



PERSPECTIVES

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Turkey Hedges Its Bets by Positioning as a Supply Chain Alternative to China

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EXECUTIVE SUMMARY: A Turkish-US business council is promoting Turkey as a trading alternative to China with the help of influential US Republican Senator Lindsey Graham, a close associate of President Donald Trump.

The Turkish effort to promote itself as a supply chain alternative to China comes two weeks after President Recep Tayyip Erdoğan heralded a new era in long-strained relations with Washington.

Graham's agreement to participate in a [webinar](#) organized by the Turkey American Business Council (TAIK), an affiliate of the Foreign Economic Relations Board of Turkey (DEIK), the country's oldest and largest business association, comes amid Turkish efforts to improve relations with the US as a hedge to its ties to Russia.

"The growing rift between the United States and China creates significant opportunity for geopolitical cooperation. Turkey and the United States would both benefit economically," said a Turkish businessman.

Criticism of China's handling of the coronavirus pandemic has widened the gap between Washington and Beijing and sparked calls for diversification of China-centric global supply chains.

Already hard-hit, Turkey's economy has suffered further body blows as a result of the pandemic at a time when Turkish and Russian forces have found themselves on opposite sides of battles in northern Syria and Libya.

Forces of the Turkish-backed, internationally recognized Islamist Government of National Accord (GNA) drove Russian-supported rebels led by self-appointed Field Marshal Khalifa Haftar out of western Libya after Turkish electronic warfare and drones whacked Russian anti-defense missile systems.

Rejecting calls by Egypt and Haftar for a negotiated end to the Libyan conflict, the GNA has vowed to push further by taking the Haftar-controlled, oil-rich southeastern city of Siirt. Turkey has seconded the GNA's refusal to negotiate with Haftar.

[Egyptian President Abdul Fattah Sisi](#) suggested that Egyptian troops could intervene if GNA forces attacked Siirt. An Egyptian intervention could lead to a battlefield confrontation with Turkey and further muddle Turkish attempts to manage its differences with Russia.

Turkish efforts to improve relations with the US are betting on the belief that the GNA's military victories have dampened US hopes that Haftar could emerge as a unifying figure in Libya.

Turkish relations with the US were strained by the NATO member's acquisition of Russia's S-400 anti-missile defense system, the presence in the US of a Turkish preacher whom Erdoğan holds responsible for the failed 2016 military coup against him, and legal proceedings against a state-owned Turkish bank charged with circumventing US sanctions against Iran.

Erdoğan is also banking on his personal relationship with Trump, which has produced decisions by the US president that overrode opposition from the Pentagon and other branches of his government.

First and foremost was Trump's acquiescence to Erdoğan's request last year for a pullback of US troops in northern Syria, which paved the way for a Turkish military incursion.

Erdoğan again sought to capitalize on his relationship with Trump in a June 9 phone call. "To be honest, after our conversation tonight, a new era can begin between the United States and Turkey," [Erdoğan](#) said, without offering further details.

Erdoğan spoke to Trump as Turkey was projecting itself as an important US trading partner.

The TAIK webinar, entitled "A Time for Allies to Be Allies: Turkish American Global Supply Chain," in which Sen. Graham spoke alongside former US

Senator David Vitter of Louisiana, is part of an effort to position Turkey as a key player in reducing US dependence on Chinese supply chains.

Foreign Lobby Report, a Washington-based online news service, [reported](#) that TAIK, working with [lobbying firm Mercury Public Affairs](#), had approached Graham in March with the proposition that Turkey could serve as the US's gateway to Africa.

"As we strive to move forward, we at TAIK are already contemplating how we can reignite the economy post-pandemic," [TAIK chairman Mehmet Ali Yalcindag](#) wrote in a letter to Graham. "Joint ventures in Africa could be an exciting part of this plan. Not only would we be helping fragile economies that will need assistance in recovering, but we also would be striking a blow against Chinese designs in Africa and forging closer economic ties between Turkey and the US."

Yalcindag recommended in a separate letter to US Commerce Secretary Wilbur Ross "an initial focus on LNG [liquified natural gas] and agriculture imports from the US. At the same time, Turkey could boost exports of white goods and automotive parts—diversifying America's supply chain away from China, a stated goal of the Trump Administration."

Boosting agriculture exports that were hard hit by Trump's tariffs on Chinese imports ranks high on the president's priority list.

Vitter, the former senator scheduled to speak in the TAIK webinar, backs a push by [Louisiana Natural Gas Exports Inc.](#) to gain "long-term, secure, competitively priced access to Turkey's LNG terminals, gas pipeline and storage facilities," which would make the country less dependent on Russian and Iranian imports.

The push came as Botas, Turkey's state-owned gas grid operator, opened a tender for the construction of a pipeline to Nakhichevan, an Azerbaijani exclave in Armenia. The pipeline would allow Azerbaijan to reduce imports from Iran.

Erdoğan and his energy minister, Fatih Donmez, have long called for diversification of Turkey's energy imports.

Turkey recently authorized twice weekly cargo flights by El Al, Israel's national carrier, between Istanbul and Tel Aviv despite its strained relations with the Jewish state. Two of those flights ferried medical supplies from Turkey to the US. The flights to Turkey were El Al's first in 10 years.

“Now is the time to reinforce the climate of cooperation and solidarity. China-dependent firms in the supply chain are...turning their eyes to different countries, Turkey being among them,” [Yalcindag](#) said, pointing to the fact that Walmart, one of the world’s biggest retailers, has begun to source products in Turkey.

Predicting that a decoupling of the US and China would create common interests between the US and Turkey, [Turkish VP Fuat Oktay](#) added that “the pre-pandemic global economy was built on a single supply chain, with China at its core. For countries like Turkey, with our robust manufacturing sector and our young population, this will be an economic opportunity.”

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