

## Turkey's Missile Diplomacy: Recommendations for US Sanctions after Delivery of the S-400

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Russian Ilyushin Il-76, carrying the first batch of equipment of S-400 missile defense system, arrives at Murted Air Base in Ankara, Turkey on July 12, 2019 as S-400 hardware deployment started. Photo by Turkey's National Defense Ministry / Handout/Anadolu Agency/Getty Images.

### Introduction

A year after establishing a superpresidential system that strengthened his personal control at the expense of democratic checks and balances, Turkish president Recep Tayyip Erdoğan is floundering in crises of his own making. The economy is teetering on the brink of collapse. The opposition is emboldened after significant wins in local elections, including a decisive victory in a rerun of the Istanbul mayoral election in June. Relative moderates who have been driven from the president's party by his consolidation of power are finally taking steps to form a new party on the center-right.

Turkish foreign policy is also a sea of troubles. The war in Syria has been a catastrophe, and Ankara's involvement there has become a matter of salvaging some small leverage in the final settlement. Frustrated with US policy in Syria, and blaming the United States for the July 2016 coup attempt, Turkey's leadership has taken delivery of an S-400 air defense system from Russia. As relations with the European Union also reach new lows, the country is engaging in increasingly heated competition over offshore gas reserves near Cyprus, an EU member state.

A year ago, Freedom House warned that the United States had to "prepare for the possibility that Turkey under Erdoğan is pursuing a durable strategic realignment."<sup>1</sup> There is still a long way to go before Turkey irreparably breaks with the North Atlantic Treaty Organization (NATO) or switches fully to backing Russian

interests in its region. But this year's events show that it has already embraced a "more neutrally aligned foreign policy," as Aaron Stein has called it with some understatement. to backing Russian interests in its region. But this year's events show that it has already embraced a "more neutrally aligned foreign policy," as Aaron Stein has called it with some understatement.<sup>2</sup>

The delivery of the S-400 in July is a milestone. The United States must decide how hard and how fast to push back in response to Turkey's realignment, at a time when Erdoğan's grip on domestic politics is looking weaker than it has in years. Reasonable voices have called for the United States to slow down and wait for the dust to settle on Turkey's internal crises before taking punitive steps that could degrade the relationship further.<sup>3</sup> Few analysts still argue that Erdoğan himself will change tack, but the implied hope is that a new balance of power in Turkey could bring the country back toward its traditional alignment with Washington.

The dilemma for the United States is that significant competition with Russia (and to some extent China) in Southeastern Europe does not allow for time to wait and see how or whether Erdoğan navigates these crises. He is damaged politically, but his institutional position as president remains ironclad, and he holds more than enough cards to stay in power until the next elections in 2023, and potentially well beyond that. After two years of warnings, the S-400 delivery marks a moment when the United States has to take a clear stand against allies' security cooperation with authoritarian Russia. It cannot bet on a change in power or a change of heart in Ankara.

This brief lays out recommendations for the United States regarding initial sanctions pertaining to Turkey's acquisition of the S-400 air defense system.

## Erdoğan's Self-Made Conundrum

Simultaneous parliamentary and presidential elections in June 2018 marked the official transition to a superpresidential system in Turkey. Already the most powerful politician in the republic since its founder, Mustafa Kemal Atatürk, Erdoğan gained extraordinary powers under the new system: to form and head a government without any parliamentary confirmation, to issue decrees with the force of law, to appoint half the members of the council overseeing judges and prosecutors, to hire and fire new categories of civil servants, and to chair the National Security Council, all while remaining the leader of his Justice and Development Party (AKP). Stripped of most of its authority, the parliament is now a shadow of its former self. As expected, the presidency has become the center of lawmaking and political activity.

Paradoxically, though, Erdoğan has never looked weaker. The primary reason is the bill coming due for years of economic mismanagement, in which successive AKP governments have stimulated growth at all costs by encouraging lending—especially to their favored conglomerates, and especially in euros and US dollars. Despite years of warning signs that the economy was overheating, Erdoğan has pushed for lower interest rates and expansionary fiscal policy. The president exacerbated the crisis early in his new term by firing trusted deputy prime minister Mehmet Şimşek and appointing his own son-in-law, Berat Albayrak, as minister of treasury and finance; Albayrak's performance has failed to win the confidence of international or domestic investors. A US dollar bought 1.8 Turkish liras in mid-2013; it now buys 5.7. Increasingly desperate emergency measures have barely staved off a full-blown collapse. Unemployment has risen to 14.7 percent,<sup>4</sup> the highest level in a decade.

The economic crisis, frustration with an increasingly unaccountable and elitist AKP, and a tactical cease-fire between nationalists, anti-AKP Islamists, and the left produced remarkable successes for the opposition in local elections in March. The main opposition Republican Peoples' Party (CHP) won mayoralties in five of Turkey's six largest cities. Most importantly, the CHP narrowly won Istanbul, the country's largest city by far, its economic engine, and a crucial source of patronage for the AKP. The loss of Istanbul by a slender margin was apparently too much for Erdoğan, who had launched his career as mayor of the city in the 1990s. In an unprecedented decision, the Supreme Board of Elections (YSK), whose members answer to the president's appointees, invalidated the mayoral election on a technicality, leading to a rerun in June. The new balloting was a disaster for the AKP. The CHP's candidate increased his victory margin from

13,000 to nearly 800,000 votes, as residents decisively rebuked a blatant attempt to manipulate the outcome of the election.

The clear miscalculation behind the AKP's push to rerun the Istanbul election has emboldened prominent party members who have been sidelined by Erdoğan to finally break away. Another former deputy prime minister with a reputation for relative moderation, Ali Babacan, resigned from the AKP and is in the early stages of forming a new party. It seems likely that Şimşek and former president Abdullah Gül, who was also silenced by Erdoğan's consolidation of power, will join forces with Babacan. Former prime minister Ahmet Davutoğlu, meanwhile, is pursuing his own independent political agenda.

But none of these political challenges alter the underlying institutional dynamics. Erdoğan remains president until 2023, unless there are early elections. Under the new constitution, any early elections for the parliament and president must be simultaneous and can only be called in two ways: unilaterally by the president, or with a 60 percent vote by members of parliament. The AKP currently holds 290 of 600 seats, and its coalition partners control another 50. It would take unprecedented defections for the parliament to call early elections. Erdoğan himself has no incentive to do so, because the shortened term would still count against his two-term limit. The president in a superpresidential system by definition holds virtually all the cards, despite the defiant pluralism of Turkey's political scene. While it is a positive sign for democracy that AKP insiders like Babacan and Şimşek are finally breaking ranks, a more effective time to do so would have been in 2017, before the constitution was changed.

The economic and political setbacks certainly have not cowed Erdoğan. Two weeks after the second loss in Istanbul, he fired the head of the Central Bank and repeated his insistence that interest rates must be reduced to bring down inflation, contradicting basic economic theory. The government is now pushing an omnibus economic bill that aims to encourage more lending rather than reining it in.<sup>5</sup> Economists outside of the government have issued increasingly strident warnings that the longer Erdoğan delays taking corrective action, the worse the damage will be.<sup>6</sup>

## Sticking to His Missiles

As with the other policy choices that have generated blowback, Erdoğan has refused to change course on his decision to purchase the S-400 missile system from Russia. Turkish personnel began their training in Russia in the spring, and the system itself began arriving on the ground in Turkey in July.

In anticipation of the S-400 delivery, Washington has already taken steps to remove Turkey from the consortium producing the F-35 fighter jet, a massively expensive piece of technology intended to serve for decades in NATO militaries. The United States and NATO have insisted that deployment of the S-400 in the same operational space as the F-35 would present an unacceptable security risk, because the S-400 would have the opportunity to collect sensitive information about the jet that would be vulnerable to exfiltration by Russian technicians maintaining the S-400. Turkey's pilots are being suspended from the F-35 training program, Turkey will be unable to acquire the 100 F-35s it had planned to purchase, and Turkish manufacturers will be removed from the supply chain for the jet. This is a significant blow to Turkey's defense capabilities and defense industry, and it will compound over time.

The United States now has to decide whether it will punish Turkey further, and if so, how severely. In 2017, early in the Trump presidency, Congress passed the Countering America's Adversaries through Sanctions Act (CAATSA) in an effort to tie the president's hands at a time when lawmakers were worried that he might lift sanctions on Russia. Section 231 of the law requires sanctions against entities that engage in "a significant transaction" with the defense or intelligence sectors of the Russian Federation. Turkey's S-400 acquisition plainly meets that definition, and both congressional leaders and top administration officials have reiterated—in public and privately for well over a year—the position that CAATSA will apply to the purchase. Turkish officials have received detailed explanations about the implications of taking delivery on the system. With the completion of delivery, the United States is very likely to initiate sanctions.

## Choosing a Sanctions Strategy

The administration has essentially four options for the sanctions package: delay, soft pedal, middle of the road, or “nuclear.” This broad range stems from the unusual “buffet” of 12 sanctions categories that Section 235 of CAATSA presents. Out of those 12, the president is *required* to select five.

### ***Delay***

The official “delay” option would be to use the procedure under CAATSA Section 231(c) that allows the president to postpone sanctions by 180 days if he can certify that Turkey is “substantially reducing the number of significant transactions” that are targeted by the law. In other words, this would require a false certification. Given its tough positions on Turkey, Congress would most certainly challenge such a certification, even if the foreign policy bureaucracy, which still holds itself to high standards, could be persuaded to produce one.

The president also has the ability to impose and then waive the sanctions based on a national security determination; there is also always bureaucratic wiggle room that could allow for a procedural delay, although the main bureaucratic obstacles for this sanctions application have already been addressed.<sup>7</sup> The delay or waiver options seem highly unlikely given the administration’s consistent public stance on the S-400, although there can be no guarantees given the chaotic decision-making in the Trump White House.

### ***Soft pedal***

By choosing the five least damaging measures from the buffet, the administration could roll out sanctions that would affect Turkey’s defense industry but not obliterate it. For instance, the administration could select the following:

1. Opposing loans from international financial institutions (IFIs) that would benefit the sanctioned persons
2. Ordering the US Export-Import Bank not to support credit to sanctioned persons
3. Prohibiting US financial institutions from making loans to sanctioned persons
4. Prohibiting the US government from procuring goods or services from the sanctioned persons
5. Banning visas for corporate officers of sanctioned persons

Even this list of relatively soft measures could have significant consequences down the road. For instance, Turkey’s financial crisis could force it to turn to the International Monetary Fund (IMF) for a bailout. While Erdoğan has insisted that the IMF is not an option, many economists believe the scale of the problem could make the IMF the only institution with enough resources to take it on. Thus US opposition to loans from IFIs may be relatively meaningless at the moment, but it could become extremely important within a few short months. Other steps like prohibiting US procurement could have spillover effects, if for instance other countries (either unilaterally or under US or NATO diplomatic pressure) choose not to purchase Turkish goods or services.

### ***Middle of the road***

A middle-of-the-road option could package smaller and more symbolic measures, like visa bans or Export-Import Bank credit bans, with harsher measures. These might include:

1. Financial sanctions on principal executive officers
2. Bans on property transactions subject to US jurisdiction
3. Prohibitions on sanctioned financial institutions dealing in US debt
4. Denial of export licenses for goods or technology
5. Prohibiting loans from US financial institutions to sanctioned persons (which could have a knock-on effect for other countries’ financial institutions)

Inclusion of a few of these measures could greatly magnify the sanctions package into a major blow for Turkey's defense industry. Turkey relies on US export licenses for some of its defense articles, and denial of export licenses could rapidly cripple its projects. A US diplomatic source told Defense News in April that the direct cost to the Turkish defense industry from sanctions could be \$10 billion, before indirect effects.<sup>8</sup>

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## Endnotes

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