhile, Turkey has remained adamant that the YPG should not be included in the talks, despite the fact that Russia is also cooperating with the YPG in Syria.²²

However, despite these difficulties, the Astana process appeared to make some strides in September 2017 when the parties to the talks agreed to establish four de-escalation zones in Syria for a six-month period.²³ The agreement spurred the Turkish military's entrance into Idlib in the latter half of 2017.

However, while Turkey's cooperation with Russia as part of the Astana process may make officials in Washington uncomfortable, it was a different area of defense cooperation between Ankara and Moscow that further soured U.S.-Turkey relations in 2017.

In November 2017, Turkey announced that it had "completed" its purchase of the S-400 missile system from Russia.²⁴ The purchase of the S-400 system – which is not interoperable with NATO's air defense system – prompted a harsh reaction from the chairman of NATO's military committee, which warned that Turkey would be responsible for "facing the consequences of" its decision.²⁵

In terms of U.S.-Turkey ties, those consequences may include sanctions. (See "Prospects for U.S.-Turkey Relations in 2018" beginning on page 48.) The U.S. has urged Turkey to instead acquire a missile defense system that is interoperable with NATO, but Turkey has said that its decision to buy the S-400 system is due to it providing "more advanced technical features than its rivals, with a better price and shorter delivery time," according to the head of Turkey's delegation to the NATO Parliamentary Assembly.²⁶

While progress has been made on purchasing the S-400 system, the deal is not yet set in stone. As of the end of 2017, negotiations were continuing between Ankara and Moscow regarding technology transfer relating to the system.²⁷

Territorial Gains and Losses in Syria & Iraq, 2017

JANUARY 1, 2017³⁰



JANUARY 1, 2018³¹



- ISIS territories
- Syrian government & pro-government forces: Assad, Russia, Iran
- Syrian Democratic Forces & Kurdish Groups, including YPG
- FSA groups & Turkish troops in northern Syria
- Rebels: FSA, Al-Qaeda linked militants

The U.S.-YPG Arms Deal

TYPE OF WEAPONS

SMALL ARMS AND VEHICLES,

including AK-47s and small-caliber machine guns.³²

CONDITIONS OF THE DEAL

THE WEAPONS ARE ON LOAN

and will be returned to the U.S.³³

Turkey is regularly provided with

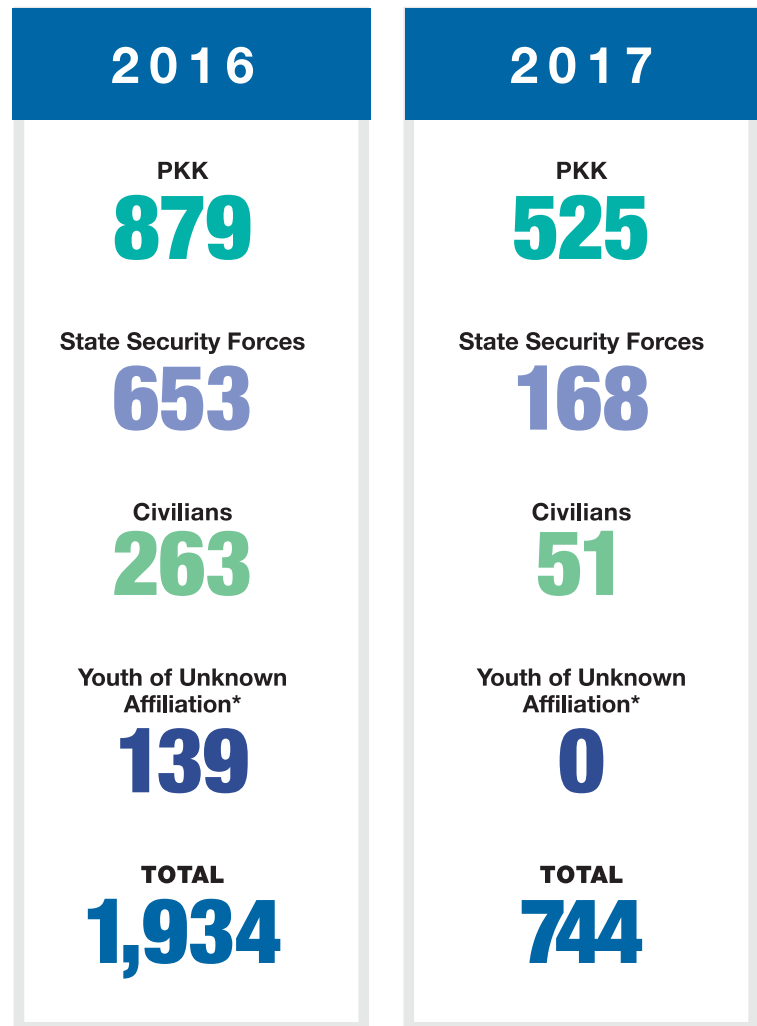
A LIST OF THE ARMS GIVEN

to the YPG.³⁴

U.S. military advisors on the ground are responsible for ensuring

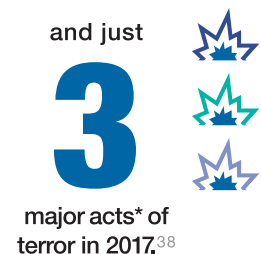
THE ARMS REMAIN INSIDE SYRIAN BATTLE ZONES.³⁵

Fatalities from the Turkey-PKK Conflict: 2016 vs. 2017³⁶



* These data and categories are based on the International Crisis Group's reporting. ICG classifies "youth of unknown affiliation" as "[i]ndividuals aged 16-35 killed in areas of clashes" who "cannot be positively identified as civilians or members of plainclothes PKK youth militias."

Major Acts of Terror: 2016 vs. 2017



*Attacks with four or more fatalities.



HUMANITARIAN AID

TURKEY'S SYRIAN REFUGEE RESPONSE

As the Syrian civil war enters its eighth year, Turkey continues to host growing numbers of refugees. In 2016, Turkey was host to 2.7 million registered Syrian refugees. In 2017, that number grew to 3.4 million Syrian refugees. In addition, Turkey remains host to more than 350,000 Iraqi, Afghan, and Iranian asylum-seekers.¹

Turkey continued to make strides in providing aid and support to refugees and asylum-seekers throughout 2017, including by proposing an opportunity for Syrian refugees and Iraqi asylum-seekers to obtain Turkish citizenship if they qualify after a series of background and security checks.² Additionally, with over half a million Syrian refugee children receiving an education in Turkey and a remaining 40% still out of school, a cooperative program between UNICEF and the Turkish Red Crescent was established to support education for refugee children.³ This program enables vulnerable families to send their children to school by providing them with monthly cash transfers to pay for educational expenses.⁴

Despite this progress, concerns regarding international non-governmental organization (INGO) aid operations in Turkey arose last year, most pointedly on March 7, when the Turkish government revoked U.S.-based Mercy Corps' registration, causing the organization to cease all operations in Turkey.⁵ Tension in the humanitarian aid sector continued when Turkey detained 15 members of the staff of the International Medical Corps and deported four of its foreign workers.⁶

While many international aid organizations operating in Turkey fear potential expulsion and feel uncertainty over their own registrations, Turkish government officials have stated their own concerns regarding INGO operations in Turkey. Specifically, Turkey is concerned about some groups' cross-border operations in northern Syria, which the government perceives to pose potential security threats due to the presence of terrorist groups in this region.⁷

Despite the emerging concerns over humanitarian assistance in Turkey, multiple UN organizations such

as UNHCR and UNICEF continue to operate in the country and coordinate with Turkey's own humanitarian response organizations, such as the Disaster and Emergency Management Presidency (AFAD) and the Turkish Red Crescent. Turkey's response and international cooperation in this regard have not gone unnoticed by the U.S.

In late May 2017, Amb. Nikki Haley, the U.S. Permanent Representative to the UN, visited Turkey to observe the humanitarian response to the Syrian refugee crisis. Her stay included visiting the Bab al-Hawa border crossing between Turkey and Syria and attending the opening of a new school for Syrian refugees in Adana that was funded by the U.S. Department of State and built by UNICEF.⁸ Amb. Haley commended Turkey for welcoming refugees and "doing as much as they can" to support and train these communities.⁹ (See "How Much is the Refugee Crisis Costing?" on pages 26 and 27.)

Throughout 2017, Turkey underlined the need for greater global burden-sharing to meet the needs of refugee communities. In February 2017, United Nations Secretary-General Antonio Guterres called for more effective burden-sharing alongside Turkish Prime Minister Binali Yildirim at a press conference in Istanbul. Secretary-General Guterres emphasized the need to support countries of first asylum and host communities as well as to support projects that help both refugee populations and their host communities.¹⁰ (See "Current International Cooperation Deals for Refugees" on page 28.)

Amb. Haley echoed the same sentiment during her trip to assess the refugee response in Turkey and Jordan, stating that, as the top-ranking provider of humanitarian aid, the U.S.' "goal should be [to] support those host countries that are feeling the pressure and the strain."¹¹

Turkey ranks second in the world behind the U.S. in terms of the amount of money it spends on humanitarian assistance, though the majority of the \$6 billion that Turkey spent on humanitarian assistance in 2016 (the latest year for which numbers are available) has

been used to provide aid for refugees in Turkey.¹² As host to the largest refugee community in the world, including the largest number of Syrian refugees, Turkey has continually appealed to the international community for help. Due to the current state of the conflict in Syria, refugees are still unlikely to return home in 2018, making global burden-sharing even more important as host countries continue to struggle to provide the necessary aid to refugee populations.¹³

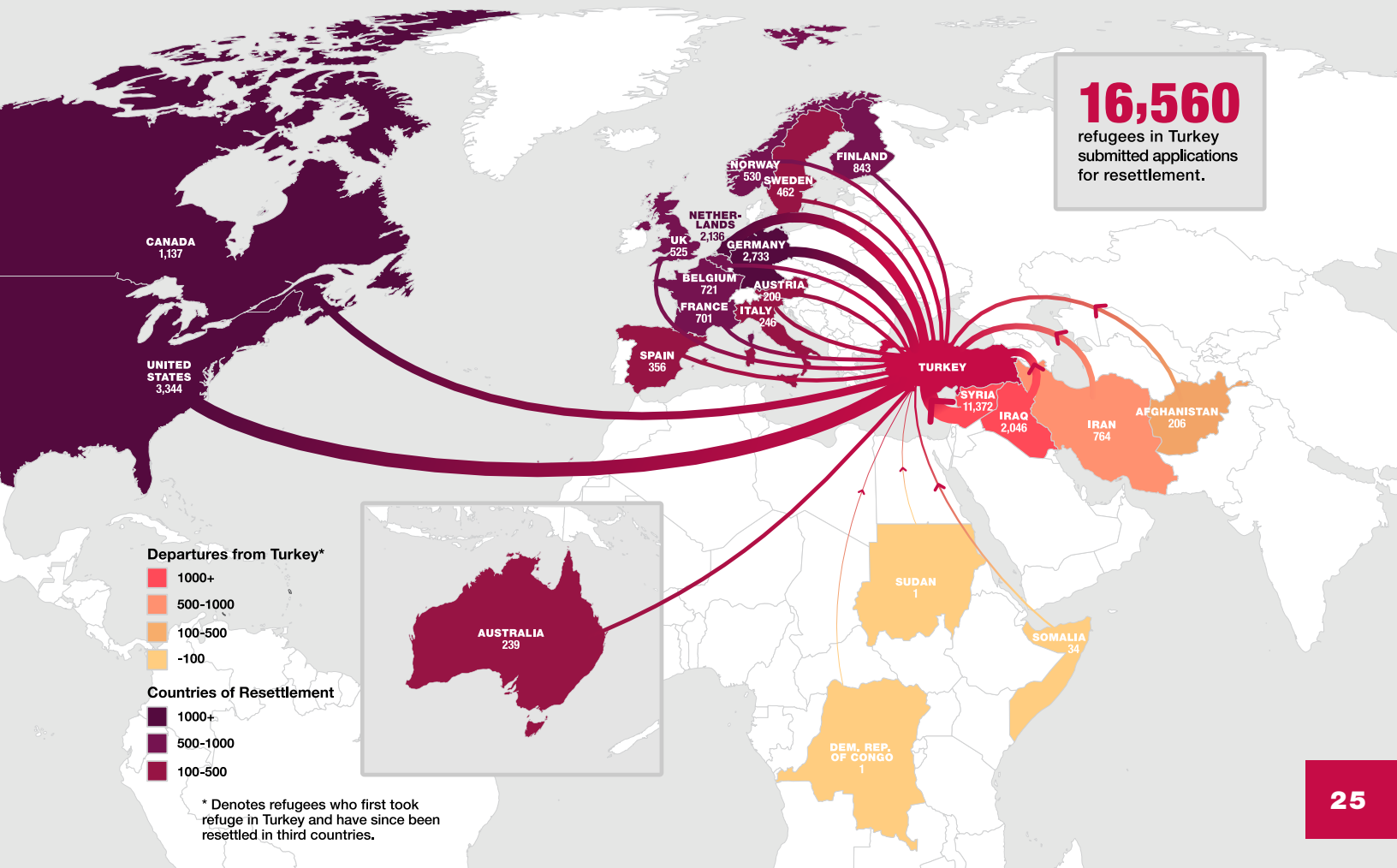
TURKEY'S INTERNATIONAL HUMANITARIAN AID

Beyond its support to Syrian refugees, Turkey also continues to provide hundreds of thousands of dollars' worth of humanitarian aid to communities affected by crises in countries such as Somalia and Yemen. (See "Where Else is Turkey Sending Aid?" on page 29.) In Somalia alone, Turkey has provided nearly \$1 billion worth of humanitarian aid since 2011, with continuing efforts such as a delivery of 60 tons of aid for children in Somalia in August 2017.¹⁴ In July 2017, Turkey pledged

\$1 million of humanitarian aid to Yemen, after having sent over 5,000 tons of aid to Yemen earlier in the year.¹⁵

Additionally, last year Turkey contributed significantly to the international humanitarian response to the Rohingya crisis. In August 2017, a crisis in Myanmar broke out when an attack by Rohingya militants on police posts led to a brutal government response against the broader Rohingya Muslim minority.¹⁶ The clashes brought more violence to the already highly persecuted minority group, with both Myanmar troops and local Buddhists carrying out a massacre against the Rohingya, forcing thousands to flee to neighboring countries such as Bangladesh.¹⁷ Following the outbreak of the crisis, Turkey responded by pledging to send 1,000 tons of aid – including emergency kits, food, and clothing – to the Rohingya community in both Myanmar and in Bangladesh.¹⁸ Among Turkey's humanitarian agencies, the Turkish Cooperation and Coordination Agency (TIKA) has been able to deliver food daily to about 25,000 Rohingya refugees in Bangladesh.¹⁹

Refugee Resettlement Numbers: From Turkey to Third Countries (as of Nov. 30, 2017)²⁰



How Much is the Refugee Crisis Costing?

UNITED STATES

The United States has given **\$7.48 BILLION** in humanitarian funding for the Syria response since 2012.²¹

~\$572 MILLION was given by the U.S. since the start of the crisis.²²

\$35 MILLION more was pledged by the U.S. in 2017.²³

FY 2017 USAID and U.S. State Dept. Expenditures Toward the Syria Crisis²⁴
(as of Dec. 8, 2017)

ORIGIN OF FUNDING	IMPLEMENTING PARTNER	ACTIVITY	LOCATION	AMOUNT
Dept. of State/ Population, Refugees, and Migration	UN Refugee Agency	Camp Management, Education, Livelihoods, Protection, Relief Commodities, Shelter and Settlements, WASH*	Iraq, Lebanon, Egypt, Syria, Turkey	\$355,170,000
Dept. of State/ Population, Refugees, and Migration	UN Children's Fund	Child Protection, Education, Health, WASH*	Iraq, Lebanon, Jordan, Egypt, Turkey	\$189,800,000
Dept. of State/ Population, Refugees, and Migration	NGO Partners	Health, Education, Legal Services, Protection	Iraq, Lebanon, Jordan, Egypt, Turkey	\$75,219,328
Dept. of State/ Population, Refugees, and Migration	International Organization for Migration	Border Transportation, Education, Health, Livelihoods, Protection, Relief Commodities	Iraq, Jordan, Egypt, Turkey	\$13,300,000
USAID/Food For Peace	World Food Programme	Regional Protracted Relief & Recovery Operation	Turkey	\$11,700,000
Dept. of State/ Population, Refugees, and Migration	UN Development Programme	Livelihoods, Shelter, WASH*	Lebanon, Turkey	\$9,422,888
Dept. of State/ Population, Refugees, and Migration	UN Population Fund	Health, Protection, Psychosocial Assistance, Capacity Building, Youth Programs	Iraq, Lebanon, Jordan, Turkey	\$5,750,000
Dept. of State/ Population, Refugees, and Migration	International Labor Organization	Livelihoods	Jordan, Turkey	\$5,607,066
Dept. of State/ Population, Refugees, and Migration	World Health Organization	Health	Turkey	\$3,584,135

* Water, Sanitation, and Hygiene

How Much is the Refugee Crisis Costing?

TURKEY

Turkey spent **\$6 BILLION** on humanitarian aid in 2016.²⁵

Turkish Interior Minister Suleyman Soylu stated that Turkey has spent **\$25 BILLION** on supporting refugees in Turkey. This includes expenditures from the government, Turkish civil society organizations, and the Turkish public.²⁶

Turkish Red Crescent Aid to Syria²⁷ (as of September 2017)

\$649 MILLION

ADDITIONAL AID for health, accomodation, education, logistics, food materials, and water-sanitation and hygiene.

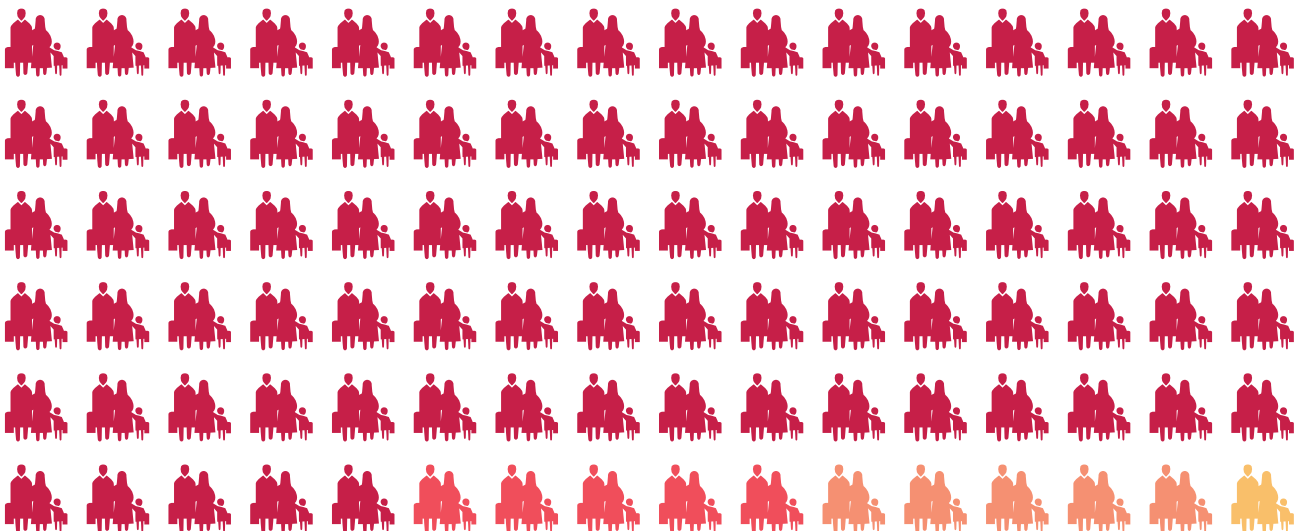
312,656,720 KG of food items.

Did You Know?

As of November 2017, there were

MORE THAN 3.7 MILLION

refugees and asylum-seekers in Turkey, including more than **3.3 million Syrians, 157,000 Afghans, 152,000 Iraqis, and 33,000 Iranians.**²⁸



Current International Cooperation Deals for Refugees in Turkey: 2017 Updates

REGIONAL REFUGEE & RESILIENCE PLAN (3RP)²⁹

WHAT

Region-wide response plan that brings together **over 240 partners** to assist refugees and host communities.

2017 UPDATES

The 2017-2018 3RP plan takes specific measures for better allocation of resources and early disbursement of funds, so agencies can provide **consistent assistance** to beneficiaries.

In 2017, the 3RP interagency appeal was for **\$4.63 billion**.

TURKEY-EU DEAL³⁰

WHAT

For every irregular migrant traveling to an EU country who is sent back to Turkey, **one refugee in Turkey** will be resettled in an EU country.

2017 UPDATES

The EU pledged **€3.2 billion**. In the first year, **€2.2 billion** was allocated.

Irregular migrant arrivals **decreased by 97%**.

4,000+ Syrian refugees were resettled from Turkey to the EU (after April 4, 2016; as of September 29, 2017).

ESSN³¹

WHAT

A partnership between European Civil Protection and Humanitarian Aid Operations, the Turkish Ministry of Family and Social Policies, the Turkish Red Crescent, the World Food Programme, and coordinated by AFAD. The program provides vulnerable refugees with **cash transfers to meet basic needs**.

2017 UPDATES

The ESSN Visibility Campaign started on **World Refugee Day** (June 20, 2017).

The ESSN has reached **one million people** as of October 2017.

Did You Know?

UNICEF & the Turkish Red Crescent partnered to enact the

CONDITIONAL CASH TRANSFER FOR EDUCATION PROGRAM,

which provides bimonthly cash transfers to vulnerable families whose children regularly attend school.³²



Where Else is Turkey Sending Aid?

SOMALIA³⁴

~\$1 BILLION

in aid given since 2011.

WHY: Civil war in Somalia has caused the displacement of over one million civilians, and countless abuses by warring parties have resulted in dire humanitarian conditions. Accompanying the conflict is a severe drought that began in 2015 and has continued until the present day. The drought has led to food insecurity, death of livestock, and a very real threat of famine.

TYPE OF AID: Food and medicine.

YEMEN³⁵

\$1 MILLION

in aid pledged.

WHY: Conflict between forces supportive of the government and Houthi rebels has caused 69% of the population to be in dire need of humanitarian aid. 17 million Yemeni civilians are suffering from food insecurity, and 14.4 million are without access to safe drinking water and sanitation.

TYPE OF AID: Medicine and medical equipment for cholera treatment, wheelchairs, food products, footwear, and field hospitals.

SOUTH SUDAN³⁶

1,000+

South Sudanese refugees in Sudan have been reached by aid from Turkey.

WHY: Civil war and violence between the government and rebel forces has caused an influx of South Sudanese refugees into neighboring Sudan. Although South Sudan is no longer classified as being in famine as of June 2017, many displaced persons and refugees are on the brink of famine.

TYPE OF AID: Water sanitation and food.

ROHINGYA PEOPLE³⁷

\$50 MILLION

in aid pledged.

WHY: The Rohingya are an ethnic Muslim minority that are being persecuted in majority Buddhist Myanmar. During the latest eruption of violence in August 2017, Myanmar's military and some of the local Buddhist community burned Rohingya villages and killed civilians, leading more than 500,000 to flee to Bangladesh.

TYPE OF AID: First aid emergency kits, food, clothing.

The word "ECONOMY" is written in large, bold, orange capital letters. To the left of the word is a bar chart with four blue bars of increasing height, each topped with a green dollar sign (\$). To the right of the word is another bar chart with four blue bars of varying heights, each topped with a green Turkish Lira symbol (₺).

ECONOMY

Turkey's economy has been progressively recovering since the challenges it faced in 2016 as a result of the coup attempt and terror attacks, which threatened Turkey's investment atmosphere. However, due to concerns about potential risks and instability caused by political uncertainty, the American business community closely followed the developments surrounding Turkey's April 2017 referendum on a proposed presidential system of government.¹

Despite these concerns, after experiencing the first contraction in its economic growth since 2009 during the third quarter of 2016, Turkey's economic growth forecast has been revised multiple times to reflect a recovering economy.² In January 2017, the World Bank revised down Turkey's growth projection for 2017 from 3.5% to 3%, citing political uncertainty and financial market volatility.³ However, by October the World Bank had revised this projection again, raising Turkey's growth forecast to 4% for 2017, with a decrease to 3.5% in 2018.⁴ The European Commission initially forecasted Turkey's 2017 growth to be 2.8%, but that number was revised to 5.3% in November. The European Commission's autumn 2017 report forecasted Turkey's 2018 GDP growth to be 4%.⁵ (See "Turkey's Economic Growth Projections" on page 31.)

Despite the initial low growth forecasts and overall investment uncertainty, Turkey's Quarter 1 (Q1) GDP in 2017 reflected 5% growth compared to the projected 4% by a Reuters poll.⁶ In Q3, Turkey's GDP surged to 11.1%, massively beating previous projections.⁷ This gargantuan increase was due in part to the fact that Turkey had registered negative growth in Q3 of 2016.⁸ With the rise in GDP comes a rise in confidence, though concerns and risks continue. Consumer inflation hit its highest annual rate in November, reaching 12.98%.⁹

The Turkish lira (TRY) also continued to struggle against the U.S. dollar (USD), a protraction of the devaluation that the lira observed at the end of 2016. The lira had hit a record low (at the time) on January 10, 2017, reaching 3.89 TRY to one USD.¹⁰ Further on in the year, the lira hit a six-week high against the dollar in late August, with an exchange rate steadily around 3.49 TRY to one USD. Its recovery progressed

even further to 3.40 TRY to one USD on September 7.¹¹ However, in October, the lira took a plunge again due to the visa dispute.¹² The lira eventually hit a new record low of 3.98 TRY to one USD on November 22.¹³

To encourage investment and combat the rise in inflation and economic uncertainty, Turkey passed a new citizenship law in 2017 that allows foreign investors to obtain Turkish citizenship if they purchase at least \$1 million worth of real estate in Turkey (after maintaining possession for three years) or if they bring \$2 million of capital investment to Turkey.¹⁴

Despite ongoing political and security concerns in Turkey, the trade volume between the U.S. and Turkey looked likely to improve slightly by the end of 2017. U.S.-Turkey trade reached \$17.314 billion between January 2017 and November 2017, while it was at \$16.058 billion during the same 11-month period in 2016.¹⁵

However, the U.S. and Turkey have not yet been able to match the peak trade volume of \$19.916 billion in 2011.¹⁶ Foreign direct investment (FDI) from the U.S. has also fallen in the last two years. According to statistics provided by Turkey's Ministry of Economy, FDI from the U.S. amounted to \$1.619 billion in 2015. It was just \$338 million in 2016, and between January and November of 2017, it had dropped to \$162 million (compared to \$289 million during the same period in the previous year).¹⁷

Turkey's foreign direct investment (FDI) overall dropped approximately 19% in the first nine months of 2017, declining to \$7.34 billion from \$9.04 billion during the same period in 2016.¹⁸

Despite recovering its growth in 2017, Turkey's economy continued to face challenges that will likely affect its economic prospects in 2018. In reference to persistent challenges such as inflation, U.S. credit agencies such as Moody's and Standard & Poor's (S&P) both cut Turkey's ratings in 2017 to "negative" after formerly ranking Turkey as "stable" at the end of 2016.¹⁹ Continuing to take the necessary measures to address the challenges currently facing Turkey's economy will be essential to improving its foreign investment and trade prospects in 2018.

DID YOU KNOW?

As of January 2017, new regulations were set in place to

GRANT CITIZENSHIP TO FOREIGNER INVESTORS

who buy real estate in Turkey worth at least \$1 million (the owner must keep the property for at least three years).²⁰

Turkey is the U.S.'s

32ND-RANKED

trading partner.²¹

The U.S. is Turkey's

5TH-RANKED

trading partner.²²

Turkey's Economic Growth Projections

OECD²³

Early Projection for 2017:

3.4%

Nov. Projection for 2017:

6%

Projection for 2018:

4.5%-5%

WORLD BANK²⁴

Early Projection for 2017:

2.7%

Jan. 2018 Projection for 2017:

6.7%

Projection for 2018:

3.5%

EUROPEAN COMMISSION²⁵

Early Projection for 2017:

2.8%

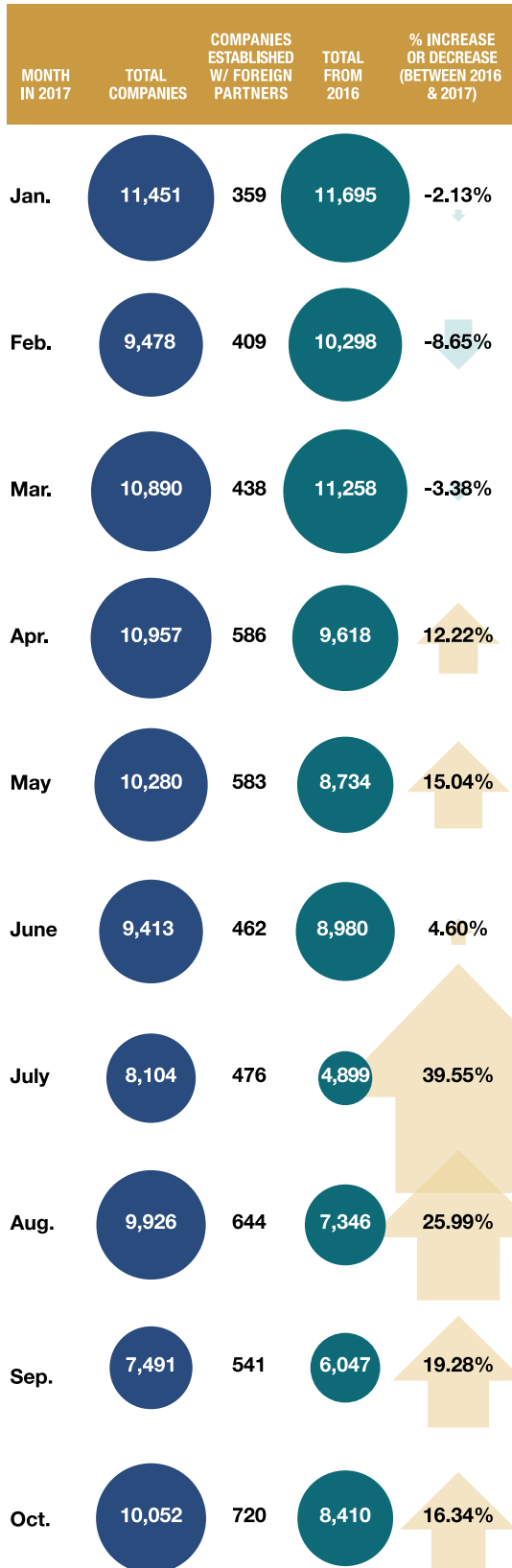
Nov. Projection for 2017:

5.3%

Projection for 2018:

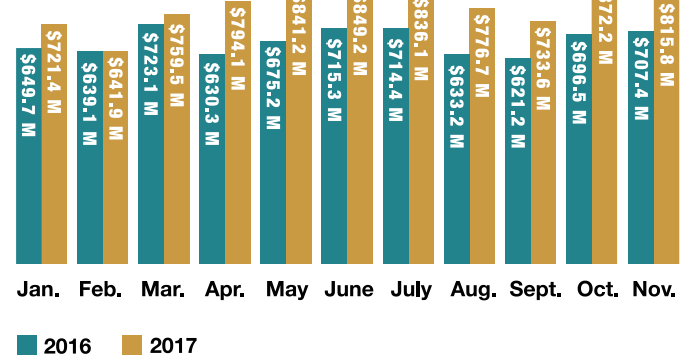
4%

Companies Established in Turkey in 2017²⁶

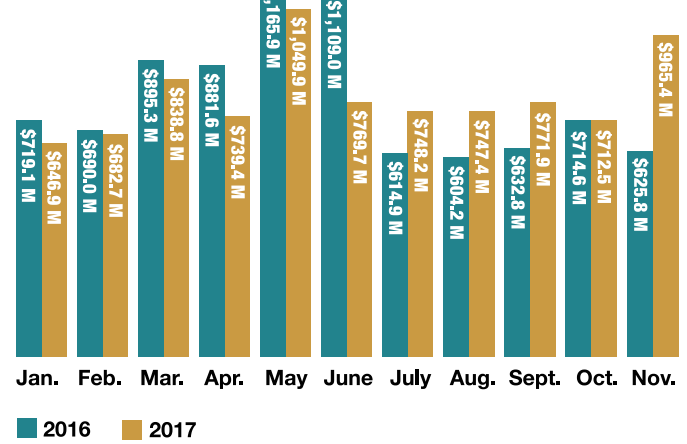


U.S. Trade in Goods with Turkey²⁷

IMPORTS

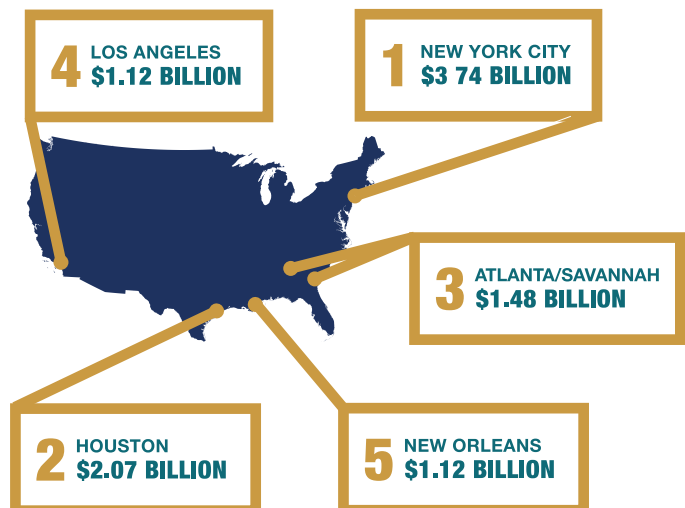


EXPORTS



Top U.S. Customs Districts for Turkey²⁸

(for total exports and imports)



Top U.S. Imports from Turkey²⁹


1 MOTOR VEHICLES FOR TRANSPORTING PEOPLE



2 CARPETS AND OTHER TEXTILE FLOOR COVERS




3 IRON AND STEEL BARS



4 AIRCRAFT PARTS



5 GRANITE, MARBLE, AND OTHER STONES



6 JEWELRY PARTS




Top U.S. Exports to Turkey³⁰

1 CIVILIAN AIRCRAFT AND PARTS




2 SCRAP IRON AND STEEL



3 COTTON




4 COAL AND BRIQUETTES



5 ALMONDS, WALNUTS, PISTACHIOS, & HAZELNUTS



6 PETROLEUM GASES AND OTHER GASEOUS HYDROCARBONS



Turkey's Credit Rating³¹

Agency	Date	Outlook	Rating
Moody's	9/23 2016	OUTLOOK: STABLE	RATING: Ba1
	3/17 2017	OUTLOOK: NEGATIVE	RATING: Ba1
S&P	11/4 2016	OUTLOOK: STABLE	RATING: BB
	1/27 2017	OUTLOOK: NEGATIVE	RATING: BB
Fitch	8/19 2016	OUTLOOK: NEGATIVE	RATING: BBB-
	1/27 2017	OUTLOOK: STABLE	RATING: BB+

Prime	Investment grade
High grade	
Upper medium grade	
Lower medium grade	BBB- (Fitch)
Non-investment grade speculative	Ba1 (Moody's) BB+ (Fitch) BB (S&P)
Highly speculative	Non-investment grade
Substantial risks	
Extremely speculative	
Default imminent with little prospect for recovery	



In April 2017, the Turkish government unveiled a new national energy policy that focuses on diversifying local energy resources in order to reduce Turkey's dependence on energy imports. According to the World Bank, Turkey meets approximately 75% of its energy needs through imports.¹

Turkey plans to increase the share of energy coming from local sources through four main avenues: 1) exploration of potential oil and gas reserves; 2) the construction of three planned nuclear power plants; 3) investment in its coal reserves; and 4) improvement of its local renewable energy capacity.

OIL AND GAS

According to the Turkish Ministry of Foreign Affairs, Turkey's energy demand is growing at the fastest rate of all OECD countries.² With only a fourth of its energy needs currently being met by domestic resources, Turkey is reliant on crude oil and natural gas imports.

Between January and October 2017, Turkey imported approximately 43.8 billion standard cubic meters (Sm³) of natural gas, while it imported approximately 22.4 million tons of crude oil. In each case, imports were dominated by a limited number of exporting countries. (See "Turkey's Natural Gas Imports" and "Turkey's Crude Oil Imports" on page 39.)

Chief among the top exporters of energy resources to Turkey are Russia and Iran. In 2017, Russia accounted for 53.3% of Turkey's natural gas imports, while Iran accounted for 17.5%. With crude oil, Iran dominates – and its share is growing. In 2016, Iran accounted for 27.8% of Turkey's crude oil imports. This percentage jumped to 48.2% in 2017. In contrast, Russia's share of Turkey's crude oil imports decreased in the same period, falling from 13% in 2016 to 6.2% in 2017.

In an effort to reduce its dependency on Russian and Iranian gas and oil, Turkey has begun exploring

its own reserves of each resource. In April 2017, Turkey began exploratory seismic studies in the eastern Mediterranean in an effort to further its plans for oil and natural gas drilling in the area.³ In October 2017, it was announced that Turkey would begin offshore oil drilling in the Mediterranean in 2018 using its first drillship, the Deepsea Metro 2.⁴

These activities – and any future use of oil and natural gas resources in the Mediterranean – will have consequences that go beyond diversifying Turkey's energy mix. Both Turkey and the Republic of Cyprus dispute ownership of waters around the island of Cyprus, where both entities have been conducting exploration. According to Metin Gurcan, the failure of the Cyprus reunification talks in mid-2017 all but guaranteed that tensions between the Greek Cypriots and Turkey over eastern Mediterranean energy sources will continue in 2018.⁵

In late December 2017, these tensions were particularly apparent. The Saipem 12000 drillship arrived in the exclusive economic zone (EEZ) to which the Greek Cypriots lay claim, ready to begin drilling an exploratory gas well; meanwhile, the Deepsea Metro 2 was seen passing through the Aegean escorted by a Turkish naval warship.⁶

NUCLEAR ENERGY

Much of Turkey's effort to reduce its dependence on energy imports will require the expanded utilization of domestic resources beyond any local natural gas and oil reserves. Nuclear energy is a component of this strategy. Turkey currently has plans to build three nuclear power plants. Furthest along is the Akkuyu plant in Mersin, a build-own-operate plant that is being constructed by a subsidiary of Rosatom, Russia's nuclear regulatory body.

Russian President Vladimir Putin said in November 2017 that the launch of the Akkuyu plant is expected for 2023.⁷ In December 2017, ground formally broke

DID YOU KNOW?

More than

\$2 BILLION

was allocated to wind and solar energy projects in Turkey in 2017.

Turkey is one of only four countries that has

**MORE THAN
1,000 MW**

of installed geothermal power capacity.

Turkey is also the

4TH-RANKED

country globally for installed geothermal capacity.³³



on the plant.⁸ Once completed, the Akkuyu plant will have an installed capacity of 4,800 megawatts (MW).⁹

Two additional plants are being planned for Sinop and Igneada, both on the Black Sea coast. The Sinop plant's contract was awarded in 2013 to a Japanese-French consortium; the first of four units is expected to come online in 2023.¹⁰ Throughout 2017, feasibility studies assessing the site's suitability continued, with the aim being to finish them in early 2018.¹¹ Once operational, the plant will have an installed capacity of 4,480 MW.¹²

The contract for the third nuclear plant at Igneada has not yet been awarded. According to Daniel Metz writing for *Diplomatic Courier*, the Chinese State Nuclear Power Technology Corporation "appears to be the most likely candidate and is more assertive than its competitors," which include "the Japanese firm Westinghouse and the American firm General Electric."¹³ The future installed capacity of the plant has not yet been decided.

COAL

Coal is already a core component of Turkey's energy strategy, accounting for 21.5% of its installed capacity and 31% of its electricity generation as of July 2017. (See "Electricity Generation and Installed Capacity" on page 38.)

Turkey's coal reserves are estimated to amount to roughly 8.7 billion tons. Of that number, lignite ("brown") coal accounts for 8.4 billion tons. In the past year, Turkey has begun the process of privatizing its domestic lignite coal reserves in an effort to expand their use for electricity generation, with the expected outcome of further reducing Turkey's dependence on energy imports, including on imported anthracite ("hard") coal.¹⁴

As part of this approach, the privatization process for the Cayirhan-2 lignite coal reserves and the building of a coal-fired power plant in the area was completed in February 2017. Once operational, the plant is expected to have an installed capacity of 700 to 800 MW.¹⁵

The second such privatization tender – this one for the Eskisehir-Alpu coal-fired plant – was announced

in September 2017. The bid will end in January 2018. Five additional coal-fired plant projects are in waiting to undergo this first stage of Turkey's new lignite coal privatization process.¹⁶

RENEWABLES

Renewables are a newer component of Turkey's domestic energy policy – one where considerable progress was made in 2017, especially in geothermal power (energy generated from the Earth's heat), solar power, and wind power.

With the Kizildere and Efeler geothermal power plants coming online in 2017, Turkey passed an installed geothermal capacity of 1,000 MW, making it one of only four countries in the world with an installed geothermal capacity of one gigawatt (GW) or more.¹⁷ At the end of 2017, the Melih geothermal power plant became operational, allowing Turkey to close out the year with 1,100 MW in installed geothermal capacity.¹⁸ Turkey's geothermal gains in 2017 have allowed it to pass its goal of 1,000 MW of installed geothermal capacity five years ahead of the original 2023 deadline.

In addition to an increasing geothermal capacity, Turkey's wind and solar projects were allocated more than \$2 billion in 2017.¹⁹ Since 2011, wind energy in Turkey has attracted more than \$12.3 billion in investments.²⁰ Two major megaproject tenders in 2017 highlighted the growing potential of Turkey's renewable energy sector. In March 2017, the Kalyon-Hanwha Group secured the right to build Turkey's largest solar plant to date, which will have the capacity to generate 1,000 MW of electricity.²¹ In August 2017, Siemens, Kalyon, and Turkerler won a \$1 billion tender "to construct and implement 1,000 megawatts MW in wind projects in five different regions across Turkey."²²

Turkey added 1.7 GW of solar capacity in 2017, bringing its total installed capacity to 2.674 GW.²³ By July 2017, Turkey had added 377 MW of wind capacity, for a total installed capacity of almost 6.5 GW.²⁴

According to the Renewable Energy Country Attractiveness Index (RECAI), Turkey is one of the top 20 most attractive countries. In October 2017, the

RECAI ranked Turkey as 16th in attractiveness, an improvement upon its October 2016 rating, when it was 21st. (See “Turkey’s Ranking in the Renewable Energy Country Attractiveness Index” on page 39.)

THE IMPLICATIONS OF TURKEY’S ENERGY POLICY FOR THE U.S.

As Turkey strives to shore up its domestic energy generation capacity, companies around the world will have ample opportunity to invest. For U.S. firms, Turkey’s efforts present an attractive option. In 2017, LM Wind Power launched a new factory in Bergama. It was its first new blade manufacturing site since being acquired by GE Renewable Energy, which operates eight additional facilities in Turkey.²⁵

However, while Turkey’s progress in renewables can be a potential area for greater cooperation between Turkey and the U.S., it isn’t the only energy-related opportunity for strengthening U.S.-Turkey ties, which are crucial for balancing Russia’s, Iran’s, and China’s energy ambitions in Turkey. The U.S. can invest in other domestic energy ventures in Turkey such as the construction of nuclear plants, and it is also able to increase its energy exports to Turkey, thus chipping away – albeit very modestly – at Russian and Iranian dominance.

Despite the fact that General Electric (GE) has expressed interest in Turkey’s Igneada nuclear power plant, China is the current frontrunner. Russia has already solidified its cooperation with the Akkuyu nuclear plant. At the groundbreaking for the Akkuyu plant, Alexey Likhachev – the director general of Rosatom – proclaimed that the plant would launch 100 years of nuclear power cooperation between Moscow and Ankara.²⁶ The Sinop contract has similarly already been awarded. If U.S. companies are to invest in Turkey’s nuclear energy, the Igneada plant is the only current opportunity.

When it comes to natural gas, Turkey’s dependence on Russia is even more pronounced. Despite the fact that Turkey’s national energy policy aims to reduce its dependence on foreign imports, Turkey has taken steps in recent years that look likely to only strengthen its energy ties with Russia. After the relaunch of the TurkStream natural gas pipeline project in late

2016, construction of the pipeline – which will transport Russian gas to Turkey and the European Union – began under the Black Sea in May 2017.²⁷ Construction of the pipeline started in Turkish waters in November 2017.²⁸ The pipeline is expected to reach the Turkish shore in May 2018 and come online by the end of 2019.²⁹

Based on geography alone, the U.S. will likely never rival Russia in terms of exporting natural gas to Turkey. But Turkey’s growing regasification capacity is expanding its ability to import and use liquefied natural gas (LNG), which the U.S. is exporting on an ever-greater scale.

The regasification process converts LNG back into usable natural gas, allowing countries to import natural gas without the use of a pipeline.³⁰ Turkey’s current regasification capacity of 17 billion cubic meters annually (bcm/y) is expected to increase to 38 bcm/y by 2019.³¹

The U.S. began exporting LNG to Turkey in 2016, during which its exports to the country reached 242.86 million Sm³. Between January and October 2017, the U.S. exported 473.4 million Sm³ to Turkey. These numbers pale in comparison to Russia’s exports, which amounted to more than 23 billion Sm³ in the January-October period of 2017. (See “Turkey’s Natural Gas Imports” on page 39.)

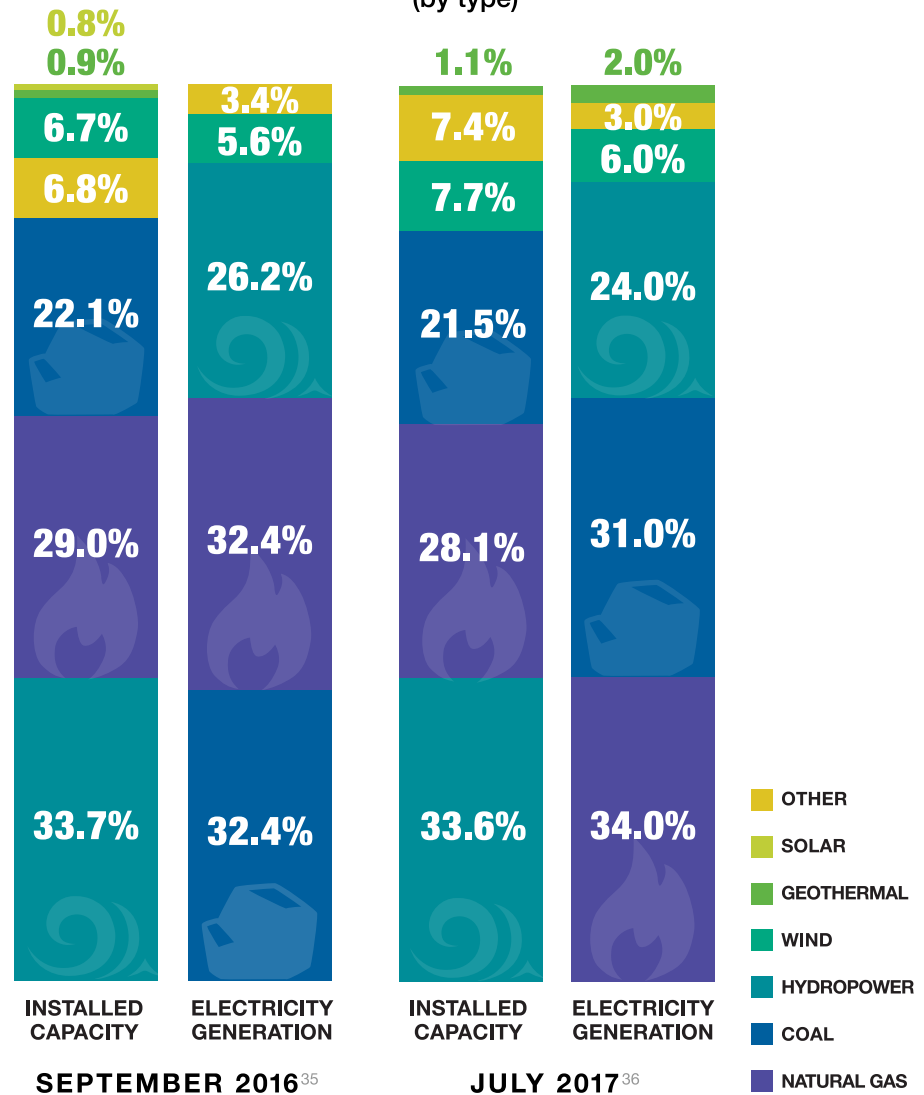
However, according to Fatih Birol, executive director of the International Energy Agency, Turkey can still benefit from a more diversified natural gas portfolio and market. In a December 2017 speech in Ankara, Birol estimated that the number of LNG-importing countries will increase to approximately 50 in the coming years, a drastic jump from the five countries that were importing LNG in the early 2000’s.

As a result, the LNG market will become more competitive, and newly exporting countries like the U.S. and Canada may be able to chip away at Russia’s dominance. According to Birol, “[e]ven if they will not import gas from the U.S. or Canada, it is a good option for countries like Turkey to have them. It may bring better conditions in existing contracts. It should be eyed very well.”³²

Number of Energy Production Plants in Turkey³⁴
(as of July 2017)

SOLAR	1,773
HYDROPOWER	613
NATURAL GAS	288
WIND	186
COAL	40
GEO THERMAL	33
OTHER	165
TOTAL	3,098

Electricity Generation & Installed Capacity (by type)



What is the Renewable Energy Country Attractiveness Index (RECAI)?

The Renewable Energy Country Attractiveness Index (RECAI) is released multiple times a year by Ernst & Young (EY), a global professional services firm. The RECAI ranks countries' progress in renewable energy development and use based on a thorough methodology that analyzes a wide variety of benchmarks, from political stability to technological maturity.

RECAI Methodology³⁷

MACRO VITALS:

e.g., economic stability, investment climate

TECHNOLOGY POTENTIAL:

e.g., technology maturity, political support

ENERGY IMPERATIVE:

e.g., security & supply, affordability

POLICY

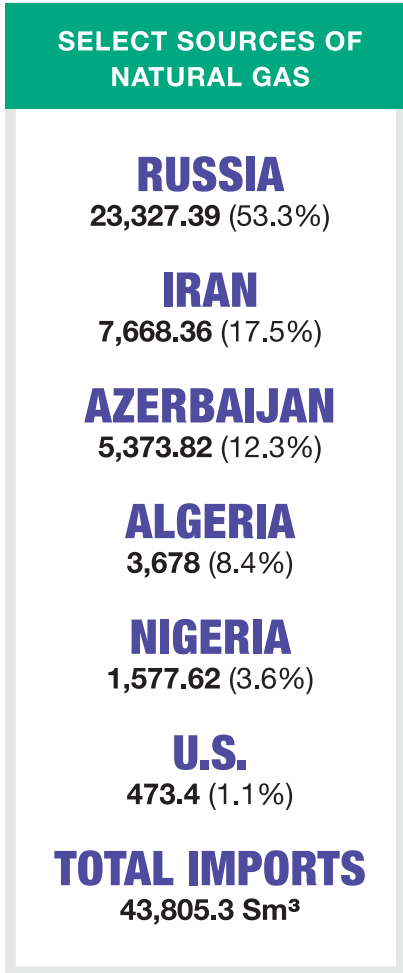
ENABLEMENT:

e.g., political stability, support for renewables

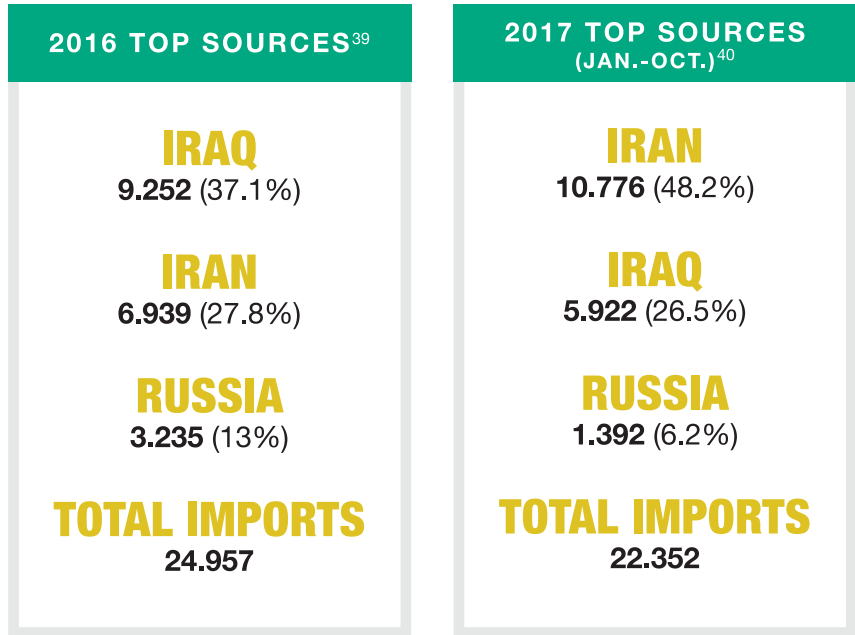
PROJECT DELIVERY:

e.g., infrastructure, market access, finance

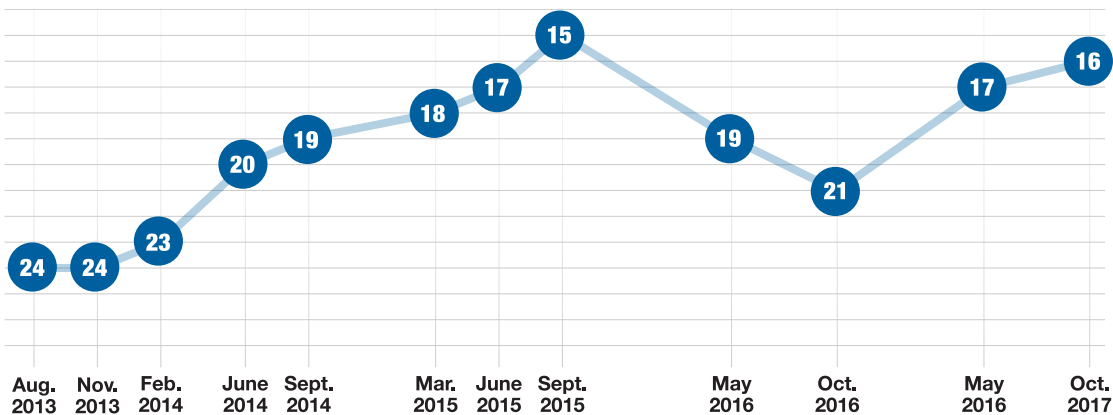
Turkey's Natural Gas Imports in 2017³⁸ (Jan.-Oct.) (in millions of Sm³)



Turkey's Crude Oil Imports: 2016 vs. 2017 (in millions of tons)



Turkey's Ranking in the Renewable Energy Country Attractiveness Index⁴¹



- 1 CHINA
- 2 INDIA
- 3 UNITED STATES
- 4 GERMANY
- 5 AUSTRALIA
- 6 FRANCE
- 7 JAPAN
- 8 CHILE
- 9 MEXICO
- 10 UNITED KINGDOM
- 11 ARGENTINA
- 12 CANADA
- 13 MOROCCO
- 14 DENMARK
- 15 NETHERLANDS
- 16 **TURKEY**
- 17 BRAZIL
- 18 ITALY
- 19 EGYPT
- 20 PORTUGAL



EDUCATION



The once robust academic ties between the U.S. and Turkey continued to suffer setbacks in 2017 after security concerns and a coup attempt in 2016 prompted many U.S. academic institutions to suspend their study abroad programs in Turkey.¹

In 2017, many U.S. government-funded exchange programs for American students to study in Turkey – including the Critical Language Scholarship, the Boren Awards, and the Fulbright English Teaching Assistantship (ETA) program – also remained either suspended or located in a third country, such as Azerbaijan.

According to the Institute of International Education's latest Open Doors report, the downward trend in U.S.-Turkey academic ties continued in 2017. In the 2016-17 academic year, the number of Turkish students in the U.S. dropped to 10,586, which is the lowest the number has reached since the 1999-2000 academic year, when 10,100 Turkish students were studying in the U.S. In 2016-17, Turkey was the 15th-leading place of national origin for international students in the U.S.; it was in 13th place in 2015-16.

The number of American students studying abroad in Turkey has dropped more drastically in recent years. In the 2015-16 academic year – the latest for which information is available – the number of American students studying abroad in Turkey dropped to 705, a 62.7% decrease from the previous year.² (See “Number of American and Turkish Students Studying Abroad in Turkey and the U.S.” on page 43.)

The drop was likely triggered by multiple major terror attacks throughout 2015 and 2016 in Istanbul and Ankara, where many American exchange students choose to study. While the 2016-17 study

abroad numbers are not yet available, they are likely to hold with this downward trend, as the July 2016 coup attempt in Turkey derailed many study abroad programs.

Many U.S. colleges and universities are no longer offering study abroad or exchange opportunities in Turkey due to the current State Department travel warning for Turkey, though an appeals process is occasionally available on an individual basis to undergraduate and graduate students wishing to study in the country.³ U.S. government programs are also erring on the side of caution. For example, students who receive a Gilman Scholarship may not use it to travel in countries with an active travel warning; as such, they may not currently study in Turkey.⁴

Terrorism, the 2016 coup attempt, and concerns about the state of academic freedom in Turkey are all issues that U.S. academic institutions currently weigh when deciding whether to send their students to Turkey.⁵

The lack of opportunities for American students to study in Turkey has limited students to opportunities in the U.S. for the pursuit of Turkish studies, including Turkish language instruction. However, these programs and offerings are neither robust nor widespread. Nearly half of U.S. states have at least one university or college that offers regular Turkish language instruction; however, this amounts to only 40 programs, some of which do not extend beyond elementary Turkish courses. (See “U.S. States with University/College-Based Turkish Studies Programs” on page 42.)

However, despite continued setbacks in 2017, there were signs throughout the year that academic ties may be on the mend in some instances. While the Fulbright



DID YOU KNOW?

Turkey is the
15TH-RANKED
place of national origin for international students in the U.S. overall.¹⁴

ETA program remained suspended in the 2017-18 academic year following its initial suspension during 2016-17, there are hopes that it will be reinstated in 2018-19.⁶

In addition, while traditional study abroad and exchange programs for Turkey continue to be on hold at many U.S. institutions, new opportunities are emerging. In the summer of 2017, the Yunus Emre Institute – a non-profit organization created by the Turkish government to advance understanding of the Turkish language and culture – brought American students to Turkey for a cultural exchange involving Turkish classes and cultural activities.⁷

Interestingly, while the number of American students who have chosen to study abroad in Turkey has dropped, the number of American students who have chosen to directly enroll in Turkish higher education institutions has increased, according to statistics kept by Turkey’s Council of Higher Education. In the 2016-17 academic year, 472 American students were enrolled in Turkish higher education institutions, up from 334 in 2015-16. (See “American Students Directly Enrolled in Turkish Higher Education Institutions” on page 42.)

However, the visa dispute between the U.S. and Turkey triggered in October 2017 initially dealt a new, even more serious blow to prospects for U.S.-Turkey academic ties. What has been a downturn in opportunities for American students to study in Turkey became – briefly – a full restriction for both American and Turkish students alike.

The resolution of the dispute at the end of 2017 was a relief for students on both sides hoping to secure visas to each other’s countries. Following the resumption of visa services, Serap Aslantatar, managing director of an education counseling agency in Turkey, told The PIE News that the short-lived dispute did not seem to have significantly derailed Turkish students’ desire to study in the U.S. According to Aslantatar, only a “small number” of students set their sights on

the U.K. as an alternative; the majority decided to stick with the U.S. once visa services resumed.⁸

Had it lasted longer, the visa dispute could have majorly disrupted the core of U.S.-Turkey academic ties and caused thousands of Turkish students to go elsewhere for education.

In 2017, it was estimated that nearly 30% of Turkish students pursuing their education abroad chose to do so in the U.S.⁹ A recent survey of Turkish students found that of the 49% who indicated that they wanted to pursue a degree abroad, 11% pointed to the U.S. as their first choice.¹⁰ The more than 10,000 Turkish students who study in the U.S. each year contribute millions of dollars to the U.S. economy, to the tune of \$435 million in 2016 alone. (See “Turkish Students’ Contributions to the U.S. Economy” on page 42.)

While the visa dispute has been resolved, the U.S. is seen as being tougher on visas under the Trump administration due to various iterations of its travel ban. This perception could potentially impact the number of Turkish students who choose to study in the U.S. in the coming years.

There are indications that academic institutions are already seeing a negative effect on their international student communities on a whole. In the fall of 2017, a survey of 500 higher education institutions across the U.S. found an average 7% drop in newly arriving international students.¹¹ International students are still studying in the U.S. at record numbers, but the rate of growth is slowing.¹²

More and more, U.S. institutions are worried that the political atmosphere in the country – which is seen as increasingly polarized – is causing international students to look elsewhere for their higher education.¹³ It remains to be seen whether Turkish students will do the same, which would cause their numbers in the U.S. to drop even more in coming years.

Turkey is the

2ND-RANKED

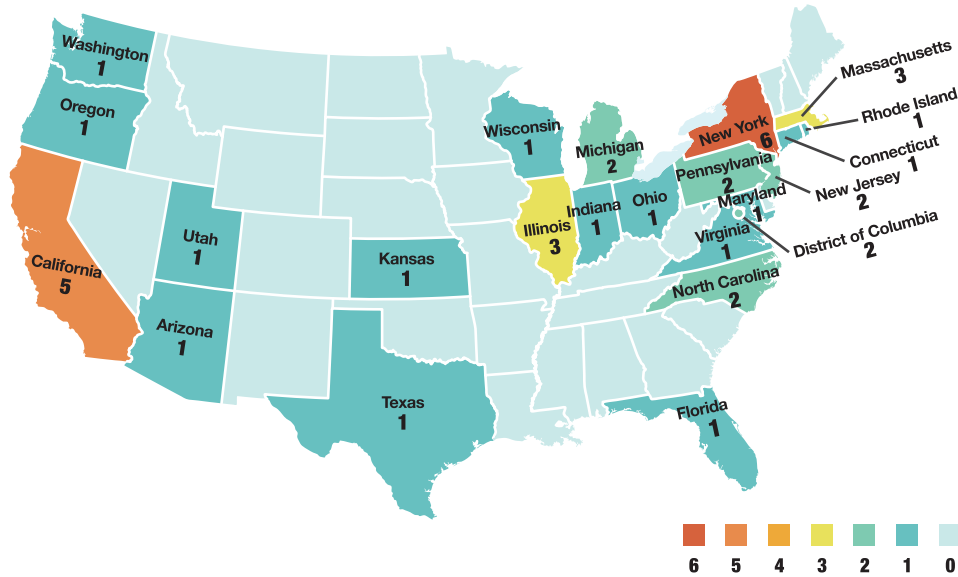
place of national origin for international students coming to the U.S. from Europe.¹⁵

Turkish students studying at U.S. higher education institutions contributed

\$435 MILLION

to the U.S. economy during the 2016-17 academic year.

U.S. States with University/College-Based Turkish Studies Programs and/or Regular Turkish Language Instruction¹⁶



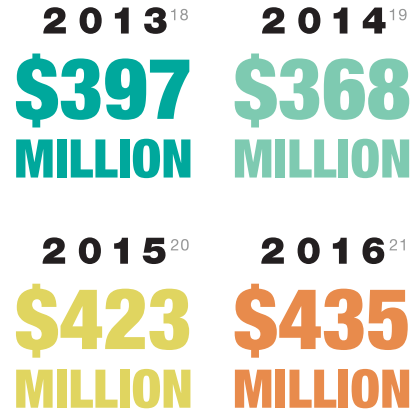
This list is based on universities and colleges that offer Turkish studies programs or that regularly (i.e., nearly every semester) offer Turkish language courses.

Turkish Provinces with University-Based American Studies Programs/Certificates¹⁷

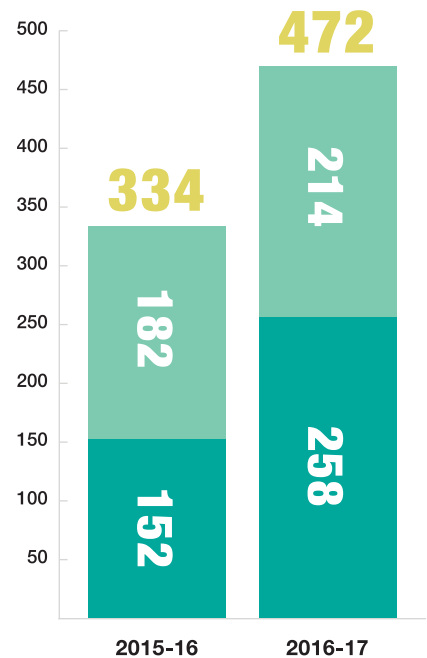


This list is based on universities that have dedicated American Culture and Literature Departments. The exception is Bosphorus University in Istanbul, which offers an American Studies Certificate. This list does not include universities that offer American culture, language, literature, history, or politics courses under different departments.

Turkish Students' Contributions to the U.S. Economy (by year)

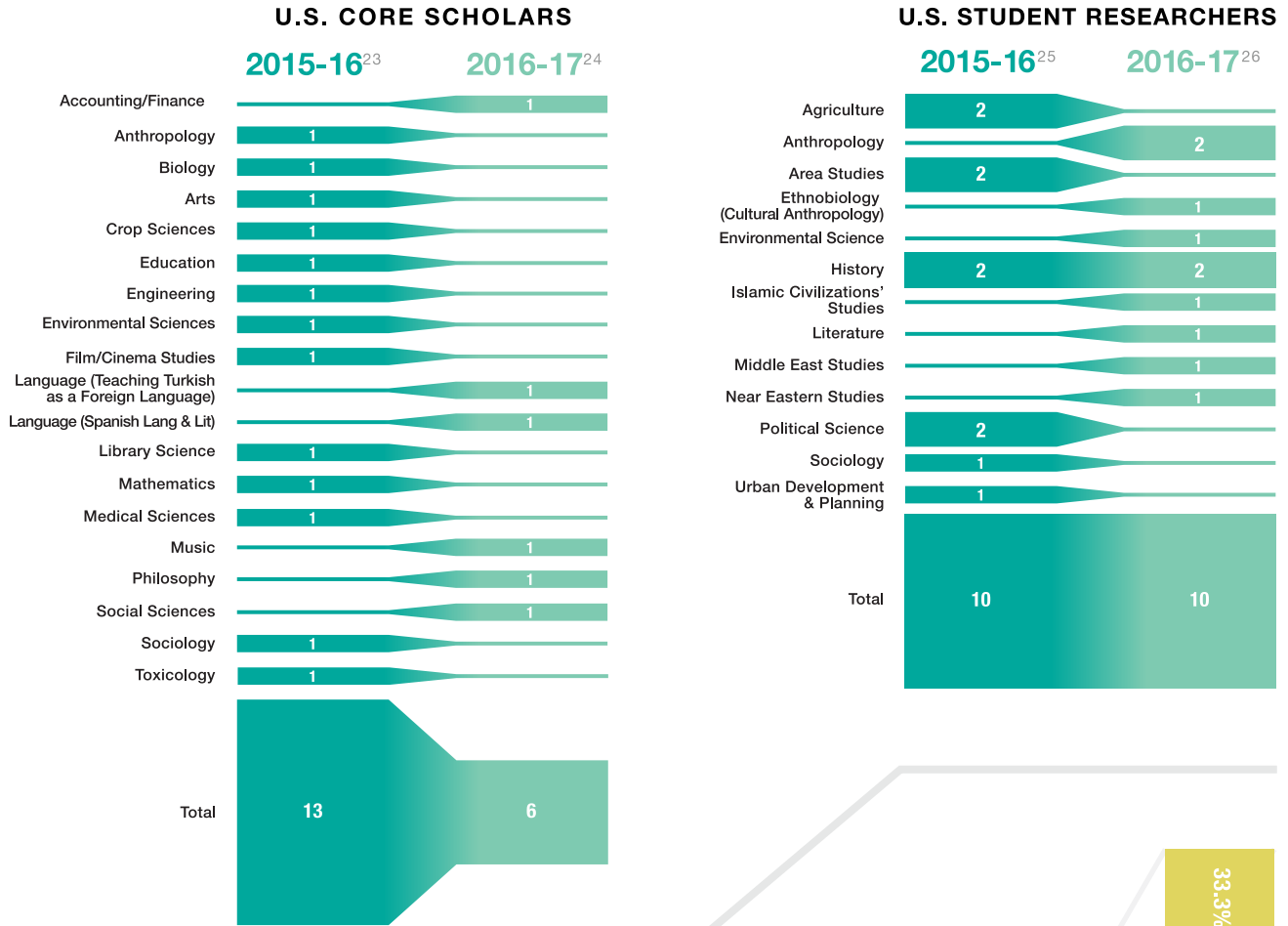


American Students Enrolled Directly in Turkish Higher Education Institutions²²

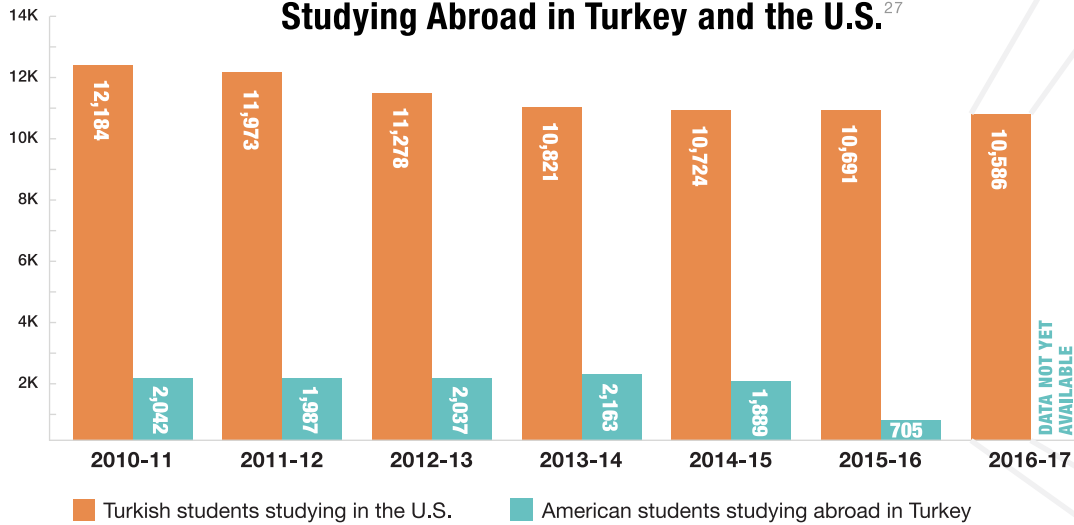


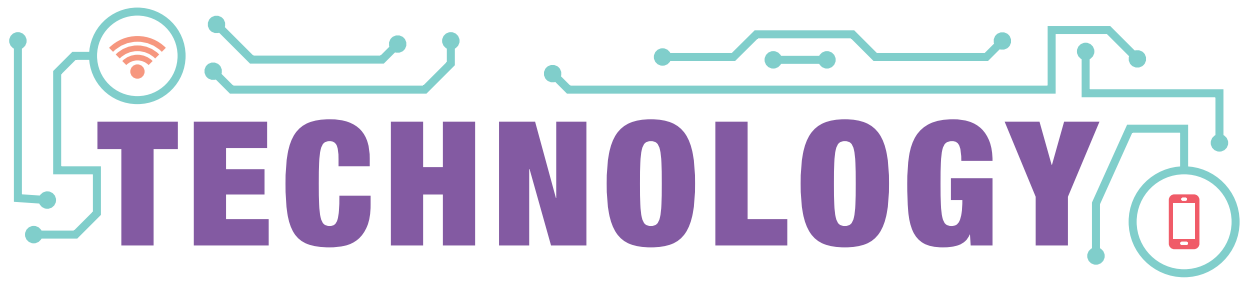
■ Total
■ Foundation University
■ State University

Academic Fields Represented by Fulbright Students and Scholars in Turkey in 2015-16 and 2016-17



Number of American and Turkish Students Studying Abroad in Turkey and the U.S.²⁷





TECHNOLOGY

Turkey's seemingly ever-growing reputation as a hub for research and development (R&D) innovation made serious strides in 2017. As with many sectors of the Turkish economy, the tech world's growth faltered in 2016 largely due to security concerns, causing foreign investment to slow and many researchers to leave the country.¹

Despite this, Turkey's innovation economy showed remarkable resilience. As security concerns like terrorism became a diminishing concern over the course of 2017, mere resilience gave way to pre-2016 levels of strong growth. In the first 11 months of 2017, Turkey's startup ecosystem – which is populated overwhelmingly by technology startups – received \$140 million in investment, up 103.2% from \$68.9 million during the same period in 2016.²

Turkey's market remains attractive to tech investors and tech companies. Amazon, for instance, set up its first office in Turkey in August 2017.³ Much of Turkey's attractiveness is due to a young, tech-savvy workforce and a tech-reliant consumer base. Turkey has a large population (80 million), the majority of which is under the age of 30. Metrics measuring access to tech continue to skyrocket: in August 2017, the government announced that 80% of Turkish households have internet access.⁴ Turkey's smartphone saturation rate stands at 84% – up from 59% of Turks in early 2016 and second only to China among emerging economies.⁵

The Turkish government has been focused on moves that attract investment. As of the end of 2017, Turkey was host to 69 technoparks (hubs for research and business), 773 R&D centers, and 142 design centers.⁶ (See “Turkey as an R&D Hub” on page 46.) The government also incentivizes private investment in tech through tax breaks.⁷ If foreign companies set up R&D operations in Turkey, for instance, Turkey's premier research institute can pay up to 60% of researchers' salaries.⁸

These exertions have yielded substantial returns, and Turkey's scientific and tech communities have grown in international stature over the past few years.⁹ While the government can be a difficult partner for some foreign tech and internet companies (Wikipedia, the online encyclopedia, was banned in Turkey last year), they are more forthcoming for Turkish companies, which often face fewer bureaucratic hurdles.¹⁰

Turkey's 2017 push for homegrown technology included some notable industrial projects. Late last year, a consortium of companies agreed to jointly manufacture Turkey's first indigenous automobile.¹¹ Turkish officials also signaled a desire to expand Turkey's homegrown military industry. Turkey's domestically-built drone line – the Anka UAV – saw its first combat use last year.¹² Turkey also showcased its first locally-built helicopter and long-range missile, approved the development of domestic amphibious vehicles, and signaled its desire to build its own line of aircraft carriers.¹³ This is not to say international collaboration on defense tech was lacking; in February 2017, for example, Turkish Aerospace Industries (TAI) signed a \$270 million cooperation deal with the American firm Sikorsky, under which components for multiple helicopter platforms will be produced over the next decade.¹⁴

U.S.-TURKEY INNOVATION COOPERATION

While defense deals like 2017's TAI-Sikorsky agreement allow Turkish firms to manufacture technology, American companies are also contributing to R&D and the advancement of innovation in Turkey.

For example, in 2015, GE opened its “Turkey Innovation Center” at Teknopark Istanbul.¹⁵ (See “American Companies Present at Select Turkish Technoparks” on page 46.) In November 2017, Boeing revealed details for its contributions to the

“Turkey National Aerospace Initiative” that President Erdogan first announced during his visit to the U.S. for the UN General Assembly meeting in September. As part of the initiative, Boeing will make R&D investments, including by opening an Engineering and Technology Development Center in Istanbul.¹⁶

Turkey’s geography makes it even more attractive for international actors looking to invest in R&D in the country. Located between Europe, the Middle East, and Central Asia, Turkey can serve as a regional hub for innovation. In fact, Turkey took a major step towards its realization as a tech hub with the September 2017 signing of a “Host Country Agreement” and “Contribution Agreement” with the United Nations, which will allow the Technology Bank for Least Developed Countries (LDCs) to be established in Gebze, Turkey.¹⁷

According to a UN press release, this technology bank will “improve the utilization of scientific and technological solutions in the world’s poorest countries and promote the integration of least developed countries into the global knowledge-based economy.”¹⁸

Beyond investment in R&D, 2017 also saw U.S. investment in the entrepreneurs driving Turkey’s innovation ecosystem. Last year, Hamdi Ulukaya – a native of Turkey who founded the popular U.S. yogurt brand Chobani – launched the Hamdi Ulukaya Initiative (known by its Turkish acronym, HUG). HUG aims to train promising Turkish entrepreneurs, including those who have already established start-ups and those who are seeking to “turn their ideas into profitable ventures.”¹⁹ The inaugural class of 24 entrepreneurs – many working in the tech sector – arrived in New York City for a three-week training program in July 2017.

Speaking on the reasoning behind his initiative during a November launch event at New York University, Ulukaya told the audience that people from Turkey “find solutions.”²⁰

“We don’t give up, we have optimism, and we are survivors,” he said. “If you implement these in a field of business or entrepreneurship, you have a lot of advantage.”

DID YOU KNOW?

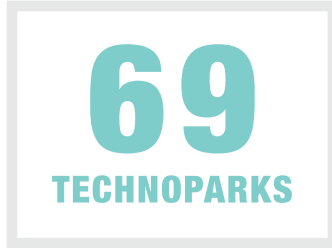
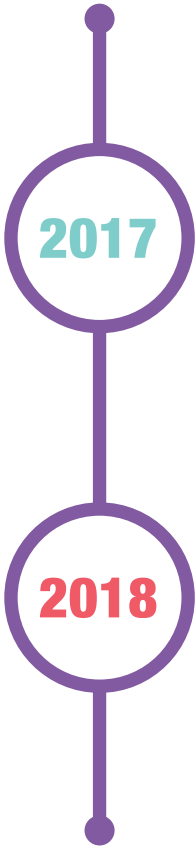
In 2017, Turkcell launched Turkey’s **FIRST TURKISH-OWNED SEARCH ENGINE.**²¹

In 2017, five Turkish firms launched a project to develop Turkey’s **FIRST DOMESTICALLY-MADE AUTOMOBILE.**²²

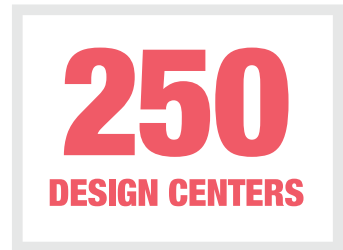
Turkey as an R&D Hub

TECHNOPARKS, R&D CENTERS, AND DESIGN CENTERS²³

As of the end of 2017, Turkey was home to:



By the end of 2018, Turkey expects to have:



AMERICAN COMPANIES* PRESENT AT SELECT TURKISH TECHNOPARKS²⁴

TEKNOPARK ISTANBUL

General Electric
(ELECTRONICS, ENGINEERING AND CONSTRUCTION SERVICES, INFORMATICS)

Lighthouse Worldwide Solutions
(ELECTRONICS)

ITU ARI TEKNOKENT

American International Radio, Inc.
(INFORMATICS)

Maxim Integrated
(ELECTRONICS)

Nevotek
(INFORMATICS)

Solvoyo
(INFORMATICS)

VeriFone
(INFORMATICS)

BILKENT CYBERPARK

Plexus
(ELECTRONICS)

Unscrambl
(INFORMATICS)

CyanGate
(INFORMATICS)

Growth Tower
(INFORMATICS)

ODTU TEKNOKENT

Udemy
(DIVERSIFIED CONSUMER SERVICES)

Comodo
(INFORMATICS)

Bertec
(ENGINEERING AND CONSTRUCTION SERVICES)

Seven Bridges Genomics
(INFORMATICS)

PixoFun
(INFORMATICS)

OpsGenie
(INFORMATICS)

V-Count
(INFORMATICS)

LARSA
(INFORMATICS)

* Defined as companies that are headquartered in the U.S.

Select Big Tech Deals in Turkey in 2017

Turkish Aerospace Industries and U.S.-based Sikorsky signed a **\$270 MILLION COOPERATION AGREEMENT** to produce components for helicopter platforms.²⁵

Eurosam, Aselsan, and Rokestan were awarded an 18-month contract to carry out a **A STUDY ON THE DEVELOPMENT OF A MISSILE DEFENSE SYSTEM.**²⁶

Turkey's Tech Demographics: 2016 vs. 2017

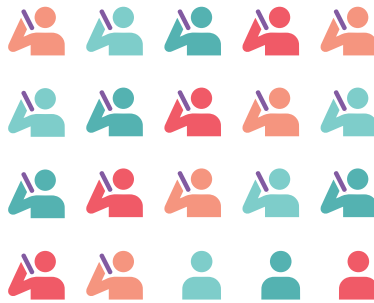
80.7%

of households have internet access at home, compared to 76.3% in 2016.²⁷



84%

of Turks own smartphones today compared to 59% in 2015.²⁸



24.9%

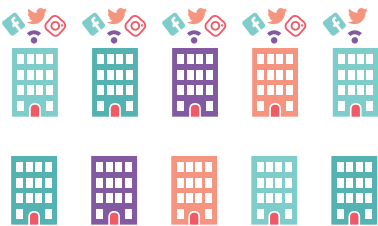
of internet users aged 16-74 bought goods or services over the internet for private purposes, compared to 20.9% in 2016.²⁹



According to survey results,

45.7%

of enterprises with at least 10 persons employed used social media in 2017, compared to 38.1% the previous year.³⁰



According to survey results,

95.9%

of enterprises with at least 10 persons employed used the internet in 2017, up from 93.7% the previous year.³¹



As of the end of Quarter 3 in 2017, there were 68 million broadband subscribers in Turkey. For mobile broadband, the number of users reached 56.5 million, approximately

70.8%

of the population.³²



PROSPECTS FOR U.S.-TURKEY RELATIONS IN 2018

THE RECOMMENDATIONS FOR 2018

In 2018, Washington and Ankara need to make strides towards overcoming the tensions that have brought this bilateral relationship to the lowest point in recent memory.

To do so, direct, high-level engagement between American and Turkish officials should continue in 2018 and should consist of dialogue that is clear and constructive. As such, it is imperative that a new U.S. ambassador to Turkey is appointed and confirmed as soon as possible to ensure that communication can continue without interruption during this critical period.

Additionally, officials on both sides should avoid harsh, unproductive rhetoric that could further inflame tensions between the two countries.

Instead, in 2018 both sides should make efforts to translate rhetoric about the “strategic” importance of the alliance into a partnership that goes beyond the transactional approach that both countries have increasingly taken toward each other.

Finally, despite ongoing tensions, American and Turkish actors at both the state and non-state levels should strive to find opportunities for collaboration in 2018, especially in the areas humanitarian aid, economy, energy, education, and technology.

PROSPECTS FOR U.S.-TURKEY RELATIONS IN 2018

The resolution of the visa dispute between the U.S. and Turkey in late December 2017 was a welcome start to the new year. But developments throughout January 2018 have shown that U.S.-Turkey relations will likely continue to experience serious tensions.

The inaugural meeting of a joint U.S.-Turkey working group “on legal affairs” on January 24 – which had been planned since late 2017, according to Turkish media¹ – came just days after Turkey launched a military operation targeting YPG elements in the Afrin district of northwestern Syria.

While the meeting of the working group indicated a willingness on both sides to work through tensions that are plaguing the relationship, miscommunication remains the new normal in the alliance.

Ankara and Washington have already miscommunicated and disagreed considerably in January 2018, most notably over an alleged border security force the U.S. is training in Syria (which the U.S. has denied it is doing); the content of a January 24 phone call between President Trump and President Erdogan; and an alleged proposal from the U.S. (which it denies proposing) to establish a “safe zone” on the Syrian border in response to Turkey’s security concerns.²

Throughout 2018, the U.S. and Turkey will face a variety of different potential flashpoints that could exacerbate tensions in their bilateral relationship. However, there will also be opportunities for American and Turkish actors to strengthen the ties between their two countries, particularly through cooperation on humanitarian aid, economy, energy, education, and technology.

SECURITY

Despite President Trump’s mention of potential “adjustments” to U.S. support for its partners in Syria, Washington has shown no signs that it will drastically pull back from cooperating with the YPG in 2018. As such, U.S. support of the YPG will likely remain a major flashpoint in U.S.-Turkey relations in the coming year.

On January 20, tensions over this issue deepened when Turkey launched “Operation Olive Branch” in northern Syria. According to the Turkish Prime Ministry, the operation aims to confront the YPG in the Afrin district, with the eventual goal of turning over a 10,000-square-kilometer area to Turkish-backed FSA forces.³

Secretary Tillerson has expressed “concern” over the operation but has also recognized Turkey’s “legitimate right to protect its own citizens from terrorist elements that may be launching attacks against Turkish citizens and Turkish soil from Syria.”⁴ In the week prior to the launch of the operation, a spokesperson for the Combined Joint Task Force-Operation Inherent Resolve told the Turkish media that YPG elements in Afrin are not part of the anti-ISIS coalition and therefore do not receive U.S. support.⁵

Some experts believe that while the U.S. does not approve of Turkey’s operation in Afrin, tensions will only escalate significantly between the allies if Turkey

decides to target YPG forces in the northeast of Syria, where U.S. troops are present.⁶ In the wake of the Afrin operation, Ankara has indicated that it is also eyeing moves against the YPG in Manbij, which is in northeastern Syria.⁷

The closest the U.S. and Turkey have come to a direct clash – and thus, a serious crisis – in northern Syria was in April 2017, when Turkish airstrikes against PKK targets in northeastern Syria endangered the lives of nearby U.S. troops, according to the Pentagon, which said Ankara gave inadequate advance notice of the strikes.⁸

Beyond Syria, any progress made on the purchase of the S-400 system from Russia could escalate from tension to crisis in 2018 if the U.S. Congress decides to pass sanctions against Turkey under CAATSA.⁹ Additionally, the extradition of Fethullah Gulen remains a key security concern for Turkey. In mid-January 2018, Philip Kosnett, Charge d’Affaires at the U.S. Embassy in Ankara, indicated that the discussion between Washington and Ankara over the Gulen extradition request “will be continuing quite intensely in the weeks and months ahead.”¹⁰ President Erdogan indicated that as long as Gulen has not been extradited to Turkey, Ankara will refrain from fulfilling any potential extradition requests from the U.S.¹¹

HUMANITARIAN AID

Turkey has become one of the biggest contributors globally of humanitarian assistance, spending billions of dollars in aid to support the community of refugees and asylum-seekers it hosts within its borders, which included almost 3.8 million people by the end of 2017.¹² Turkey also sends aid abroad in response to myriad conflicts and humanitarian disasters. With many conflicts, not least the Syrian crisis, likely to continue in 2018, Turkey is liable to remain a major humanitarian actor in the coming year.

Lack of sufficient international support and burden-sharing among the global community remains an issue that will persist throughout 2018. Turkey, Lebanon, and Jordan host the majority of registered Syrian refugees, amounting to more than 5 million people;¹³ thus, these countries shoulder the largest financial burden when it comes to Syrian refugee response.

It is unlikely that Syrian refugees will be going home in large numbers anytime soon. The protracted conflict in Syria is continuing to displace people. As of

(HUMANITARIAN AID CONT.)

January 2018, increasing Syrian regime airstrikes in Idlib province have displaced thousands, and Turkey has intensified its humanitarian response in northern Syria as a result.¹⁴ While Turkey has ended the “open door” policy that initially allowed Syrians to seek refuge in the country, the Turkish government and Turkish aid organizations have set up camps in areas in northern Syria that came under Turkish and FSA control during Operation Euphrates Shield.

In February 2017, United Nations Secretary-General Antonio Guterres highlighted two main avenues through which the international community can share the burden of humanitarian crises: by supporting countries of first asylum and host communities, and through the resettlement of refugees.¹⁵

While the international community has been working closely with Turkey to support its refugee community, international support is still falling short. Regarding the EU-Turkey deal launched in March 2016, Turkey’s Ministry of European Union Affairs has expressed that only €1.78 billion of the pledged €6 billion from the EU has been received by Turkish ministries and international organizations for the implementation of projects and relief efforts for refugees.¹⁶ As of January 2018, EU members were still disputing over how the rest of the promised funds will be dispersed to Turkey.¹⁷

A more active effort on the part of international donors and the global community will be necessary for Turkey to continue to financially sustain aid to the refugee population it hosts. However, Turkey must also sustain the necessary conditions to ensure that international support will be as effective as possible.

2017 saw a limited bureaucratic crackdown on INGOs operating in Turkey with the repeal of Mercy Corps’ registration to operate and the detainment of employees at other select INGOs.¹⁸ Much of UN and other international funding is channeled through INGOs operating in Turkey, who also work with local Syrian and Turkish NGOs. Removing INGOs decreases in-country capacity to provide funding and programs for refugees in Turkey while also carrying out cross-border activities to aid displaced persons in Syria. The remaining INGOs in Turkey are awaiting greater clarity from the Turkish government on official registration rules and regulations.

Improvements on this issue for 2018 will rely on Turkey solidifying its INGO registration infrastructure and clearly conveying these regulations to INGOs so that they can continue to work with local Turkish and Syrian actors to share the burden of refugee relief. For their part, INGOs must also be cognizant and respectful of Turkey’s security concerns with regard to operations in northern Syria and careful to follow the regulations set out by the Turkish government.

ECONOMY

Throughout 2017, Turkey’s economy seemed to be recovering at a surprising rate with the support of government incentives. Its recovery was best exemplified in the staggering 11.1% GDP growth it experienced in Q3 of 2017. However, this growth came at the cost of increasing inflation rates, which hit a new high in November. Overcoming high inflation rates and achieving stability will be one of Turkey’s greatest economic challenges in 2018. While 2017 demonstrated that the Turkish economy could make progress toward recovery,

2018 will show whether it can overcome fragility exemplified by rising inflation, a depreciating lira, and a downturn in FDI.

On a global scale, Turkey’s economic instability with regard to inflation may cause further issues for investment in 2018. The U.S. Federal Reserve raised interest rates to circulate less money in global markets in 2017, causing the cost of lending to increase.¹⁹ Household income in Turkey is also not rising to meet the inflation rate, leading the pri-

(ECONOMY CONT.)

vate sector to become more hesitant to make new investments.

Despite these challenges, Turkey's economic growth looks set to continue. The World Bank's Economic Prospects report released in January 2018 highlighted another revision of Turkey's economic growth for 2017, increasing it to 6.7% from the previous 4% reported in October.²⁰ In contrast, the World Bank projects that Turkey's GDP will grow at a more modest rate of 3.5% in 2018.²¹ Maintaining a steady GDP growth while controlling inflation rates will be key to extending Turkey's positive economic growth while securing a more stable future five to ten years down the line.

For U.S.-Turkey economic ties, tensions could arise this year if Turkish banks become subject to fines as part of the Iran sanctions case involving Mehmet

Hakan Atilla. Halkbank has denied its involvement in the sanctions evasion scheme, but the U.S. Treasury could still impose a fine.²² Deputy Prime Minister Mehmet Simsek stated in late January 2018 that Halkbank was working closely with the U.S. Treasury as well as the U.S. Department of Justice to iron out technical and economic details related to the Iran sanctions case.²³

Economic cooperation continues to be one of the foundational components of the U.S.-Turkey relationship. It remains to be seen in 2018 whether the U.S. and Turkey can recapture the robust trade and FDI that was at the core of the U.S.-Turkey economic relationship prior to 2016; nevertheless, the uptick in trade in 2017 was an indication that the ties between the business communities in both countries have remained strong going into 2018.

ENERGY

As Turkey continues to make strides in its efforts to increase the use of domestic energy resources to wean itself off imports, U.S. companies will have the opportunity to invest in new energy projects in 2018, especially in the renewables sector. While some companies such as GE are already investing, more firms could follow suit to provide some of the \$60 billion in capital that Turkey requires to achieve its 2023 renewable energy goals.²⁴

Regardless of Turkey's progress in developing its domestic resources, its dependence on foreign imports will continue in the short term. Turkey's reliance on Russian and Iranian natural gas and oil keeps Turkey, a NATO member, closer to both countries than it might otherwise be, a fact that complicates the U.S.-Turkey relationship.

For Turkey and the U.S. both, the entrance of American LNG into the Turkish market – as well as the global market as a whole – helps chip away modestly at Turkey's dependence on countries like Russia and Iran.

For Ankara, its energy cooperation with Russia in particular may lead to concrete negative consequences for U.S.-Turkey relations in 2018. In addition to a growing threat of U.S. sanctions should Turkey persist in its decision to purchase the S-400 missile system from Russia, CAATSA has also raised the specter of sanctions with relation to the TurkStream pipeline.

In November 2017, John McCarrick, U.S. Deputy Assistant Secretary in the Bureau of Energy Resources at the State Department, stated that Washington is opposed to the pipeline project, though he did not say whether it would be subject to U.S. sanctions.²⁵

While the S-400 purchase will remain the focus of any potential for Turkey to face U.S. sanctions in 2018, the TurkStream pipeline could add to the Russia-related tension in the U.S.-Turkey relationship.

EDUCATION

2017 saw the continuation of a downward trend in U.S.-Turkey academic ties as many U.S.-based higher education institutions erred on the side of caution and continued the suspension of their study abroad programs in Turkey. 2018 could be the year when some of these programs and opportunities are reopened on a limited basis.

The Fulbright program – perhaps the most well-known example of U.S.-Turkey academic ties – could see its ETA program come back online in the fall of 2018 after having been suspended following the July 2016 coup attempt.

The Fulbright U.S. Student Program accepted applications for 20 ETA positions in Turkey during its application cycle for the 2018-19 academic year.²⁶ However, the anticipated number of ETAs is down drastically from the 2015-16 year, when 90 ETAs were selected.²⁷ In addition, the application indicated that the coming year's ETAs will likely be placed in Ankara; in previous years, ETAs were placed across the country.

However, while some programs may incrementally be reinstated in 2018, the vast majority of institutions are unlikely to send students abroad in high numbers as long as a State Department travel warning remains in effect for Turkey.

TECHNOLOGY

As Turkey looks ahead to 2018, the main challenge for the tech world remains attracting investment. Already a problem in R&D circles, continuing political uncertainty has also caused Turkey's share of FDI to shrink.

In a January 2018 interview, the head of the European Bank for Reconstruction and Development (EBRD), Suma Chakrabarti, said that his aim is to bring more investors to Turkey. However, according to Chakrabarti, “first they need to see stability and a stable political situation.”³⁰

In mid-January 2018, the State Department updated its Turkey travel warning, urging Americans to “[r]econsider travel to Turkey due to terrorism and arbitrary detentions.”²⁸ In response, Turkey issued its own travel warning with similar language, urging its citizens to reconsider their travel to the U.S. due to an increase in terror attacks as well as circumstances in which Turkish citizens have been exposed to “arbitrary arrest” in the country.²⁹

While it can be expected that there has been a significant drop in the number of American students who have chosen to study abroad in Turkey in the 2016-17 and 2017-18 academic years based on the approximately 62% decrease between 2014-15 and 2015-16, it remains to be seen whether the number of Turkish students studying in the U.S. will also continue to drop in the coming year.

The U.S. remains a top choice for Turkish students looking to continue their education abroad, but with the overall number of newly arriving international students decreasing in the U.S., and with U.S.-Turkey relations remaining tense, it is likely that 2018 could see a further, if modest, drop in Turkish students studying in the U.S.

Political uncertainty also incentivizes the departure of Turkish engineers, scientists, and researchers.³¹ A general economic downturn would also hurt Turkey's ability to attract tech investors and top talent.

Despite these continuing challenges, Turkey remains determined to expand its tech sector in 2018. Faruk Ozlu – Turkey's Minister of Science, Technology, and Industry – has said that 2018 will be a “breakthrough year” for Turkish tech, with a planned increase in R&D facilities. (See “Turkey as an R&D Hub” on page 46.) It remains to be seen whether this increase will attract more foreign – and particularly American – investors in 2018.





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ABOUT THO

WHO WE ARE

The Turkish Heritage Organization (THO) is a young, independent, nonpartisan, nonprofit 501(c)(3) organization that promotes discussion and dialogue around Turkey's role in the international community and issues of importance in the U.S.-Turkey bilateral relationship.

Founded by a group of Turkish-Americans with backgrounds in community leadership and run by a staff with demonstrated interest in and commitment to Turkish-American relations, THO strongly believes that any successful bilateral relationship rests on cooperation and constructive discussion between the people of both countries. Without taking an institutional position on political issues, THO and its Advisory Board of global scholars and practitioners strive to foster a deep and comprehensive dialogue that is independent of any political orientation to strengthen the relationship between Turkey and the U.S., as well as the larger international community.

WHAT WE DO

THO's events, programs, research, and publications provide a unique platform for exploring six critical issues in the U.S.-Turkey relationship:

- **Security**
- **Humanitarian Aid**
- **Economy**
- **Energy**
- **Education**
- **Technology**

To highlight these key issues, THO actively partners with leading think tanks, universities, and nonprofit organizations to host roundtables, panel discussions, and various other programs. Additionally, THO works with Turkish and American academics, experts, government officials, and practitioners to produce timely and independent analysis and research on developments in U.S.-Turkey relations.

WHY WE DO IT

The strong partnership between the U.S. and Turkey is rooted in common values and strategic interests, and it is reinforced by the enduring links between the people of both countries. As an organization with Turkish-American roots and broad diaspora networks, we believe it is extremely important to embrace and build on these shared values and relationships.

Through its programs and publications, THO aims to encourage and facilitate strong U.S.-Turkey relations by fostering a better understanding between the people of both countries.

THE THO TEAM



ALI CINAR is the President of THO. As a Turkish-American, Ali has dedicated much of his life to Turkish-American causes and joined THO to help advance U.S.-Turkey relations. Previously, he served as the president of the Federation of Turkish American Associations (FTAA) as well as the Northeast Vice President of the Assembly of Turkish American Associations (ATAA). Prior to joining THO, Ali worked as a businessman and journalist. He has held positions with Western Union and Concord Industries. Throughout his career, he has developed and implemented business programs for top global clients and agent networks.

He is a credentialed reporter with the United Nations and the U.S. State Department and has been published in multiple international publications, including The Washington Post, The Washington Times, The Hill, Hurriyet Daily News, and Turk of America. He has appeared as a guest analyst on a variety of news networks, including France 24, Voice of America, CCTV, Sky News, CNNTurk, Haberturk, and Haber24. In February 2016, he presented witness testimony on Turkey to the Foreign Affairs Committee of the U.S. House of Representatives.

Ali received his MBA from the University of New Haven and his BA in Economics from Istanbul University. Ali holds several executive business certificates from Harvard University, MIT, and New York University.

YENAL KUCUKER is the Executive Director of THO. Previously, Yenal worked for the Voice of America (VOA) Turkish Service. As the former Civic Engagement Director of the Assembly of Turkish American Associations (ATAA), Yenal ran a nation-wide proactive grassroots initiative in advocacy and Congressional outreach in cooperation with the Turkish Coalition of America (TCA). He interned with former Congressman Ed Whitfield (R-KY), the co-founder and former co-chair of the Congressional Caucus on U.S.-Turkey Relations and Turkish Americans. Yenal holds an MA in Public Policy from the University of Michigan and completed a National Security Education Program (NSEP) scholarship certificate program at Georgetown University. He is the former president of the Boren Forum, an alumni association for NSEP.

AUDREY WILLIAMS is a program officer at THO. She served as a 2015-16 Fulbright Researcher in Turkey, where she studied the role of non-state actors in Turkey's relations with Sub-Saharan African countries at Ankara University's Center for African Studies. Prior to her Fulbright year, Audrey was a program associate at Partnership for a Secure America and a Fall 2013 Herbert Scoville Jr. Peace Fellow at the Stimson Center's Managing Across Boundaries Initiative. Audrey holds a BA in Political Science and French from the University of Iowa. While completing her undergraduate degree, Audrey studied abroad at Bogazici University in Istanbul.

CAYSIE MYERS is a program officer at THO. Caysie holds a BA in International Relations from Syracuse University. During her undergraduate studies, she spent a semester abroad at Bahcesehir University in Istanbul, where she interned at BAU's American Studies Center. During her internship, she conducted research on current affairs in the Middle East and the U.S.' policy toward the region. During her undergraduate degree, she completed an internship at the International Center of Syracuse, where she helped coordinate itineraries and welcome foreign visitors to the city of Syracuse to learn more about their respective fields of work.

ALEXANDER SNOW was a research and editorial assistant at THO throughout 2017. He earned his master's degree in international history from the Graduate Institute of International and Development Studies in Switzerland and his bachelor's degree in history from Vassar College. He has written on diverse topics in Turkish history. He lived in Turkey for close to three years.

DANIELLE TERNES is a graphic designer at THO. As a designer, Danielle has interned at and worked with the International Spy Museum and worked with the USA Girl Scouts Overseas-Dhahran. Danielle holds a degree in Graphic Design and Anthropology from American University.

“It has been my privilege to be involved with issues affecting the Turkey-United States relationship for the past 22 years. The Turkish Heritage Organization under the leadership of Ali Cinar and his excellent staff have contributed immeasurably to a better understanding of the complex issues facing both countries and the importance of considering the impact from the perspective of each country. Turkish Heritage Organization’s “Review of U.S.-Turkey Relations in 2017” is a unique and comprehensive publication that objectively captures the state of the relations under security, humanitarian aid, economy, energy, education, and technology. Whether you are a policymaker or casual follower of the bilateral relations, Turkish Heritage Organization’s annual report will serve as an informative resource for everyone. I wish I had this publication that highlights the trajectory of the relations when I was serving as the Co-Chair and Co-Founder of the Congressional Caucus on U.S.-Turkey Relations and Turkish Americans.”

EDWARD WHITFIELD

Former United States Congressman (1995-2016)
& Co-Founder of the Turkish Caucus

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