

Daily Memo: Turkey Sanctions Fallout

by Geopolitical Futures - December 17, 2020

With friends like these. Turkish President Recep Tayyip Erdogan said that U.S. sanctions over his country's purchase of Russian S-400 air defense systems were an **assault on Turkey's sovereignty** that was doomed to fail. Washington wants to **stymie the development of Turkey's defense industry** and make it dependent on U.S. supplies, Erdogan said of the sanctions, which target the country's defense procurement agency and its top officials. Turkish Foreign Minister Mevlut Cavusoglu expressed similar sentiments but said Ankara was **ready for dialogue** with Washington.

What about Europe? Elsewhere, **Erdogan's spokesman told EU diplomats** on Wednesday that they should cooperate on regional crises like terrorism, Islamophobia and migration, and urged Brussels to move forward with long-stalled accession talks. Cavusoglu then said on Thursday that Turkey and France could **normalize relations**, but only if Paris changed its attitude toward Ankara. The perfunctory overture is unlikely to do anything: French and other European countries' frustrations with Turkey go much deeper than bad attitudes.

Currency manipulators. The Trump administration **labeled** Vietnam (and Switzerland) a **currency manipulator**. The U.S. trade deficit with Vietnam has soared as the U.S.-Chinese trade war has **pushed quite a bit of manufacturing out of China**. This won't fully derail the budding U.S.-Vietnamese strategic partnership. But with Vietnam going through a contentious leadership transition, it could empower conservatives in Hanoi who oppose the country's rapid economic and military integration with the West.

Hard bargain. The United States and United Kingdom are **racing to complete a mini-trade deal** before the end of U.S. President Donald Trump's term a little over a month from now, U.S. Trade Representative Robert Lighthizer said. Last week, in a gesture of goodwill, the U.K. said it would unilaterally lift its sanctions on the U.S. related to an EU-U.S. dispute over aircraft subsidies. Lighthizer said the U.S. felt no compulsion to reward the concession, saying Washington also expects London to drop sanctions that are part of an EU-U.S. dispute over steel and aluminum. It also wants the U.K. as part of any trade deal to change its food standards to accept more U.S. beef and chicken and to liberalize its National Health Service – though both moves would be very **unpopular** with **British voters**.

Sonar sale. The U.S. will **export sonar systems** needed for **Taiwan's indigenous submarine program**. China has been able to keep established players from selling subs to Taiwan (and the U.S. doesn't make what Taiwan needs), forcing Taipei to build its own. But it still needs quite a bit of help where it can get it.

To ban or not to ban. On Wednesday, **Germany's Cabinet approved a bill** giving authorities the power to exclude Chinese telecom giant Huawei and any other potentially problematic firm from the build-out of its 5G mobile networks, though it **stops short of banning the firm outright**. Germany is going for two things here. One is the ability to adapt to changing circumstances when dealing with Huawei, given the lack of clarity at this point about exactly **how threatening its technologies might actually be**, as well as the lack of clarity about how Beijing might retaliate if a total ban were imposed. The other is the ability to tightly restrict Huawei's participation without embarrassing Beijing by singling out the company with a total ban.

India's top court weighs in. The **Indian Supreme Court suggested** that the federal government temporarily delay implementation of a controversial agriculture reform bill. The court also suggested that an independent panel including all stakeholders be established to quickly find a solution between farmers and the government. For weeks, farmers across India have been protesting the latest legislation, which they say harms their livelihood.

U.S.-Singaporean agreement. Singapore and the U.S. inked a **bilateral trade financing and investment agreement**. The city-state is quietly one of the **most important partners** for the U.S. in the Indo-Pacific.

EU budget done. Following the approval of the European Parliament – and more than a year of fierce debate – the Council of the European Union **signed off on the bloc’s 2021-27 budget**, clearing the way for it to take effect on Jan. 1.

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