

# Turkey in Europe Monitor

Edited by

Michael Emerson and Senem Aydın



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*Note:* For purposes of making the *Turkey in Europe Monitor* available for free downloading on the CEPS online bookshop, the volume is listed as No. 15 in the CEPS publication series on EU-Turkey Working Papers.

## PREFACE

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**T**he *Turkey in Europe Monitor* was initially an electronic bulletin prepared by the Centre for European Policy Studies (CEPS) on a monthly basis during the year preceding the December 2004 European Council summit and its immediate aftermath. Following the December 1999 Helsinki European Council, Turkey officially embarked upon the EU accession process as a candidate country. The Copenhagen European Council on December 2002 took this decision further by concluding that accession negotiations would be opened with Turkey upon the fulfilment of the Copenhagen political criteria. Major political developments in the country led to the decision to open accession negotiations at the December 2004 European Council summit.

The aim of the *Turkey in Europe Monitor* in this context was to present objective and in-depth evaluations of developments in the relationship between Turkey and the European Union, and Turkish policies undertaken with a view to EU membership. During 14 months, the *Turkey in Europe Monitor* was sent to over 3,500 international recipients, featuring key official documents and speeches, original research, and evaluations of the process underway. This collection of essays, papers, speeches and official documents will continue to serve as a documentary record of the concerns and advances made at a key point in the relationship between Turkey and the EU.

CEPS acknowledges the kind support of the EU Information Group of Turkey (ABIG) in the production of the *Turkey in Europe Monitor*.

Daniel Gros, Research Director, CEPS  
Michael Emerson, Senior Research Fellow, CEPS





# CEPS

## *Turkey in Europe Monitor*

No. 1, January 2004

### ***Introductory Note from CEPS***

*This is the first of a series of monthly bulletins produced by the Centre for European Policy Studies (CEPS) with the aim of providing objective and in-depth evaluation of developments in relations between Turkey and the European Union, and Turkish policies undertaken on the road to EU membership. Future issues will include original documents, editorials on specific issues, overviews of the major developments of the month and a section on Turkish business perspectives prepared mainly on the basis of information supplied by the Turkish Industry and Businessmen Association (TÜSIAD).*

*This issue of CEPS Turkey in Europe Monitor focuses on the Commission's view on the pros-*

*pects for Turkish accession. It provides the full text of Romano Prodi's speech delivered on 14 January 2004 to the Turkish Grand National Assembly on his recent visit to Turkey. Romano Prodi was the first Commission President to visit Turkey since 1963 and his speech is considered to be highly significant in conveying the most recent views of the Commission regarding the latest situation in EU-Turkey relations and the developments regarding Cyprus. This issue also provides the section of the Commission's Strategy Paper on Turkey, outlining the Conclusions of the Commission's Regular Report of November 2003 on Turkey.*

Michael Emerson and Senem Aydın

### **SPEECH OF ROMANO PRODI, THE PRESIDENT OF THE EUROPEAN COMMISSION, AT THE TURKISH GRAND NATIONAL ASSEMBLY**

**Ankara, 14 January 2004**

President of the Turkish Grand National Assembly,

Members of Parliament,

Excellencies,

Ladies and Gentleman,

It is a great honour for me to address the Turkish Grand National Assembly today. I know that this privilege has been extended to very few personalities in the past. I acknowledge this as an important symbolic honour for the European Union, and for the European Commission in particular.

#### **Turkey and the region**

Since its creation exactly 80 years ago, the Turkish Grand National Assembly has been the centre of gravity of the political life in this country. Its contribution to the construction of a modern, secular country and to the development of democracy has been immense. Since the founding of the Republic, Turkey has endeavoured in determined fashion to build such a society, overcoming a number of obstacles along the way. Meeting the standards of the contemporary civilisation was the paramount objective assigned by the founder of modern Turkey, Mustapha Kemal Atatürk. It was his ambition that Turkey should become a modern

democracy at peace with itself and with its neighbours. His vision was for Turkey to be fully part of the European family of nations.

The huge support by the population for the democratic reforms reflects this attitude. From the revolutionary changes in the twenties to the most recent and groundbreaking political reforms, we can see that your assembly has always been at the frontline of progress.

I am privileged to be the first Commission President to visit Turkey since Walter Hallstein in 1963. Since then, the European Union has changed fundamentally from an economic community to a fully-fledged political Union. Turkey has also evolved substantially over these years. My visit reflects the fact that relations between the European Union and Turkey have never been so strong, and that important decisions for the future of Turkey's candidature are due to be taken later this year.

As this is my first official visit to Turkey, I would like to recall Turkey's important role in contributing to the security and stability of Europe during the cold war. This recognition partly explains our strong interest in Turkey developing into a prosperous and stable democracy based on rule of law and values which we all share.

Turkey is endowed with unique characteristics among European countries: the combination of a secular, democratic state with a prevalently Moslem population. I am convinced that Turkey can bring a unique contribution to peace and regional stability at the beginning of this new century. Turkey's repeated call to fellow Moslem countries to actively promote democracy and human rights constitutes a powerful message.

The outbreak of the Iraqi war at Turkey's south eastern border understandably was a cause of considerable fear and anxiety amongst Turkish decision-makers and population. Last year, in this delicate situation, important decisions were taken in Turkey, including by the Grand National Assembly. Let me assure you that we are fully aware of the significance, for Turkey and for the region, of the stability and integrity of Iraq.

### **Future of Europe**

Fifty years ago, far-sighted leaders in Europe embarked on a new course: they chose recon-

ciliation rather than conflict, peace, based on interdependence, rather than war, the rule of law rather than the force of arms. They laid the foundations for a Union, which has brought stability, security and prosperity, the largest single market in the world and a common currency. With economic progress have come social solidarity and a strong guarantee of civil rights and liberties. These are outstanding achievements, given Europe's chequered history.

We are also engaged in an unprecedented process to further develop our co-operation. Our goal is to create a European Union, which is able to respond to the expectations of its citizens and to play a full role in world affairs.

I would have hoped to come to Turkey in the wake of a decision on a new constitution for the European Union. Unfortunately this is not yet the case, but we will continue to work to that goal, and I am confident that agreement will be achieved in due time. The EU's institutional architecture needs to be redesigned, so that our institutions can function more transparently and more effectively. In view of enlargement, these reforms are more important than ever. Turkey, through its participation in the work of the Convention on the future of Europe, has contributed its experience and creativity to this common task.

These achievements however need to be consolidated and expanded to meet new challenges, especially in foreign and security policy, in the fight against crime and injustice, and in economic integration. At the EU level we must seek to act decisively and with one voice. That means establishing a sounder institutional framework for a genuine Common Foreign and Security Policy and, above all, the political will to act together.

### **EU-Turkey relations**

I would now like to share with you some thoughts about Turkey's European aspirations. I am well aware that there is an impressive degree of consensus in Turkey in favour of joining the European Union. In fact there seems to be close to unanimous support for the modernisation strategy. But there are concerns as to how Turkey is perceived within the EU. And it is true that EU-Turkey relations are increasingly a subject of public debate.

Contrary to the situation in Turkey, the public opinion in the EU is not unanimous in favouring a Turkish membership. It is in my view important for the political leadership in the EU and in Turkey to recognise and manage this political reality. There are those who are concerned about the religious dimension. Others have raised issues such as the capacity of the Union to integrate a country of the size and with the demography of Turkey, the economic development of Turkey and Turkey's geographical situation. We need to reply to these concerns.

The fact that Turkey belongs to Europe was recognised already in our Association Agreement of 1963. I know that the overwhelming majority of the Turkish people share the same values and objectives as other Europeans. They want to live in democracies based on the rule of law and the respect of human rights. Terrorist attacks in Turkey, as elsewhere, are intended to undermine such values. They will not succeed.

Since Turkey was granted candidate status in Helsinki in December 1999, it has made impressive progress towards meeting the Copenhagen political criteria. Candidate status has helped Turkey to embark upon a process of far-reaching constitutional and legislative reforms.

We have been impressed by the determination of the Turkish Government to carry forward these reforms. By publicly declaring that political reforms are first and foremost for the benefit of Turkey's own citizens, the current government led by Prime Minister Erdoğan is following the footsteps of Turkey's march towards modernisation.

A major constitutional reform and seven legislative packages have been adopted in a very short period of time. It is noteworthy that many of the reforms have been adopted unanimously, with bipartisan support from the majority and the opposition.

In its successive reports, the European Commission has recognised the scope and significance of the reform process. These initiatives have addressed some of the most sensitive issues in the Turkish context, such as the abolition of the death penalty and the lifting of the ban on languages other than Turkish, which is a sign of the growing maturity of the Turkish

democracy. The question of full democratic control of the military, including full parliamentary authority over the defence budget, is also being addressed. Turkey has ratified major UN Covenants on Civil and Political rights as well as on Social and economic rights. Prisoners sentenced for non-violent expression of opinion have been released. The legislation on fighting against torture has been considerably strengthened and incommunicado detention has been abolished.

Looking back over the last couple of years, I can say that there has been a profound change in the climate of our bilateral relations. We have moved a long way in terms of how we approach and perceive each other. Whereas earlier we could not agree on Turkey's position with respect to the Copenhagen political criteria, we now very largely share a common assessment of the situation, including in the area of human rights. We have deepened our dialogue on the political criteria and are discussing issues in detail, openly and without taboos.

In its November Report, the Commission highlighted those areas where more progress is needed such as the strengthening of the independence and efficiency of the judiciary, the overall framework for the exercise of fundamental freedoms, the full alignment of civil-military relations on EU standards as well as the improvement of the situation in the South East.

We are pleased to hear that Turkey is committed to address its remaining shortcomings. I understand that your Assembly is currently dealing with very important draft legislation such as the penal code. The National Plan for the Adoption of the Acquis adopted by the government in July 2003 foresees a crowded agenda of legislative reforms in a wide range of areas related to the *acquis communautaire*.

While of course I applaud the remarkable achievement of the Turkish governments and parliament in your unprecedented reforms, it is also clear that the task of ensuring their systematic and effective implementation presents an even greater challenge. I would neither like to discuss here the remaining reforms needed nor to elaborate on details about their implementation. Both aspects are fully described in the Accession Partnership and in the November Report that I have mentioned above.

What remains to be done is therefore clear to you and I can assure you that there will be no new conditions. What will matter is full and effective implementation. If the Turkish people are to enjoy the principles and values largely shared by European citizens, it is essential that the provisions and spirit of the legislative reforms should be respected throughout the country by different levels of government and public administration, the judiciary and security forces.

### October 2004 report and recommendation

The Copenhagen European Council in December 2002 gave a clear political roadmap for Turkey. In October this year, my Commission will present its recommendation on whether Turkey fulfils the Copenhagen political criteria. This will be one of the most important decisions to be taken by the Commission. Let me assure you that our recommendation will be based on an objective assessment. We will use the same criteria and methodology that so successfully has been used for all the other candidate countries. Our track record in this context is excellent. No one has ever contested the objectivity in our assessment. There should be no doubts that our assessment of Turkey and our recommendation will maintain the same standard. Credit will be given where credit is due, but at the same time there will be no room for complacency. The European Council has made it clear that, if at the end of this year it decides that Turkey meets the Copenhagen political criteria, accession negotiations will be opened without delay.

If the European Council decides to open negotiations with Turkey, I should remind you that accession is not a formality, and not for the immediate future. The negotiations will take time, reflecting the scale of the difficulties in many sectors faced by such a large and complex country. I should also recall that the task of adopting and implementing the *acquis communautaire* is enormous, and has important implications for the legislature of Member States. Community legislation takes precedence over national legislation. The European integration process, which incorporates a growing number of common policies, involves a loss of national autonomy for Member States. But the process of joint decision- and law-making, and the sharing of sovereignty

that this implies, brings considerable benefits to Member States by participating in policy fields such as economic integration, foreign and security policy, justice and home affairs.

### Cyprus

Let me now turn to Cyprus. Let there be no doubt that the European Union is aware of the significance that this island represents for Turkey and its people. Many in Turkey still remember bitter historical events causing suffering and grievance. The awareness of history allows us to move ahead. It was precisely the strength of the Franco-German reconciliation, which made fifty years of European integration possible.

Why should the people of Cyprus not benefit from the same experience and pursue an irreversible process of reconciliation which would lead them to live a future of peace and prosperity?

It is high time to end the outdated division of Cyprus and its capital city. The spontaneous, emotional and brotherly reunions of Turkish and Greek Cypriots after the opening of the divide between north and south have erased the myth that peaceful coexistence between the communities in Cyprus is not possible.

Cyprus will join the EU on 1 May 2004. It would be a source of inspiration for us all if Turkish and Greek Cypriots were able to enter the EU together. We therefore call upon all parties to reengage in the UN led talks without delay. The objective should be to reach a settlement on the basis of the Annan plan in time for a united Cyprus to accede to the European Union on 1 May 2004. Let me assure you that we on our part are ready to assist in finding a speedy settlement.

I am convinced that securing a comprehensive settlement by 1 May would be in the best interest not only of all Cypriots but for all of the Eastern Mediterranean. A settlement would also greatly facilitate Turkey's membership aspirations and will clearly influence decisions to be taken in the second half of this year. Let me be clear, this is not a formal condition, but a political reality. This Assembly and Your Government have since the last elections shown an impressive sense of recognition of Turkey's historic responsibilities. I am confi-

dent that the same degree of wisdom will guide you on this particularly sensitive issue.

### Conclusion

Turkey now has a unique opportunity to achieve its goal, and to consolidate its position as a free and democratic society in the community of European nations.

Let me stress that the European Union is, above all, a community of shared values based on the principles of liberty, democracy, human rights, fundamental freedoms and the rule of law. All these values are enshrined in the Charter of Fundamental Rights of the European Union.

In November of last year, the Commission noted that Turkey has made further impressive efforts, which constitute significant progress towards achieving compliance with the Co-

penhagen political criteria. The European Council in Brussels on 12-13 December last has confirmed that this progress has brought Turkey closer to the Union.

Turkey's prospects for moving even closer to the EU depend, above all, on its own capacity to fulfil the Copenhagen political criteria, not only in law, but also in practice. These criteria were not invented for Turkey, but apply equally to all candidates. For our report next October, as in previous years, the Commission will apply the same principles to Turkey as to all other candidate countries. There should be no doubts that the report will be fair and objective.

We are moving closer to our goal, the goal of Turkey taking up its rightful place among the peoples of Europe, with shared principles, practices and ideals and a common future

## STRATEGY PAPER AND REPORT OF THE EUROPEAN COMMISSION ON THE PROGRESS TOWARDS ACCESSION BY BULGARIA, ROMANIA AND TURKEY

November 2003

### TURKEY IN THE ENLARGEMENT PROCESS – PROGRESS AND CHALLENGES

#### 1. Progress made by Turkey in meeting the membership criteria

The European Council in Copenhagen in December 2002 recalled its decision in 1999 in Helsinki that Turkey is a “candidate state destined to join the Union on the basis of the same criteria as applied to the other candidate States”. It strongly welcomed “the important steps taken by Turkey towards meeting the Copenhagen criteria” and encouraged it to pursue the reform process energetically. It concluded that “if the European Council in December 2004, on the basis of a report and a recommendation from the Commission, decides that Turkey fulfils the Copenhagen political criteria, the European Union will open accession negotiations with Turkey without delay”.

At its meeting in Thessaloniki in June 2003, the European Council welcomed “the commitment of the Turkish government to carry

forward the reform process, in particular the remaining legislative work by the end of 2003”, and supported its “on-going efforts made in order to fulfil the Copenhagen political criteria for opening accession negotiations with the Union”.

Over the past year the Turkish government has shown great determination in accelerating the pace of legislative reforms in the areas covered by the **political criteria**. It has also taken important steps to ensure their effective implementation, in order to allow Turkish citizens to enjoy fundamental freedoms and human rights in line with European standards. These efforts constitute significant progress towards achieving compliance with the Copenhagen political criteria.

Some of the reforms impinge upon sensitive issues, such as freedom of expression, freedom of peaceful assembly, cultural rights and civilian control of the military, and demonstrate the

determination of the Turkish government to move ahead. Turkey has ratified two major UN Covenants on Civil and Political rights as well as on Social and economic rights. Several prisoners sentenced for non violent expression of opinion have been released. The legislation on combating torture has been considerably strengthened and incommunicado detention has been abolished. Many priorities under the political criteria in the revised Accession Partnership have been addressed.

However, in spite of the determination of the government, the Commission considers that Turkey does not yet fully meet the Copenhagen political criteria. A clear framework for guaranteeing political, civil, economic, social and cultural rights is not yet fully established, and more efforts are needed to enhance the coherence of legal provisions and practice.

As regards the legislative and regulatory framework, particular attention should be given to the strengthening of the independence and the functioning of the judiciary, the overall framework for the exercise of fundamental freedoms (association, expression and religion), further alignment of civil-military relations with European practice and the situation in the Southeast. Cultural rights should be guaranteed for all Turkish citizens regardless of their origin.

Implementation of the reforms has to be strengthened, which requires that all institutions and persons involved accept the spirit of the reforms. Responsibility for enforcing reformed legislation related to fundamental freedoms, provisions for e-trial, respect of European Court of Human Rights judgements, and measures to combat torture, lies largely with judges and prosecutors. On the other hand, executive bodies at all levels are also responsible for implementation of the political reforms. In a number of cases, for example in relation to cultural rights and freedom of religion, such bodies have narrowed the scope of the reforms by establishing restrictive conditions, hindering the objectives initially pursued. The setting up by the government of a Reform Monitoring Group in order to ensure the effective implementation of the reforms and to overcome bureaucratic resistance is encouraging in this respect.

The far-reaching changes to the Turkish political and legal system over the past year are part of a longer-term historical process, and the full benefit of these reforms will accrue to the Turkish people over a number of years. It will take time before the spirit of the reforms is fully reflected in the attitudes of executive and judicial bodies, at all levels and throughout the country, ensuring a track record of effective implementation. Nonetheless, there are already clear signs of improvement in terms of enjoyment of human rights and basic freedoms. It is, however, of great concern that Turkey has not executed many judgements of the ECtHR, by means of ensuring payment of just satisfaction or reversing decisions made in contravention of the ECHR.

The Commission also recalls the Helsinki European Council conclusions urging candidate countries to make every effort to resolve any outstanding border dispute and other related issues on the basis of the principle of peaceful settlement of disputes in accordance with the United Nations Charter.

As regards the **economic criteria**, Turkey has significantly improved the functioning of its market economy, while macroeconomic imbalances remain. Further decisive steps towards macroeconomic stability and structural reforms will also enhance the Turkish capacity to cope with competitive pressure and market forces within the Union.

Economic stability has increased with the continuation of the disinflation process, and structural reforms and the modernisation of Turkey's market regulations and institutions have advanced. The disinflation and reform process should be maintained, in particular by maintaining fiscal discipline, by restructuring and further privatising the banking sector and by deregulating markets. In order to enhance the growth potential of the economy, the inflow of foreign direct investment should be encouraged by removing remaining barriers. A selection of statistical indicators can be found in *Annex 6: Main statistical indicators (2002)*.

Turkey's **alignment with the *acquis*** has progressed in most areas but remains at an early stage for many chapters. It is most advanced in chapters related to the EC-Turkey Customs Union but in this respect Turkey is not fully

meeting its obligations. Alignment is also more advanced in areas where other international obligations exist which are similar to the *acquis*. Further legislative work is required in all areas, and Turkey should focus on implementing its National Programme for the Adoption of the *Acquis*, in line with the Accession partnership priorities, more consistently across all chapters. Also, new legislation should not move away from the *acquis*. Details on progress in the different chapters of the *acquis* can be found in the conclusions of the Regular Report on Turkey.

In many fields implementation is weak. Administrative capacity in different areas needs to be strengthened to ensure that the *acquis* is implemented and enforced effectively. In some cases, administrative reform should entail the establishment of new structures, for example in the field of state aid and regional development. Where new regulatory bodies have been set up, their autonomy should be assured and they should be provided with sufficient staff and financial resources.

The full conclusions of the Regular Report on Turkey can be found in *Annex 2: Conclusions of the Regular Reports on Bulgaria, Romania and Turkey*.

## 2. Pre-accession strategy for Turkey

Over the past twelve months the European Union has significantly strengthened the pre-accession strategy for Turkey. The Commission will continue to implement this strategy in its different areas, particularly in view of the report and recommendation that it will present next year on Turkey.

A revised Accession Partnership was adopted by the Council on 19 May 2003. Its purpose is to assist the Turkish authorities in their efforts to meet the accession criteria with particular emphasis on the political criteria. It also forms the basis for programming pre-accession assistance from Community funds.

The enhanced political dialogue has continued intensively under the Danish, Greek and Italian Presidencies. Among the items discussed are the political reforms in Turkey, human rights, Cyprus, and the peaceful settlement of disputes,

as well as wider international issues. As from 2003 the Commission is supplementing the enhanced political dialogue with regular detailed consultations with the Turkish authorities on Turkey's progress in complying with the political criteria. This approach will be further developed in order to ensure a better mutual understanding of the issues involved. The enhanced economic dialogue between the EU and Turkey covering issues of macroeconomic performance and stability and economic reforms is being pursued intensively.

The process of legislative scrutiny, carried out in the sub-committees of the Association Agreement, is being supplemented by TAIEX seminars and technical meetings or workshops on specific subjects.

The negotiations for the extension of the EC-Turkey Customs Union to services, and the mutual opening of public procurement markets, are continuing with a view to their finalisation in 2004.

In 2003 Turkey has started to participate in the European Environment Agency and the following Community programmes: Enterprise and Entrepreneurship, Gender Equality, Combating Discrimination, Combating Social Exclusion, Incentive Measures in the field of Employment, and the Sixth Framework Programme on Research. Preparations for participation in a number of other programmes, including full participation in the educational programmes in 2004, are under way.

In April 2003 agreement was reached between the European Parliament, Council and Commission to include Turkey in the pre-accession heading of the financial perspectives and to provide substantially increased financial assistance for the period 2004-2006, amounting to €1 050 million over the three years. Particular attention will be paid to providing assistance to both government and non-governmental bodies in areas related to the political criteria.

Overall the impact of Community assistance to Turkey is increasingly positive. As from October 2003 implementation of pre-accession financial assistance programmes has been devolved to the Turkish authorities under the "Decentralised Implementation System" (DIS). Meanwhile the Commission continues to take

responsibility for a large number of on-going projects. The backlog in commitments of EU finance for Turkey has been further reduced in 2003. The Commission will verify whether Turkey is meeting its obligations under DIS and continue to strengthen its Representation in Turkey to ensure the continued success of its financial co-operation programmes.

## **CONCLUSIONS AND RECOMMENDATIONS**

Over the past year, by accelerating the pace of reforms, Turkey has made determined efforts and significant progress towards achieving compliance with the Copenhagen political criteria and has made considerable progress towards meeting the economic criteria. Turkey has also continued progress towards meeting the *acquis* criteria, although much remains to be done in many areas. Many priorities under the political criteria in the revised Accession Partnership have been addressed. However, further efforts are needed. This concerns in particular the strengthening of the independence and the functioning of the judiciary, the overall framework for the exercise of fundamental freedoms (association, expression and religion), the further alignment of civil-military relations with European practice, the situation in the Southeast and cultural rights. Turkey should ensure full and effective implementation of reforms to ensure that Turkish citizens can enjoy human rights

and fundamental freedoms in line with European standards.

The Commission will next year assess the progress made by Turkey towards meeting the accession criteria as requested by the Copenhagen European Council. The Commission will issue a report and a recommendation before the end of October 2004 on whether Turkey fulfils the Copenhagen political criteria. This should allow the European Council to decide, at its meeting in December 2004, on the possible opening of accession negotiations with Turkey.

As regards Cyprus the European Council has repeatedly underlined its strong preference for accession by a united Cyprus. The Commission considers that there are favourable conditions for the two communities to reach a comprehensive settlement of the Cyprus problem before Cyprus' accession to the EU on 1 May 2004. To this end the EU should reiterate its call to all parties concerned, in particular Turkey and the Turkish Cypriot leadership, to resume the talks on the basis of the UN Secretary General's proposal. The absence of a settlement could become a serious obstacle to Turkey's EU aspirations. The Thessaloniki European Council stated the Union's willingness to accommodate the terms of a settlement in line with the principles on which the EU is founded. The Commission is ready to assist in finding a speedy solution.

## **TURKISH BUSINESS PERSPECTIVES**

**Speech by Tuncay Ozilhan (President of TÜSIAD Jan. 2001-Jan. 2004)**

**“EU Membership is our Society Project”**

*Tuncay Ozilhan President of TÜSIAD (Jan. 2001-Jan. 2004), made a speech at the European Academy in Berlin on 9<sup>th</sup> January on the occasion of the “TÜSIAD Bosphorus Prize for European Understanding” ceremony which gathered together the prominent European business and political circles. This year’s prize was given to Dr. von Kyaw, former Ambassador and Permanent Representative of Germany to the EU.*

*Mr. Ozilhan reiterated the support of TÜSIAD to the efforts of the government towards EU membership, including the democratic reform process undertaken and the commitment to resolve the Cyprus problem soonest possible in a beneficial way to all parties. The main messages delivered by Mr. Ozilhan to EU decision-makers included:*

- *Rather than being constrained by fears, concerns, details and parameters of today that will become meaningless in ten years time, the perspective of tomorrow has to be adopted in taking the decision to start negotiations with Turkey at the end of the year;*
- *Turkey is far from being a burden to the EU budget with her economic dynamism, entrepreneurial population and the economic opportunities that is offered by the region where she is situated;*

- *Turkey’s young, well educated and trained population provides an opportunity for the EU to deal with demographic problems;*
- *Turkey’s relations with the EU, with her secular, democratic Muslim identity and with her functioning market economy, are of particular importance in a post-September 11 world;*
- *Turkey offers to the EU the chance of extending its zone of peace from the Balkans, the Aegean Sea and the Black Sea to the Middle East, the Caucasus and Central Asia;*
- *Turkey works hard to reach EU standards and expects to be treated with the same understanding so generously extended to Central and Eastern European countries;*
- *When it is time to decide on starting accession negotiations with Turkey, all the advantages of Turkey’s accession to the EU have to be balanced against the losses that the exclusion of Turkey would incur.*

*The full text of the speech can be accessed at [www.tusiad.org/english.nsf](http://www.tusiad.org/english.nsf)*

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# CEPS

## *Turkey in Europe Monitor*

No. 2, February 2004

### ***Introductory Note from CEPS***

*This issue of CEPS Turkey in Europe Monitor provides the full text of Recep Tayyip Erdoğan's speech delivered on 26 January 2004 to the Council on Foreign Relations on his recent visit to the USA. The speech is particularly significant for its coverage of Turkish foreign policy and Turkey's relations with the Western World. This speech is followed by an extract from the prime minister's subsequent speech on 30 January 2004 to the Kennedy School of Government, Harvard University, which evaluates the impact of the EU and US on Turkish democracy and Turkey's contributions to democratisation in the Middle East.*

*These two speeches may be regarded as 'locus classicus' statements of Turkey's position on these strategic issues. They may be read alongside the speech of Romano Prodi to the Turkish Grand National Assembly in January 2004 and a key policy document from the European Commission that appeared in the first issue of this Monitor.*

*This issue of the Monitor also introduces the joint project undertaken by CEPS and Economics and Foreign Policy Forum (EFPF), Istanbul, entitled "Strategy for EU and Turkey in the Pre-Accession Period". The aim of the project is to present the major problems and challenges posed in Turkey's accession process in eight selected policy areas (agriculture, trade, services and banking, monetary and fiscal policy, energy, justice and home affairs, domestic governance and foreign and security policy), identify innovative EU policies to specifically tackle these problems, and to create a framework in which these EU policies can complement and further encourage the process of reform in Turkey, thereby adding to the momentum of integration.*

Michael Emerson and Senem Aydın

### **SPEECH OF RECEP TAYYİP ERDOĞAN, PRIME MINISTER OF TURKEY, AT THE COUNCIL ON FOREIGN RELATIONS**

**New York, 26 January 2004**

Mr. Chairperson,

Distinguished Guests,

It is a great pleasure for me to address this distinguished audience at this prominent institution recognized for its substantive contributions in the formulation of U.S. foreign policy. I wish on this occasion to share with you, as the political leader of a country prepared to assume a pivotal role in its region as well as in

the realm of interest of the transatlantic community, our foreign policy objectives and vision for the 21st century.

One of the most characteristic features of the 21st century in these initial years is the process of transformation that is being experienced at the global, regional, and national levels. The process of change is almost always accompanied by uncertainties and makes it difficult for

nations to predict what lies ahead. However, the common interests and shared values that are being cultivated by our alliance with the United States of America over the course of 50 years, along with our mutual resolve to secure peace, prosperity, and freedom in the world, will be our guide to deliver us through this unpredictable period.

Despite all possible adverse developments on a regional as well as global scale, Turkey's principal objective will not be altered. The main objective of Turkish foreign and domestic policy is to provide the Turkish nation with the highest political, economic, and social standards of our age, and to render, as we proceed on our path towards this goal, peace as the norm in international relations. Turkey, with the strength that it derives from historical experience, its human resources, its culture, its administration's common sense, its democratic and secular regime, regards this as an attainable objective, and seeks to join forces with countries that share a similar vision.

Mr. Chairman, distinguished guests, the geography in which Turkey is located is one of great potential. However, it is also a region where the full benefits of this potential cannot be reaped due to the instability and conflicts that prevail. Turkey is therefore compelled to be vigilant in its foreign policy. It must also try to prevent, to the extent possible, the adverse ramifications of instability and conflicts that arise in its region from negatively impacting on its peace, stability, and development.

However, Turkey believes that the notion of geographical determinism--in other words, the concept that geography entirely dictates foreign policy--is somewhat obsolete in this day and age. In this sense, it is not possible to define the world's geopolitics of the 21st century in terms of conventional power politics. One also has to take into consideration such elements as political and social values, interaction between societies, identity, and cultural harmony. Turkey does not confine itself in this respect in a strict sense to the framework of national interest alone, but rather pursues a proactive foreign policy aimed at contributing to regional and global peace and security, and encourages as well as activates regional cooperation initiatives. From this perspective, Turkish foreign policy aims at formulating a new collective vision for the period that lies

ahead on the basis of this trend, that it rose from its past historical experience and the normative transformation required by the age we live in. Turkey's contribution to this process will be facilitated by the approach in our foreign policy that I will now proceed to outline.

Throughout the 20th century, Turkish foreign policy has rationally reconciled the Turkish state tradition and Ottoman diplomatic heritage with the realities of the world. Currently, it is undergoing the process of meeting the requirements of the 21st century. The principles of realism and integration with the West inherent in this heritage continue to maintain their importance in our current foreign policy objectives.

Realism necessitates a rational analysis of the process of globalization and interdependence which are the prevalent themes of our times. We perceive international and regional cooperation as a force which, in addition to its economic benefits, enables countries and their peoples to become better acquainted and to establish relations that serve their common interests, whereby peace is also served. Turkey has, in fact, established a cooperation mechanism with port-linked regions, such as the Balkans, the Black Sea Basin, the Caucasus, Central Asia, and the Middle East. We seek to make these regional initiatives increasingly more effective in the period ahead.

From a realistic point of view, in addition to the opportunities that globalization has to offer, it also harbours a dynamic that can lead to new imbalances and inequalities. It would be misleading to interpret globalization as either a positive or a negative process. What is crucial is to be able to pursue policies from which optimal benefits can be created from globalization for both our own nations and humankind at large.

In this connection, those who benefit the most from globalization will surely be open, democratic, and free societies governed by the rule of law. Regimes, on the other hand, that are closed to the outside world, that do not appreciate the value of the information society, and that perceive globalization as a threat, will be hard-pressed in ensuring the prosperity that their citizens demand and in preserving the peace and security that the international community desires. Through peaceful foreign pol-

icy in favour of cooperation and collaboration that it perceives, Turkey helps the countries in its region to feel secure and encourages them to open up to the world at large and to remain within the scope of international law in their actions.

Mr. Chairman, distinguished guests, one of the main points of departure of Turkish foreign policy is its place and membership within the structures of the Western World. This is an expression of the Turkish Republic's historical location and of the nation's quest for contemporary modernization and democratic development. Turkey's candidacy to the European Union is also the end result of this location.

Our advanced integration with Europe, which we regard as an integral system of values through our membership in the European Union, will represent far more than merely a basic partnership. The Muslim identity of the Turkish population has not prevented it from interacting intensely with the West in general, and Europe in particular, or from becoming an effective member of European institutions and organizations. In this context, Turkey has always been a strong advocate of the transatlantic partnership.

The successful conclusion of Turkey's accession process to the European Union will represent the harmonization of a Muslim society with the peoples of Europe on the basis of common, universal, and democratic values. One of the chief benefits of this harmonization is the positive effect that it will have towards the adoption of these values we consider to be universal in nature by the countries that surround Turkey. We continue to voice our opinion that the Islamic world needs to address these problems in a realistic manner and to assume responsibility rather than blame others. In this connection, we also place emphasis on such concepts as democratization, human rights, the rule of law, good governance, accountability, transparency, and gender equality.

In order for the achievements of Turkey in these areas to serve as a source of inspiration for the countries in our periphery, we must demonstrate that the West and Europe are inclusive concepts. We must explain to countries that question the universality of these values that they are indeed the product of harmony and civilizations and the collectivism of all

humankind. We welcome the point made on this score by President Bush in his State of the Union Address last week. In this sense, foreign policy in the 21st century, over and above the promotion of national interests, will be one of the avenues for sharing humankind's intellectual development among different societies.

One of the main obstacles for humanity to live together in peace and freedom in the 21st century could emanate from the lack of understanding among societies. We should not permit this to happen. We must allow collectivism to foster in a genuine manner that does not raise mutual suspicions among societies. We must demonstrate our goodwill with our actions. We must not disregard the global benefits that idealism based on rational realism has to offer.

Turkey, located in a difficult geography, perceives our own security as our No. 1 priority, but we also realize that our security will be threatened if our neighbours are not safe and at peace. This is precisely why we believe that our search for security must, above all, be a collective effort. We believe that cooperation and a determined and realistic stance is the most effective way to combat common threats.

This is an equally valid means to combat such global problems as terrorism and the proliferation of weapons of mass destruction, and to address poverty, famine, contagious diseases, and climate change. The fight itself is far more important than the differences in approach that may arise, even among allies, at times in respect to the modalities of foreign policy.

As the problems we face are common to us all, we must elaborate common solutions. In determining the objectives and methods of this fight, we must act on the grounds where the international community is strong, not where it is weak. We must develop the means to make international structures more effective so that the solutions we find to our common problems are lasting.

The United States, as a superpower, has a rare opportunity in that regard. The United States, as a global power, must use this responsibility well to help the developed world be better understood by the developing one. We stand ready to assist in this task in any way that we can.

The close cooperation and solidarity between our two countries that spans a half century constitutes a solid foundation for our future common endeavours. Our collaboration with the United States in pursuit of peace and justice during the Cold War era was effectively continued in the first major conflagration of the post-Cold War era, namely the Gulf War. Despite the heavy economic toll of the sanctions regime it had to foot, Turkey's crucial support for the international coalition continued with Operations Provide Comfort and Northern Watch.

We have coordinated our efforts to peacefully resolve disputes and remove sources of conflict that threaten international peace in a wide geography. We have worked together from Somalia, Bosnia- Herzegovina, and Kosovo to Afghanistan. We have pursued common interests to bring peace and stability to the Middle East, the Balkans, and the Caucasus. And today we continue our efforts to bring peace and stability to Iraq. We seek the same objectives in consolidating the independence of, and promoting democracy and stability in, the Central Asian republics.

We have vested interests in the Baku-Tbilisi-Ceyhan pipeline venture that will tap the vast oil reserves of the Caspian Basin. The transportation of this energy resource to world markets via Turkey by early 2005 will have important implications for economic development and, consequently, regional stability.

Mr. Chairman, distinguished guests, closing the gap between the developed and developing worlds, in both economic and political terms, will be the greatest guarantee of world peace.

To attain this long-term goal, the first steps to be taken must include a means to a better understanding of and dialogue between different civilizations. For Muslim countries to be better understood in the West, a more objective approach towards Islam should be adopted. It should be clearly seen that those who commit violence in the name of Islam do not represent this faith in any way. The allegation that there is an antagonism between the Islamic world and the West emanates from a misleading reductionism. There are people on both sides that are deceived by this fallacy. Intellectuals, politicians, and public opinion-makers in society must assume responsibility in preventing such misunderstandings.

The United States of America has the greatest resources to overcome this misleading perception on a global scale, with its wealth of knowledge, its prominent universities, and advanced level in social sciences. In this sense, American think tanks also have an important role to play.

We believe that the following can be realized in what we see as a realistic scenario, based on what we view as attainable and what we wish to achieve in terms of what Turkey can accomplish.

In the coming years, Turkey will achieve an exemplary level of success in its efforts to strengthen its economy, pursued with a sustainable development approach. In addition to maintaining the economic relations it enjoys with the West, it will effectively develop its economic potential with its neighbours in close vicinity. The Turkish government will set an example for good governance.

To this end, it will reinforce the notion of a transparent, compassionate, effective, and accountable system of government. It will facilitate, through such means as e-government, the creation of a healthy information society. It will open the gates for government, civil society, and private enterprise, yet at the same time take the necessary measures to protect vulnerable social groups from the ill effects of globalization.

Turkey will most likely become a member of the European Union within a reasonable time. The position that Turkey occupies in the wider sense, at the heart of the Eurasian geography, will assume greater importance on the East-West and North-South axis in line with the common interests of the whole region. With the help of ongoing projects in the field of energy, which is of vital importance for its development strategies, Turkey will not only be able to meet the ever-increasing domestic demands, but will also become a hub in the transportation of the Middle East and Caspian energy resources to international markets. In other words, with the investments made in the energy sector, Turkey will act with a strategic vision that not only prepares for, but shapes the future.

Turkey, being aware of the importance of regional cooperation and interdependence in all fields, will play a central role in the security

field as well. To this end, it will contribute to the defence and security policies of the European Union on one hand, and assist the maintenance of transatlantic links on a realistic and sound basis on the other.

As I am nearing the end of my speech, as a stable country with a successful development model, its place within the Western world, its rich historical heritage and identity, Turkey will become a symbol of harmony of cultures and civilizations in the 21st century. Turkey will achieve this not only through its economic

and military power, but with its capability to contribute to universal values and to facilitate the interaction of these values among different regions. In this regard, Turkey will be a reliable power for the maintenance of security, a partner for economic development, and an ally in overcoming existing instabilities in its vicinity, primarily in the Middle East. Thus, Turkey will become a source of inspiration for the countries in its region in taking steps which will prevent them from becoming failed states.

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**SPEECH OF RECEP TAYYIP ERDOĞAN, PRIME MINISTER OF TURKEY, AT  
HARVARD UNIVERSITY, KENNEDY SCHOOL OF GOVERNMENT**

**Massachusetts, 30 January 2004**

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Dear Members of the Faculty and Students,

Distinguished Guests,

If the countries of the Middle East perceive the advice to democratise and the emphasis on regional processes as ill-intentioned foreign intervention, they would be mistaken. For the development of some of the most advanced democracies of today third countries and international institutions have made essential contributions. In fact, the democratic community is constantly monitoring democratic standards. One of the positive sides of globalisation has been the protection accorded by the democratic community to the democratic ideal.

As I consider Turkey's own democratization process I clearly see the benefits of our interaction with the outside world, notably with the US and the EU. Even if we take for granted Robert Kagan's thesis that "Europeans come from Mars and Americans from Venus" we should nonetheless underscore that both are part of the same Solar system. Europe and the US are part of the same value system. This community of shared values stands tall not on the foundations of any religion. It's built on adherence to democratic values.

The Turkish people have entered a historic transformation process with the founder of Republic, Kemal Atatürk. In the course of this

transformation process that has been premised on the principle that "sovereignty belongs to the people", a pluralist democracy has been established step by step since 1946. At the core of this process lies, of course, the determined disposition of the Turkish people towards modernity. This vocation facilitated Turkey's choice of taking part in the Free World led by the US after World War II.

Once that choice had been made, our membership to NATO and the process of our accession to the EU have been elements of encouragement and confidence on our path to modern civilization and government. Not having experienced the particular democratisation history of Western Europe which straddles centuries and in numerous wars, Turkey has found the opportunity to develop her democracy in a relatively smooth transition process thanks to NATO and the EU.

As we stand today, Turkey has successfully travelled great distances in her efforts to achieve most advanced democratic standards. My Government has also taken very significant steps to realize this vocation of the Turkish people, and carried the Turkish democracy to highest norms through radical and historic reforms. We have instituted not a self-styled democracy but a universal understanding of democracy.

Dear Members of the Faculty and Students,

Distinguished Guests,

Turkey is ready to do its fair share to promote democratization in the Middle East and to facilitate such a momentous transformation. Turkey can make valuable contributions to that effect.

Foremost, Turkey is an established democracy at the intersection of Europe and the Middle East. In the development of her democracy Turkey has drawn positive strength from European and Euro-Atlantic processes. Currently, she is making historic strides to establish an environment of cooperation in her neighbourhood. These steps are conducive to the birth of a new culture of positive relations in our region based on cooperation and interdependence. Turkey has a valuable partnership with the United States built on strong ties of alliance and friendship as well as harmony of a strategic world view. With the EU, more than forging cooperation, Turkey is on the path of integration. Decision by the EU to launch accession talks with Turkey will be the victory of the message that democratization is the starting point of the project of harmony of civilizations.

Our region and the Muslim world is closely and carefully observing Turkey's membership process to the EU. Our membership to the EU is desired by all our neighbours. Both the Syrian President whom we have hosted recently and the new President of Georgia have indicated that thanks to Turkey they expect to become neighbours of Europe. It is necessary to see that if accession negotiations do not start despite the political will we have shown and all the far reaching reforms we have realized, the negative message would not be lost on others. Our democracy and modernity as well as the network of external relations I have outlined have been inevitably making Turkey an example, a model as well as a partner.

As Turkey proceeds in the direction of membership to the EU, also the modern democratic values which she represents create greater attraction in the Middle East. This attraction will enable the Euro-Atlantic community to act as a catalyst for positive change in peace and interaction with the outside world. The web of cooperative relationships that Turkey has woven helps harmonize the strategic interests of the peoples of the region, the US and EU.

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## STRATEGY FOR THE EU AND TURKEY IN THE PRE-ACCESSION PERIOD

**A joint project of the  
Centre for European Policy Studies (CEPS), Brussels  
and  
Economics and Foreign Policy Forum (EFPP), Istanbul**

CEPS is undertaking a joint project with the Economics and Foreign Policy Forum, entitled "Strategy for the EU and Turkey in the Pre-Accession Period" which is operational from December 2003 until December 2004. The aim of the project is to identify the major problems and challenges posed to Turkey's accession process in eight selected policy areas (agriculture, trade, services and banking, monetary and fiscal policy, energy, justice and home affairs, domestic governance and foreign and security policy), identify innovative EU policies to specifically tackle these problems and create a framework in which these EU policies can complement and further encourage the process of reform in Turkey, thereby adding to the momentum of integration. The project will

thus focus on areas of cooperation and possible integration that would be developed in parallel and complementary to the accession process. *The general supervision and coordination of the project is provided by Daniel Gros and Michael Emerson (CEPS), and by Kemal Derviş and Sinan Ülgen (EFPP).*

Part of the reticence that is widespread in the EU to analyse the specific consequences of Turkey's membership stems from the fact that it is usually assumed that this would be 'yet another enlargement', involving essentially the same problems as the current one, only on an even larger scale. The basis for this apprehension is that Turkey is, like many of the Central and East European countries (CEECs), a relatively poor country with a large agricultural

sector and deep seated problems of governance. However, we see a number of important policy areas in which the issues raised by the accession of Turkey will be quite different from those experienced with the CEECs, requiring a different approach on the part of the EU in preparing Turkey for full membership. Hence, the standard EU 'strategy' during pre-accession, where the EU helps candidates in the task of adopting the *acquis* with modest financial aid and generous doses of technical assistance, but without involving the candidates in current EU policy initiatives, is likely to be insufficient in the case of Turkey. Turkey does not have to overcome a legacy of central planning. The key challenge in this case is rather to overcome the potential points of friction in a pro-active manner by starting concrete forms of cooperation already during the pre-accession phase. This needs to be worked out by the EU and Turkey together within the framework of various policy areas, taking into account the different challenges and opportunities posed by Turkey compared to those brought by the CEECs.

The eight policy areas that will be covered in the project will be structured as follows:

*1. Agriculture by Jo Swinnen (CEPS) and Erol Hasan Çakmak (Middle East Technical University-EFPP):* Many CEECs specialize in products (wheat, meat, milk) that are most heavily subsidized by the CAP. Hence their participation is expected to be very costly and even until now the EU market is not open for these products (and the EU runs a surplus in agricultural goods with the CEECs). By contrast, Turkey specializes in products that are not subsidized by the CAP (fresh fruits, nuts, etc.) and face much lower barriers for its exports to the EC (3% on nuts, and 0% on dried sultanas, figs and apricots). As a consequence Turkey has a significant trade surplus with the EU in agriculture (exports Euro 1,953 million, imports Euro 707 million in 1998-99). It is thus likely that Turkey's accession to the CAP would involve quite different issues, although nonetheless formidable ones, since Turkey has more farmers than all of the EU-15 combined.

*2. Trade by Yiannis Zahariadis (Department for International Development, UK), David Kernohan (CEPS) and Sinan Ülgen (EFPP) :* During the negotiation process with the

CEECs, the EU reduced its trade barriers asymmetrically, but retained contingent protection (although anti-dumping facilities were never invoked). By contrast Turkey is already in a customs union with the EU, and hence already much more integrated with the EU than the CEECs on the eve of their accession. Hence trade liberalization is not an issue. However, the operation of the customs union is far from perfect. The issues to be dealt with includes the extension of validity of the preferential trade agreements that EU negotiates with various countries to Turkey, the distribution of customs revenues and the treatment of re-exports and triangular trade with, in particular, the Mediterranean.

*3. Services, and banking in particular, by Daniel Gros (CEPS) and Murat Üçer (Koç University-EFPP):* Turkey here presents some of the problems of the CEECs in the early 1990s with an inefficient banking system that was for some time used as a conduit for hidden (and sometimes not so hidden) subsidies. The recent currency crisis in Turkey might have served (as in some CEECs) as a catharsis, but numerous problems in implementing and enforcing a new regime of modern banking supervision remain. Moreover, Turkey has so far not followed the CEECs in opening radically its banking system to foreign take-overs. In addition the weight of the state banks in the banking system and macroeconomic instability remain as important bottlenecks in the development of the financial system in general and the banking system in particular.

*5. Monetary and fiscal policy by Marco Airaudo (LUISS fellow at CEPS), Daniel Gros (CEPS) and Kemal Derviş (EFPP):* Turkey is a case apart from any of the CEECs in having very large unresolved problems of public finance and monetary instability, as witnessed in recurrent financial crises of the last decade. In particular Turkey's very high public debt-to-GDP ratio and poor credibility in financial markets makes for a huge debt service burden on the budget. Moreover intermittent financial crises make for huge swings in the effective interest rate on Turkish borrowing, such that the interest burden has at times been in the range of 15-20% of GDP. However the Turkish situation has features in common with Italy before the Euro. The almost miraculous, and at any event extremely important reduction in

Italian interest burden as the credibility of its accession to the euro zone advanced, is an experience worth recalling when thinking about Turkey's monetary future with the EU. However this hypothesis of early association or accession to the euro zone would mean much new thinking at the EU/ECB end, and an opening of the banking system to foreign ownership.

5. *Energy* by John Roberts (*Platts energy group*), Christian Egenhofer (*CEPS*) and Necdet Pamir (*EFPP*): Turkey is a transit corridor increasingly for Russian, Caspian and Iranian oil and /or gas. Current investments are being made in pipelines and networks that add up to a matter of strategic importance for the EU's security of energy supply: the Blue Stream gas pipeline from Russia, the Baku-Ceyhan oil pipeline, a possible Baku-Erzurum gas pipeline, the gas pipeline connecting with Iran and the gas network linkage now being constructed between Turkey and Greece. The EU has a strategic interest in diversity of energy supplies, and how Turkey manages the above and other options will be a significant factor. Therefore an EU-Turkish energy dialogue could be valuable, leading to EU and European Investment Bank (EIB) contributions to the financing of important projects. The electricity sector will be examined, in view of the potential from growing Turkish demand for imports from neighbours, especially the Balkans.

6. *Justice and home affairs* by Joanna Apap (*CEPS*) and Kemal Kirişçi (*Boğaziçi University-EFPP*): Accession of the CEECs relieves some member countries (essentially Germany and Austria) from direct responsibility for controlling the EU's Eastern borders. The length of the EU's external border does not change a lot. The main issue in this area with the CEECs is that the latter would like to keep somewhat open borders with their Eastern neighbours. By contrast, in the case of Turkey there is little relief on the Eastern border of (present and future) EU members, the length of the external border of the EU increases dramatically and this border will be with a

completely different group of countries (Syria, Iraq, Iran and the Caucasus), thus posing different policy challenges.

7. *Domestic governance* by Senem Aydın (*CEPS*) and Fuat Keyman (*Koç University-EFPP*): Turkey has made important progress towards the fulfilment of the political aspects of the Copenhagen criteria. There are nonetheless areas where further progress is still needed especially in terms of the implementation of these reforms. The issues will include the ways in which the EU can help in this respect, with programs and instruments that can be made available to Turkey to accelerate this process of adjustment.

8. *Foreign and security policy* by Michael Emerson and Nathalie Tocci (*CEPS*), Can Bulharalı (*EFPP*): The Copenhagen European Council concluded the two year dispute concerning Turkey's participation in the EU's security and defence policy (ESDP). The agreement ensured that Cyprus and Malta as countries that were not included in NATO's Partnership for Peace would not be included as possible locations of ESDP activities and operations. However, while an agreement was reached it remains unclear what Turkey's substantive input in ESDP will be. More specifically, this project would assess the possible cooperation between Turkey and the EU in specific regions in the Wider Europe and its neighbourhood where Turkey has special interests: namely the Caucasus, the Middle East and Central Asia.

In each of these policy fields, joint or separate working papers by CEPS and EFPP authors will be prepared. The output of the project will include a general report and a short paperback book publication by CEPS, a number of working papers on sectoral topics to be published electronically and a collection of the most relevant contributions in an edited book to be published by an academic publisher. The results will also be disseminated via two final conferences in September and October which will respectively be held in Brussels and Istanbul.

## **TURKISH BUSINESS PERSPECTIVES**

by

**TÜSIAD – TURKISH INDUSTRY &  
BUSINESS ASSOCIATION**

[www.tusiad.org](http://www.tusiad.org)

### **TURKISH ECONOMY 2004: MORE REFORM, MORE GROWTH**

*While the external risks for Turkish economy gradually decrease, the decisiveness of the government in implementing the economic program will determine the course of Turkish economy in 2004.*

*Three interrelated factors will be crucial for economic prospects in 2004. These are:*

- *the success of the government in maintaining political stability;*
- *the implementation of the IMF supported economic program and;*
- *EU membership perspectives.*

*The first and the second factors seem to be less problematic as the government has so far abstained from creating tensions in internal politics and contributed to political stability in the country. With respect to the implementation of the economic program, the forthcoming local elections will be a significant test. Recalling the rapid increases in spending by coalition parties prior to the last national elections, a*

*similar inclination is expected to occur in the upcoming local elections. Enhancing this trend through expanding expenditures or other populist policies creates the most important risk for the maintenance of fiscal discipline.*

*As for the EU membership perspective, the government has demonstrated significant efforts, especially in the field of political reforms, with a view for the opening of accession negotiations with the EU. We expect the government's will to complete the remaining legislative work to persist.*

*In our macroeconomic scenario, the decision of the government will be in favour of permanent economic stability, rather than populist tendencies resulting in an increase in wages and pensions. Another issue that concerns the implementation of the economic program, namely the remaining structural reforms due in 2004, seems to be less challenging compared to the previous agenda. However, the cost of inaction regarding the structural reforms would not only be economic but also political.*

[www.tusiad.org/english.nsf](http://www.tusiad.org/english.nsf)

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# CEPS

## *Turkey in Europe Monitor*

No. 3, March 2004

### ***Introductory note from CEPS***

*This issue of CEPS Turkey in Europe Monitor focuses on the settlement of the Cyprus conflict, which has reached the most decisive turn in its history with the final (fifth) Annan Plan and the upcoming referenda scheduled to take place on 24 April. The monitor provides first a short political assessment of the choices before the referendum. Second, it contains a de-*

*tailed chronology of the UN sponsored negotiations in the last three months, starting with the Turkish Prime Minister Erdoğan's idea to mandate Kofi Annan 'to fill in the blanks', and culminating with the presentation on 31<sup>st</sup> March of the 5<sup>th</sup> and final version of the Annan Plan, now to be submitted to the referendum.*

Michael Emerson and Senem Aydın

### **The Cyprus Endgame**

Michael Emerson

So Kofi Annan has 'filled in the blanks', and the final revised Annan Plan for re-unifying the island will be put to referenda on both sides of the island on 24 April, exactly one week before EU accession day on 1 May.

Whatever now the outcome, the Annan plan for Cyprus will go down in the annals of conflict resolution as an outstanding performance by the UN mediation team. This has combined the respected role of Kofi Annan himself, complementing the painstaking professional work of Alvaro de Soto, his Special Representative. While the EU itself could not be a neutral mediator with Greece as member state, the EU enlargement dynamics were crucial in de-blocking the frozen conflict, yet also in signalling confusing and contradictory incentives.

However, the endgame now reveals an unexpected scenario for the referenda results: *yes* in the Turkish north and *no* in the Greek south (*yes-no*). At least that is what the opinion polls have been saying in recent days and weeks. This presents a radically different set of advantages and risks for the two principal parties.

The *yes-yes* outcome is the only one that EU has wanted to discuss. There is no Plan B, they say. A *no-no* outcome, or a *no* in the north and *yes* in the south (*no-yes*) would also be relatively predictable in their consequences. In both cases Greek Cyprus would accede alone, the status quo would continue for the north, and there would be some cloud over Ankara's priority to get a positive decision in December for the opening of accession negotiations for Turkey itself. The cloud would be darkest in the event of a *no-yes* outcome, but this scenario seems the least probable.

The principal parties are now surely considering the implications of a *yes-no* outcome, and how to campaign in the next three weeks.

Prime Ministers Erdoğan for Turkey and Talat for Northern Cyprus have already effectively signalled that they campaign for a *yes*. President Denktas is campaigning for a *no*, but his credibility as actor in the drama has been going down fast. His recent remarks, mentioning the words Verheugen and Nazi in the same sentence, have relegated him to the theatre of the absurd in European political circles.

The *yes-no* scenario now presents an unexpected challenge for the Greek Cypriot leader-

ship. Up until recently it had been a relatively credible discourse to blame the difficulties on the Denktas problem. But now Denktas is virtually marginalized, and the Erdoğan-Talat partnership is making a highly credible push to be perceived as the positive party. For example it was Erdoğan's admirable initiative to mandate Kofi Annan to 'fill in the blanks'.

By contrast President Papadopoulos for his part has been equivocal. He accepted giving the mandate to Kofi Annan, but has left it ambiguous whether he would campaign for a *yes* vote in the referendum. Returning from the talks in Switzerland on 1 April he declared "unfortunately our effort was not successful", arguing that too many of his concerns had not been met. European public opinion appreciates well that the Greek and Turkish Cypriot demands have naturally been contradictory. Who gets the benefit of the doubt? At this stage European leaders are unlikely to deviate from the judgment made by Kofi Annan. He who challenges the Anna Plan loses. On 1 April Papadopoulos still reserved his position on the referendum, promising only to set this out "in a few days".

What if it is a *yes-no* outcome? The Greek Cypriots would still get accession on 1 May, but under a cloud, perceived as having become the unreasonable party. The precise consequences of this cannot be forecast, but the least that can be said is that when complex bargaining develops as usual in the EU Councils over a mass of issues, the Greek Cypriot positions would indeed have a cloud over them for some time to come.

What then for Northern Cyprus? Most of the EU would probably want to do something friendly to help them, if they vote *yes*. The most natural development would be to find way to allow northern Cyprus to export. Northern Cyprus might unilaterally align itself on elements of EU law, for example for technical standards and certification of goods. The Republic of Cyprus as member state might try to block any concessions, and there would be complicated legal discussions what decision-making rules would apply (simple decision of the Commission, or qualified majority in the Council, or unanimity). This would not be a pleasant dossier for the new EU-25 to have to confront. In the medium term Northern Cyprus could not be just left to rot away. At some

stage some kind of informal association arrangement with the EU for this non-sovereign territory might be devised. But in the meantime there would have been no return of land to the Greek community, nor return of displaced persons to their former homes. What then for Turkey? The politics of the EU's December decision are still highly uncertain, but at least in this scenario Turkey would be released from blame for not trying hard enough to get a solution over Cyprus. For Denktas it might even become the dream scenario (with no credit to him), as Turkish Cyprus would not cede any land or property, yet gain in international goodwill. For Greek Cypriots it would become closer to a night-mare, losing any hope of regaining land and property, or withdrawal of Turkish troops, and entering into the EU under a cloud at the same time. Finally, what conclusions might be drawn by the two parties as they define their referendum campaign strategies? For the Turkish Cypriot and Turkish sides the answer seems self-evident: to campaign even more clearly and strongly for a *yes* outcome, since if the Greeks Cypriots vote no they will still have won political goodwill, to be translated into some-thing concrete later. For the Greek Cypriots and Greece itself, there must be now a serious assessment of the risks for them of a *yes-no* outcome. Maybe the Greek Cypriot and Greek leaderships will develop an increasingly positive campaign fast, maybe to rescue still a *yes-yes* vote for what the rest of Europe regards as a win-win solution.

## The Cyprus Chronicle

Senem Aydın

**Cankaya Meeting, 8 December 2003:** Ankara made its first move towards the re-launching of negotiations over Cyprus at a summit meeting at Cankaya (the Presidency's residence), attended by Prime Minister Recep Tayyip Erdoğan, Minister of Foreign Affairs Abdullah Gul, the Chief of Staff and top-level civilian and military representatives. The summit conclusions stated that 'Turkey will continue to contribute to the negotiation process of the UN, in close cooperation with President Denktas and the new government'.

**Elections in Northern Cyprus, 14 December:** These parliamentary elections were the

first major turning point in Cyprus itself, where the opposition parties (Republican Party-CTP led by Mehmet Ali Talat, and Peace and Democracy Movement-BDH led by Mustafa Akinci) together gained the same number of seats as the two parties on the nationalist side (National Unity Party-UBP led by the former Prime Minister Derviş Eroglu, and Democrat Party-DP led by Serdar Denktas). The outcome was a coalition government formed on 11 January 2004 by the pro-Annan Plan CTP and the more sceptical DP. As it was a very fragile coalition agreement, the policy of the new government on the Cyprus question was going inevitably to be highly sensitive to Ankara's position, which had already shown signs of movement. The elections were followed by a letter from George Bush to the Greek and Turkish prime ministers, urging them to take the necessary steps for a solution on the island. However the letter created resentment in Cyprus, particularly among the Greek Cypriots.

**National Security Council, 23 January 2004:** After the elections, the National Security Council (NSC) of Turkey convened to discuss Cyprus. The declaration released at the end of the meeting stated that 'Turkey continues to support the initiatives of the UN Secretary General and restates its political will in reaching a solution on the island through negotiations while taking the Annan Plan as a point of reference'.

**Erdoğan meets Annan in Davos, 24 January:** Following the NSC meeting, Prime Minister Erdoğan met UN Secretary General Kofi Annan in Davos, and went a step further than the position emerging from the NSC. He called for the re-launch of negotiations on the basis of the Annan Plan, and, even more importantly, accepted that the Secretary General could 'fill in the blanks' if the parties themselves failed to mutually agree on changes in the Plan. He also asked Annan to appoint an impartial mediator and prepare a shorter text on the basis of which the negotiations would be conducted. Annan was not receptive to either of these latter ideas, but stated that he was encouraged by the shift in Turkey's attitude.

**Erdoğan's visit to the US, 25 to 31 January:** During this visit Erdoğan reiterated his statements in Davos. The State Department subsequently increased pressure on Greece and

Greek Cypriots to support the re-launching of negotiations. Erdoğan also intensified his contacts with the UN Secretary General.

**Cyprus summit in Ankara, 4 February:** On Erdoğan's return from the US, a Cyprus summit was convened with Rauf Denktas, Mehmet Ali Talat (now Turkish Cypriot Prime Minister), Serdar Denktas (now Turkish Cypriot Deputy Prime Minister) and Abdullah Gul. The summit concluded that 'Turkey and KKTC (Turkish Cypriot State) affirm their aim to reach a just and sustainable settlement on the island and will undertake the necessary measures to support the efforts of the UN Secretary General'.

**Rauf Denktas, Papadopoulos and Annan meet in New York, 10 February:** As a result of these developments, Annan invited Denktas and Papadopoulos to New York. The Turkish government exerted considerable pressure on the reluctant Rauf Denktas to go to New York. He eventually accepted to attend the talks in New York. Initially both Cypriot leaderships rejected Annan's proposal to 'fill in the blanks' in the case of a disagreement. Annan convened another meeting the next day at which he expected suggestions from the parties. On 11 February, the Turkish side introduced a surprise time-table, which aimed to facilitate an agreement before the EU accession day on 1 May. The Turkish proposal envisioned a three-step process, whereby:

- First the two sides attempt to reach an agreement between themselves.
- Second, in the event of failure, Turkey and Greece would join in the negotiations.
- Third, and again in the event of failure to reach an agreement, the Plan would be completed by the Secretary General, put to separate referenda on both sides of the green line, which would then need to be ratified by the parliaments of Greece and Turkey.

This proposal was welcomed warmly by Annan. The Greek Cypriots asked for the inclusion of the EU in negotiations, but this proposition was rejected by the Commission itself. An agreement was finally reached on the Turkish proposal, and negotiations were re-launched on 19 February.

**Proposals and major issues:** During the ensuing negotiation phase, both sides submitted

proposals for changes to be made to the Annan Plan, which were refused by the opposite parties.

*Greek Cypriot* proposals included:

- Harmonisation of the founding Constitution with the EU *acquis* and international law. This entailed eliminating the restrictions on the freedoms of settlement and property acquisitions included in the Plan.
- Increase in the number of members of the Presidential Council from 6 to 9 (4 Greek Cypriots and 2 Turkish Cypriots to be increased to 6 Greek Cypriots and 3 Turkish Cypriots)
- Increase in the Presidency term. (The earlier versions of the Annan Plan provides for a ten-month rotation between the President and the Vice-President).
- The referendum to take place after the ratification of the agreement in the Turkish Parliament (which would be against the provisions of the Turkish Constitution, as an incomplete agreement cannot be brought to ratification before the Parliament).
- Finalisation of all common state laws before the end of negotiations.
- Increase in the amount of land to be returned.
- Immediate UN control over the land to be returned by the Turkish Cypriots.
- An increase in the proportion of Turkish immigrants in northern Cyprus to return to Turkey.

*Turkish Cypriots* proposals include:

- The Swiss model regarding the status and equality of both sides.
- The Belgian model with respect to Cyprus' relations with the EU.
- Establishment of a commission responsible for the compensation of Turkish Cypriots for the incidents of 1963-1974.
- Limitation of Greek influence on the island after Cyprus' accession to the EU.
- Further restrictions on the proportion of Greek Cypriots allowed to settle in the North at the end of a transitional period of 15 years.

- (Or) voting rights based on ethnicity that would prevent Greek Cypriot residents in Northern Cyprus to vote for the Turkish Cypriot constituent state and represented in the Senate.
- A reduction in the Annan Plan's upper limit of 10% in the land ownership of Greek Cypriots in the North.
- Continued military presence by Turkey, and special relations with Turkey.
- Rehabilitation provisions for those displaced as a result of territorial readjustments (regarding homes and employment).

Greek Cypriots declared that they reject all the Turkish proposals a couple of days after they were submitted. The Turkish Cypriots also rejected most of the Greek Cypriot proposals after they were discussed in the negotiations.

**The derogations question:** One of the most important issues for the Turkish side concerns the 'derogations to the EU *acquis*'. The Annan Plan introduces important derogations to the *acquis* in its Annex V, which mostly safeguard the interests of Turkish Cypriots. The initial version of the Plan would restrict the right of return if the properties of displaced persons were occupied by other displaced persons or had been significantly improved, or if their return would result in their community representing over 20% of the population of that village and over 10% of the residencies and land ownership of that constituent state.

In terms of the 'three freedoms', while the freedom of movement would be immediately liberalized, there would be restrictions to the freedoms of settlement and property acquisition, which would be phased over time. According to the initial plan, after an initial moratorium period (of six years), there would be 0% of Greek Cypriots living in the north, (except for those over 65 and residents of 4 villages in Karpaz, who could return after two years). In years 7-10 this figure would rise to 7%, in years 10-14 to 14%, and in years 14-21 Greek Cypriots would not exceed 21% of the population of northern Cyprus. After 21 years the parties would review whether these derogations were still necessary.

The initial Plan also restricted the rights of Greek (or Turkish) nationals to reside in Cyprus, if their numbers reached 10% of the Greek Cypriot (or Turkish Cypriot) constituent

state. In addition, the Turkish Cypriot constituent state could take temporary economic ‘safeguard measures’ during the first three years of EU membership, if EU laws threatened the economic development of northern Cyprus. The figures regarding the limits to the right of return, restrictions on property ownership in the North and limitations on the rights of Greek (Turkish) nationals to reside in Cyprus were revised further with the 4th and 5th Annan Plans, which are described in further detail below.

The Accession Treaty already been signed by the Republic of Cyprus, and later approved in EU member state parliaments, states only loosely in Protocol 10 that, in the event of an agreement, account would be taken of the terms of a settlement. The Turkish and Turkish Cypriot sides were concerned that unless the specific provisions of the Plan regarding temporary and permanent restrictions would be included in EU primary law (i.e., through an amendment of the Treaty of Accession), the provisions of the Plan safeguarding Turkish Cypriots could be challenged in the European Court of Justice and could well be denied. The Greek Cypriots had already displayed intentions to erode the safeguards to the Turkish Cypriots by emphasising that they would conduct the negotiations within the framework of the “Annan Plan and the EU *acquis*”.

On 13 February, Annan declared that the EU had committed itself to align the agreement with EU *acquis*. This was followed by the work of a commission composed of EU legal experts, which decided that approval of the agreement at the IGC would be sufficient and that there would be no need for Parliamentary ratification. A meeting of Turkish legal experts with EU officials also failed to bring a solution to the problem. Subsequently, Erdoğan sent a letter to Kofi Annan on 15 March, requesting him to intensify his efforts to resolve this issue. (Although it would be impossible for an agreement to be approved by all EU member state parliaments before 1 May, one could argue that if the Commission were to be mandated to propose an amendment of the Treaty of Accession, that could then be sent for parliamentary ratification thereafter, taking for example up to 24 months after which the agreement becomes part of EU primary law, which could be sufficient to ease Turkish Cypriot concerns).

**De Soto paper, 16 March:** The ‘give and take’ part of negotiations was scheduled to start on 12 March. Due to the substantial disagreements between the two sides, this could only start on 17 March on the basis of a paper submitted by the UN Special Representative Alvaro de Soto the day before. The two sides could only negotiate on the points included in this paper.

De Soto’s paper included the following issues brought forward by the *Turkish Cypriots*:

- Turkish/Greek voting rights based on ethnicity or the refusal of the right to vote to Greek Cypriots residing in Northern Cyprus to protect the 24/24 balance in the Senate.
- Redrawing the borders separating the two sides to make them straighter, so to avoid Greek Cypriot settlements cutting through the Turkish Cypriot lands.
- Reduction of the ratio of Greek Cypriots to return to Northern Cyprus (which was foreseen to reach 21% in the third version of the Plan).
- Continued Turkish military presence.
- Inclusion of the agreement as EU primary law to resolve the problem of derogations.
- A requirement to provide jobs and housing for the Turkish Cypriots who will be displaced after the agreement.

*Greek Cypriot* demands included in the De Soto paper were:

- Ratification of the agreement by the Turkish Parliament before the referendum.
- Increase in the number of members of the Presidency Council.
- Greater territorial readjustments.
- The territorial readjustments in the shortest time possible and the immediate control of UN over these lands.
- Specification of the exact number of Turkish Cypriot citizens that migrated from Turkey and those with residence permits as well as a reduction in their numbers.
- Specification of the federal ministries and the introduction of a system where the deputy minister needs to be from the opposite community and visa versa.

The Greek Cypriots reacted to the De Soto paper, claiming that it placed too much emphasis on the Turkish demands.

**The Four meet at Burgenstock, Switzerland:** Negotiations between Greek and Turkish Cypriots continued on the basis of the De Soto document, but the two sides have failed to reach an agreement. It became evident that in accordance with the three stage-plan, Turkey and Greece were going to be included in the negotiations from 24 March onwards. In the meanwhile, on 17 March, Rauf Denktas declared that he would not attend the Switzerland four-party talks. He stated that attending the talks would mean giving false hopes to his people as he expected no progress in negotiations. Turkish Cypriots were to be represented by Mehmet Ali Talat and Serdar Denktas.

The meeting of the Four did not proceed as planned. Talks between the Turkish Foreign Minister Abdullah Gul, the Greek Foreign Minister Petros Molviyatis, the Turkish Cypriots and the Greek Cypriots could only start with a dinner on 27 March. In the meantime, meetings were held between EU officials and Turkish representatives on resolving the problem of derogations. However the EU proposal to accept the plan as an 'act of adaptation' approved by the Council was refused by the Turkish officials on the grounds that this failed to place the Annan Plan in EU primary law. The Turkish side insisted that this should also be ratified by EU member state parliaments. Erdoğan made a statement hinting that the failure to make the plan a part of EU primary law could lead the Turkish side to withdraw from the commitment to submit the Plan to referenda.

**Annan presents the 4th Plan, 29 March:** Erdoğan and Karamanlis arrived at Burgenstock on 29 March and Annan has presented the amended plan to the four parties, instead of waiting for them to reach an agreement by 31 March. In a press conference, De Soto stated that the Plan addressed Turkish Cypriot concerns regarding freedom of movement and settlement, returned properties and the voting for the Senate, whereas it incorporated Greek Cypriot concerns with respect to efficiency and applicability of the provisions of the plan.

More precisely, in response to *Greek Cypriot* demands, the 4th Plan incorporated the following provisions:

- **Land:** The Plan did not introduce any changes to the amount of land to be returned to the Greek Cypriots. Approximately 7% of land in the North (65 villages) were to be returned to the Greek Cypriots. However mechanisms and phases of territorial readjustments were further clarified. Land would be returned in 6 phases over a 42 month period under the interim administration of Turkish Cypriots and the supervision of UN.
- **Presidential Council:** The members of the Presidential Council were increased from 6 to 9 to improve functionality. 3 of the members will not have voting rights while the other 6 will comprise 4 Greek Cypriot nationals and 2 Turkish Cypriot nationals.
- **Presidential Terms:** The President and the Vice-President of the Council shall rotate every twenty months instead of the ten months envisaged initially. The first President in each term shall be the member hailing from the more populous constituent state (Greek Cypriot state).
- **Federal Legislation:** Federal laws were further specified and attached to the Foundation Agreement.
- **Return of Affected Property:** The mechanisms for the return of affected properties, an issue with a large impact on the Greek Cypriots, have been clarified further with the fourth version of the Plan. Any citizen with a claim to affected property has a right to reinstatement or compensation, except those that are occupied by other displaced persons (in which case the two properties may be exchanged), and those where significant improvements have been made.
- **Limits to Greek and Turkish Nationals:** Until Turkey's accession to the EU, Cyprus may limit the right of Turkish (or Greek) nationals to reside in Cyprus if their number has reached 5% of the number of resident Cypriots citizens holding Turkish (or Greek) Cypriot internal constituent state citizenship status. Thus, the 10% upper limit regarding the settlement rights of the Greek (or Turkish) nationals in the initial plan was reduced.
- **Shorter Transition Period:** General elections at constituent, federal and European

Union level would be held on 13 June, after which the constituent state and federal governments shall operate regularly.

In response to *Turkish Cypriot* demands, the 4th Plan incorporated the following provisions:

- **Political Equality:** The Plan more strongly emphasises that the relationship between both sides is one of 'political equality where neither side may claim authority or jurisdiction over the other'.
- **Restrictions on Settlement:** The numbers of Greek Cypriots (or Turkish Cypriots) to return to the North (or South) have been reduced from 21% to 18%. After an initial moratorium of 5 years (6 in the initial version of the Plan), 6% were to return between 6th and 9th years, 12% between the 10th and 14th years and 18% thereafter. It was added that these restrictions were to be lifted after 19 years or on Turkey's accession to the EU, whichever one is earlier. Thereafter, each constituent state may take safeguard measures to ensure that no less than two-thirds of its Cypriots permanent residents speak its official language as their mother tongue is not substantially altered, indicating a 33% upper limit on the Greek Cypriots returning to the North.<sup>1</sup>
- **Continued Military Presence:** Greek and Turkish contingents would be permitted to stay on the island under the conditions that each contingent does not exceed 6,000 until 2011, and 3,000 thereafter until 2018 or Turkey's accession to the EU, whichever is sooner. The Greek contingent, not exceeding 950 and the Turkish contingent, not exceeding 650 could re-main thereafter, subject to five-yearly re-view with the objective of total withdrawal
- **Affected Property** (property which was lost by the owners due to inter-communal strife, military action or the unresolved division of the island): The Plan provides a domestic remedy for the solution of all matters related to affected property. It requires the new Republic to request the European Court of Human Rights to with-

draw any proceedings currently before it concerning affected property.

- **Restrictions on the Acquisition of Property:** Those persons who have not been permanent residents for at least 3 years in the Turkish constituent state (mainly implying Greek Cypriots) cannot purchase immovable property in the North for as long as the GDP per capita in the North does not reach the level of 85% of the GDP per capita of the South. This provision aimed to relieve concerns regarding 'large scale buy-out of land' in the North by the Greek Cypriots.
- **Voting for the Senate:** Senators will be elected not on the basis of constituent state citizenship status, but by Greek Cypriots and Turkish Cypriots separately. This relieves the Turkish Cypriot concerns that with increasing Greek Cypriot settlement in the North, balances in the Senate would change in favour of the Greek Cypriots.
- **Economic Safeguards:** Turkish Cypriot constituent state can take appropriate safeguard measures for up to 6 years to combat difficulties posed to its economy by the EU's internal market.

**Annan presents the 5th (Final) Plan, 31 March:** The two parties presented their opinions and suggestions regarding the 4th revised version of the Plan by the morning of 30 March. On this basis Annan presented the final 5th version of the Plan on 31 March. The final Plan did not differ much from the 4th version.

The most significant changes made upon the demands of *Greek Cypriots* included the following:

- **Continued Military Presence:** The five-year review of the continuation of the Turkish and Greek military presence on the island, which would begin in 2018 or upon Turkey's accession to the EU was reduced to three years.
- **Restrictions on the Acquisition of Property:** It was added that restrictions on the acquisition of property in the North by the Greek Cypriots could also be lifted after 15 years while retaining the provision of the 4th Plan that these could also be lifted when the GDP of the North reaches 85% of

<sup>1</sup> Exceptions were retained for those over 65 and 4 villages of Karpaz. A fifth village, Kormakiti was also included among the areas where these restrictions would not apply.

the GDP of the South, in case this happens earlier.

- **Return of Affected Property:** Property return regimes were further clarified for those living outside the areas of territorial adjustment. All dispossessed owners have the right to reinstatement of one-third of the value and one-third of the area of their total property ownership, and to receive full and effective compensation for the remaining two-thirds. They have the right to reinstatement of a dwelling they have built, or in which they lived for at least 10 years, and up to one *donum* of adjacent land, even if this is more than one-third of the total value and area of their properties.

The most significant change made upon the demands of the *Turkish Cypriots* was:

- **Request for Adaptation of Primary Law:** The attached letter to the President of the European Council was amended to request the European Union to endorse the Foundation Agreement and to accommodate its terms by adapting the terms of accession before 1 May 2004 in a way that “results in the adaptation of primary law” and ensures the “legal certainty and security” of the Foundation Agreement within “European Union’s legal system for all concerned”. This amendment is intended to facilitate an agreement between the Turkish side and the EU over the issue of derogations.

**Beyond the details.** From the first to final versions of the Annan Plan, the essence of the proposal has been for a United Cyprus Republic, as a single state in international law, with a federal government and two equal constituent states of the Greek Cypriots and the Turkish Cypriots. The status and relationship of the United Cyprus Republic, its federal government and its constituent states is modelled on the status and relationship of Switzerland, its federal government, and its cantons. The main functions of the federal government would be external relations, relations with the EU, Central Bank functions, federal finances, communications, aviation, citizenship, and natural resources including water. The essential competences of the two constituent states would be tourism, protection of the environment, the use and conservation of energy, fisheries and agriculture, industry and commerce, zoning and planning, education and sports, health, and

social security. Constituent states participate in the formulation and implementation of policy in external relations and EU affairs, in accordance with Cooperation Agreements modelled on the Belgian example. The Federal Parliament is composed of two Chambers: the Chamber of Deputies (with 36 Greek Cypriot and 12 Turkish Cypriot members) and the Senate (24 members from each sides). The executive power will be vested in the Presidential Council with 6 (4 Greek Cypriot and 2 Turkish Cypriot) voting members. The Plan strives to ensure workability, thus no vetoes are included, as with the 1960 Constitution. Decisions of Parliament require the approval of both Chambers by simple majority, including one quarter of voting Senators from each constituent state. However for specified matters such as ratification of international agreements on matters which fall within the legislative competence of the constituent states (ratification of treaties and adoption of laws and regulations concerning airspace, continental shelf and territorial waters; adoption of laws and regulations concerning citizenship, immigration, water resources and taxation; approval of the federal budget and the election of the Presidential Council), a special majority comprising at least two fifths of sitting senators from each constituent state is required, in addition to a simple majority of deputies. The decisions of the Presidential Council require a simple majority of members, but including in all cases at least one member from each constituent state. Regarding security matters, the objective is of demilitarisation of the island where there would be both a federal police force and forces in the two component states. There would be a Supreme Court to uphold the constitution. The Court would comprise of an equal number of judges from each constituent state and three non-Cypriot judges. The Supreme Court would *inter alia* resolve disputes between the constituent states or between the states and the federal government.

**Talks over derogations:** The issue of derogations remains unresolved. Despite the requests of the Turkish side and the UN itself, the EU is insisting on adopting the plan as an “act of adaptation”, where there will only be Council approval and no parliamentary ratification by the EU member states. One may argue that the possibility of non-ratification by EU (especially Greek) parliaments poses a political risk

for the EU to take this decision. Talks between EU officials and Turkish representatives are continuing. Although the Turkish side is strongly opposing the present EU position, it does not seem to have a detrimental effect on their commitment to holding the referenda. In the absence of any unforeseen and outstanding development, this last 5th version of the Plan will be put to referenda on the two sides on 24 April.

**The Referenda, 24 April:** However the results of the referenda may be mixed. Recent opinion polls suggest that a majority of Greek Cypriots oppose the Annan Plan, with the 'no' vote according to three opinion polls estimated at 54%, 53% and 62%. The final version of the Plan seems even to have increased these negative perceptions. According to an opinion poll by Antenna, a Greek Cypriot TV station, more than 70% of Greek Cypriots would vote against the latest version of the Annan Plan. Another poll conducted on 1-2 April by VPRC suggest that 84.7% of the Greek Cypriots oppose the Plan. The international community strongly encourages the Greek Cypriots to push for a 'yes' vote in the referendum. The Commission has declared that approval of the Annan Plan would be an important factor in

the negotiations over the EU's financial perspectives in 2005.

The prospects of a 'yes' vote in the North look more promising. In a press conference held after the submission of the Plan, Erdoğan replied to a question on the referenda by stating that 'he wishes to see the results of their efforts', indicating the Turkish government's expectations of a 'yes' vote for both sides. Turkish Cypriots are also more positive about the plan. In the recent elections the pro-Annan Plan parties received 51.24% of the votes. A recent opinion poll confirms this result with 51.1% of the Turkish Cypriots in favour of the Annan Plan. However, this is a narrow margin, and a 'yes' vote on the Turkish side should also not be taken for granted. Although the reactions to the final version of the Plan have generally been positive, there still remain serious concerns among many regarding the amount of Greek Cypriots to return to North and those that will be dispossessed after territorial adjustments. It is evident that there will also be negative campaigning in the North, based mainly on these issues and led by Rauf Denktas himself.

**TURKISH BUSINESS PERSPECTIVES**  
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*TÜSIAD inaugurated its Paris office with a ceremony opened by the speeches by State Minister, Ali Babacan, France's Economy and Finance Minister, Francis Mer, and the President of the Confederation of French Enterprises (MEDEF), Antoine Seillière.*

*In the opening ceremony, TÜSIAD President Ömer Sabancı addressed the public with a speech. The main messages conveyed by Mr. Sabancı to the participants included the following points:*

- *As of March 2004, the rate of inflation dropped to single digit levels, a feat forgotten for over a generation. **Growth** has been restored to the economy even if employment figures have not yet caught up with the rebound. Interest rates are at the lowest since a quarter century ago and budgetary discipline has been mostly restored. From now on, the Maastricht criteria and the Lisbon Strategy of the European Union are also our main guidelines.*
- *Turkish **companies** are emerging as world-class competitors in sophisticated industrial products. We are committed to bring Turkey's economy to the standards of most competitive countries in terms of technological sophistication.*
- *Our economic **dynamism** is helping the economies of neighbouring countries. We expect Armenia to soon join Syria, Iraq, Georgia, Russia, Iran and other regional countries as a viable trade partner of Turkey when the border is opened.*

- *By the beginning of the next decade Turkey will be an **energy** corridor as gas and oil pipelines will cross the country from north to south and east to west. The European Union will be one of the beneficiaries of such a development since these multiple pipelines will enable it to diversify its energy sources.*
- *We are the watchdogs of the **reform process**. We will not let it fail. Moreover we have no doubts in our minds that our current government is committed to the membership agenda. This agenda includes the supremacy of civilian authority as well.*
- *Turkey will have done its part in securing a **Cyprus** resolution. We hope that our Greek counterparts will do the same.*
- *We are all more appreciative of a world order where **secular** thinking prevails. We all have a common interest in not allowing a so-called clash of civilizations. Just as much we have a common interest in stabilizing the Middle East and assure the emergence of a secular, representative political order in that critical region.*
- *What we ask from our partners in the EU is encouragement and a fair assessment when December arrives. **Turkey is ready for the process of negotiations**, which we know will take several years to successfully conclude.*
- *The decision to start accession negotiations will propel Turkey towards the final stage of its political, economic and social transformations. We then hope to contribute to **the shaping of Europe** that is being launched as the continent unifies.*

**The full text of the speech can be accessed at:**  
[www.tusiad.org/english.nsf](http://www.tusiad.org/english.nsf)

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# CEPS

## *Turkey in Europe Monitor*

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### ***Introductory Note from CEPS***

*This issue of CEPS Turkey in Europe Monitor focuses on the views of the European Parliament on Turkish accession to the European Union. The monitor provides first a brief overview of the views of Parliamentary groups on Turkish membership and the Oostlander Report on Turkey which was approved by the Parliament on 1 April.*

*Second, it contains the positions of national delegations within Parliamentary Groups and the national debates surrounding the issue prior to the EP Elections to be held in June. The monitor also provides the distribution of votes on the Oostlander Report.*

Michael Emerson and Senem Aydın

### **Views of the European Parliament on Turkish Accession**

Senem Aydın

The debates over Turkey's accession to the European Union are becoming more intense with the European Parliament elections drawing closer. On 1 April, the Parliament voted to adopt the Oostlander Report which decided that Turkey does not yet meet the Copenhagen political criteria required for EU membership and that more progress is needed before Ankara can expect a date from the EU for the opening of accession talks. While recognising the legislative reforms already enacted in the country, the Report criticised Turkey for lagging behind in implementation especially with respect to the fight against torture, discrimination of religious and ethnic minorities, continuing influence of the army in politics and the judicial system. During the debate that preceded the voting, the MEPs rejected an amendment proposed by the German Christian

Democrat members of the conservative PPE-DE Group which would have offered Turkey a 'privileged partnership' status rather than full

EU membership. Many commentators argued as a result that the report was more positive than the previous ones, specifically in the way that it acknowledged Turkey's candidacy and emphasised full membership as a goal to be attained.

The Report was adopted with 211 votes in favour, 84 against and 46 abstentions. The most striking pattern in the votes was the overwhelming support of the **PSE (Party of European Socialists)** and **ELDR (European Liberal Democrat and Reform Party)** to the Report, with only one against vote in ELDR and two against and two abstentions in the case of PSE. The conservative **PPE-DE (European People's Party and European Democrats)** was divided over its stance. After their proposal to insert the 'privileged partnership' clause in the Report was turned down, the German CDU/CSU delegation to the PPE-DE voted against the Report in a bloc, with only a few exceptions, and was supported by the French and Austrian members of the PPE-DE. A majority of MEPs from the **GUE/NGL Group (Group of the European United Left/Nordic Green Left)** and **Verts/ALE (Group of the Greens/European Free Alliance)** have also voted in favour of the Oostlander Report. These voting patterns give some general insight as to the positions of par-

liamentary groups on Turkish accession to the EU. As the socialist, liberal, extreme left and green groups seem to broadly favour eventual Turkish accession, the majority of the conservative centre-right seems to oppose it. It would however be misleading to treat these groups as monolithic entities and considerable attention needs to be given to the differences in the opinions of national party delegations within parliamentary groups to understand where Turkish accession stands in the national debates prior to EP elections to be held in June.

### 1. PPE-DE-Majority against Eventual Turkish Accession

The biggest parliamentary group in the EP, **PPE-DE**, despite the strong opposition of most of its national delegations to the Turkish accession, is still not a united front in this issue. Hans-Gert Poettering, the Chairman of the EPP-ED Group speaking to the European Parliament has declared that as far as Turkish membership is concerned, they are not of one opinion. He added that the one point they agree on is that Turkey is an important, strategic partner with which they need to foster close relations.

The most prominent campaigner in the PPE-DE Group against Turkish accession is the CDU/CSU delegation from **Germany**. They were actually the first in Germany to take up this issue as a major element of their campaigning strategy against the SPD and the Greens that have a favourable attitude towards Turkey's entry into the EU. Back in May 2003, the head of the German delegation of the PPE-DE Group in the EP stated that the EU 'owes clarity to its neighbours, whose hopes should not be raised if they can't be fulfilled' and continued to argue that 'that is one of the problems with Turkey, which is an important ally and partner.' Michael Glos, the head of the CSU faction in the German Parliament has announced back in September 2003 that the 'rejection of Turkish EU membership due to its different culture and poor economy would be an issue in European Elections'. Thus, CDU leader Angela Merkel's proposal to offer Turkey a 'privileged partnership' on her visit to Turkey in February this year did not come as a surprise to many observers. Following Merkel's proposal which was strongly rejected by Turkey, the CDU/CSU group in the EP has

adopted and published a declaration titled 'For a new Turkey Policy: Privileged Partnership vs. EU Accession' (Für eine Türkei-Politik: Privilegierte Partnerschaft statt EU-Mitgliedschaft).

This document attempts to justify the establishment of a 'privileged partnership' which would be an extended version of the customs union agreement with increased financial aid, youth and cultural programmes, on the grounds that full accession of Turkey to the Union would hamper the efficient functioning of the EU with the country's large population and the problems related to its market economy. The document also draws attention to 'defining the borders of Europe' by arguing that countries such as Ukraine would also have a legitimate claim to join the EU after a possible Turkish accession, where membership of both would have detrimental effects on the already troubled German economy.

More recent objections to Turkey's accession have also been raised by the **French** centre-right in the PPE-DE Group. Some prominent UMP MEPs such as Alain Lamassoure, after voting against the Oostlander Report of the Parliament, declared that 'the vote was an opportunity for the UMP to express their opposition to Turkey's entry into the EU' and that 'this would likely be UMP's position during the European elections'. Following the recent statements of the new foreign minister, Michel Barnier, on 7 April that France would oppose Turkey's entry into the EU 'under current circumstances' as 'Turkey does not respect the conditions, even if it is preparing to do so', Alain Juppé, the leader of the ruling centre-right UMP and a close associate of French President Jacques Chirac, decided to publicly oppose Turkey's candidacy to the EU. He argued that the countries on the periphery of the growing EU, such as Turkey, 'have no business joining (the bloc), otherwise it will be diluted'. He has concluded that 'the UMP does not want to see negotiations with Turkey at the end of the year'. In the same line with the German Christian Democrats, he proposed a 'privileged partnership' with Turkey.

In response to the uproar that the two consequent statements caused in Turkish media, Barnier made another statement on 18 April, warning against 'shutting the door' on Ankara,

signalling a softening of his previous stance. He argued that in the case of rejection, 'there is a risk that Turkey will return to another model' and added to repeat his previous claim that 'there is no question of Turkey's accession in the current circumstances or in the short term'. President Chirac has recently made parallel statements, supporting Turkish accession in the long run while reminding that the country is not currently ready for full accession. Regarding the opening of accession negotiations, the French President has stuck to his neutral position by emphasising the importance of the Commission's Report to be delivered in October. According to many observers, while the official French position represented by Chirac and Barnier focus on the impossibility of Turkish accession in the short term while keeping the option of granting the country the opening of accession negotiations and thus not negating their previous policy, the upcoming elections to the EP require the UMP to take a tougher stance on the issue. UMP faces serious competition from the extreme-right who has made this issue one of its central themes in the EP elections as well as from other prominent parties of the centre-right such as the UDF who has traditionally opposed Turkey's membership to the EU. Hoping to avoid a repeat of the defeat the party received in March's elections to France's regional councils, the UMP is put under immense pressure to not to lose ground on this front.

Another national party group in the PPE-DE that is strongly opposed to Turkish accession is the **Austrian** People's Party (ÖVP) that mainly competes against Haider's FPÖ which is constructing its whole EP election campaign around this issue. Their position was well demonstrated in their rejection of the Oostlander Report on grounds that Turkey was acknowledged as a candidate country. The **Danish** members of the PPE-DE, Danish People's Party, have also recently announced a campaign against Turkish membership on mainly the grounds of identity. The **Belgian (Flemish)** Christian Democrats seem to have a softer but a more ambiguous stance on this matter. CD&V has recently published its EP election manifesto in which there is an emphasis on the urgent need for a debate on the borders of Europe and the conservation of European identity, followed by the statement that 'it is

too soon to take definite decisions regarding accession talks.' as 'Turkey is too far away from meeting the agreed accession criteria'. The **Dutch** national delegation in the PPE-DE group also lacks a clear cut position on the topic. One of the influential figures of the Dutch CDA in the PPE-DE group and the rapporteur of the most recent EP Report on Turkey, Arie Oostlander, has declared that 'Turkey is in fact not ready to start accession negotiations', but that negotiations could still start after the Commission's assessment with the political criteria being the first chapter in the talks. The party spokesman has also recently argued for the conservation of Turkey's candidacy while pointing to the non-negotiable criteria of Copenhagen.

Other PPE-DE delegations, most notably the British Conservative Party, Spanish Popular Party, Berlusconi's Forza Italia and the Swedish Moderate Party seem to have a more favourable attitude towards Turkish membership. The **British Conservatives** have traditionally been supportive of Turkish entry which was driven, according to many, by their hope that this would lead to a looser community of nation states and thus prevent further political integration. The Conservative MEP Van Orden who is also a member of the delegation to the EU-Turkey Joint Parliamentary Committee has recently criticised the Oostlander Report for 'sending a lukewarm message' to Turkey and has affirmed that Turkey's destiny as a full member needs to be acknowledged. However, in the same debate, another conservative MEP, James Elles, adopted the opposite stance by emphasising EU's absorption capacity and by arguing that 'the most sensible thing would be to say that there is real uncertainty in the Union's current political situation, and to be extremely cautious before giving Turkey the green light at this stage' which suggest that individual differences exist within the party. Both have abstained from voting on the Report like the majority of British conservative MEPs.

The **Spanish** Popular Party has been an ardent supporter of Turkey's integration to the EU, seen by many as a consequence of Aznar's Atlanticism. In a speech delivered on February 2004, the former foreign affairs minister, Ana Palacio, has stated that Europe needs to be ready for its next challenge which is 'Europe-

twenty-five countries plus Bulgaria, Romania and Turkey'. The major Italian party of the centre-right, Forza **Italia**, has also been advocating Turkish membership as clearly demonstrated in Berlusconi's statements that 'Italy will do all it can to help advance Turkey's bid to join the European Union' and that the support that they have been giving to Turkey 'will continue to increase'. The chairman of the **Swedish** Moderate Party, Bo Lundgren, has often warned the EU against 'moving the goalposts as Turkey advances' while citing the Copenhagen political criteria as a 'very strict' condition. The conservative New Democracy Party in **Greece** that recently overthrew the Socialists from power also seems to support the Turkish aspirations. After coming to power, Prime Minister Karamanlis said they supported Turkey's European Union bid as long as Turkey complies with EU regulations. Despite Karamanlis' pledge for continued good relations with Turkey during his election campaign and afterwards, many are still sceptical as to whether he will sustain the friendly atmosphere initiated by his rival, Papandreou.

## 2. PSE-Majority in Favour of Eventual Turkish Accession, Negotiations Depending on the Commission Report

The second biggest Parliamentary Group in the EP, **PSE**, has in general a more favourable approach towards the matter than the conservatives. In their recent review of the plenary session where the Turkish and Croatian applications were discussed, the Group has affirmed its opinion that 'an enlarged EU leads to increased stability and prosperity for all Europe' and that therefore, the Group 'supports the applications for membership of countries with European vocation and willing to take over the *acquis communautaire*.' After voting largely in favour of the Oostlander Report, the Group declared that it has 'successfully defeated an attempt by leading members of the EPP to firmly close the door on Turkey' as 'the amendments tabled by EPP Members would have meant an end to any hopes for Turkish accession even at this early stage of negotiations'. They added that 'taking a more constructive approach, PSE Group Members want to work with Turkey to ensure that a range of basic criteria are met and to not take any definitive decisions at this point in time'.

Among the PSE Group, some of the most prominent supporters of the Turkish bid seem to be the **German** social democrats, the SPD. Many observers believe that SPD's strong stance stems from the need to establish itself at the opposite end in the face of increasing competition from CDU/CSU that has a clear policy line on this matter and to capture the votes of the Turkish immigrants in both the European and the national elections. This was best reflected in the way Schroeder visited Turkey on 23 February, immediately a week after Merkel had arrived to propose the 'privileged partnership' scenario. On his visit, he announced that 'Turkey can always count on Germany for support' and that their vote 'will be for the start of accession negotiations in the shortest time if Turkey has fulfilled all the criteria'. Regarding the political reforms in the country, he declared that Turkey was on 'the right path to get a green light to open accession talks at the end of the year' and that 'there are good chances to see that at the end of the year'.

An even stronger advocate in the PSE Group is the **British** Labour Party. The Labour discourse regarding Turkish accession is mainly based on security considerations. The foreign minister, Jack Straw has recently defined Turkish accession as an 'acid test of Europe's ability to counter the myth that it is doomed to conflict with Islam' and asserted that Europeans need to be clear that 'Turkey will be treated as any other EU candidate, without fear or favour'. These concerns are also frequently voiced by Tony Blair who argues that 'the EU should allow mainly Muslim Turkey to become a member of the bloc to demonstrate its commitment to the creation of a tolerant and diverse Europe'.

This unequivocal support seems to be shared also by the **Dutch** Social Democrat Party (PvdA) who came to the conclusion in a national parliamentary debate in February that the decision to start negotiations with Turkey should be taken in December. Although the **Spanish** Social Democrats have been quite silent on the issue so far, the Turkish Ambassador to Spain has recently made a statement that his contacts with Zapatero's party suggest that Spain's support for Turkey's EU bid will continue. The **Swedish** social democrats continue their support with their sustained empha-

sis on the fulfilment of the Copenhagen political criteria. The **Greek** PASOK with Papanreou, credited as the architect of the recent rapprochement between Turkey and Greece, is also among the pro-Turkish accession group in the PES. The **French** Socialist Party has also been broadly favourable to Turkey's accession, with some extra demands regarding the Armenian issue. Socialist Party Foreign Affairs Secretary-General, Pierre Moscovici recently blamed the UMP for 'their extreme opportunism' in their stance on Turkish accession. He stated that their Turkish policy has not changed and that they want negotiations to start if Turkey fulfils the Copenhagen criteria. He defined the three main problems facing Turkey as 'securing secularism, the army's role in politics and the Armenian genocide issue'.

There is also a minority faction of the PSE Group that opposes or has rather ambiguous views on Turkish accession. The **Austrian** Social Democrats, while not opposing Turkey's candidacy believe that it is not ready for accession negotiations. The **Italian** Left is keeping so silent on the issue that they have not mentioned Turkey in their election manifesto which expresses their detailed views on enlargement and the future of Europe. The **Danish** Social Democrat Party, on the other hand, is strongly against it. While there is almost a 'negative' consensus building up in Austria, the position of the Danish Social Democrats is considered more as a strategic move to capture the liberal votes from the electorate as a sudden shift of policy is observed. The former Danish Prime Minister and Social Democrat top candidate for the June European Elections, Poul Nyrup Rasmussen was one of the ardent supporters of Turkey's candidacy in 1999, now suggesting that he 'is not certain that Turkish EU membership would be a good idea'.

### **3. ELDR-Majority in Favour of Eventual Turkish Accession, Negotiations Depending on the Commission Report**

The third biggest Parliamentary Group in the EP, **ELDR**, is most probably the strongest supporter of Turkish accession. Their official

line is that 'accession can accelerate reform in Turkey and secure stable democratic government there in the future' and 'if the European Council approves the opening of accession negotiations in December 2004, the ELDR will continue to offer its support for Turkey's eventual place in the European Union'. This stance is mostly shared by the **British, Swedish and Belgian** Liberal Democrats. The **Danish** Liberal Party of Fogh Rasmussen seems to be more ambivalent on the issue, mostly due to the fierce opposition from the Social Democrats and Conservatives who oppose Turkish accession. The liberal prime minister has chosen to remain silent for the time being, making general and vague statements such as 'it can not be a surprise that candidates on a list have different opinions on Turkey'. The **Dutch** Liberals (VVD) on the other hand are explicitly against Turkish membership. Jules Maaten, the leader of the VVD fraction in the EU has recently argued that for countries such as Croatia and Turkey, negotiations can only start upon the reform of European institutions which is perceived by them as a distant possibility.

### **4. GUE-NGL and Verts/ALE-Majority in Favour of Eventual Accession with Strict Application of the Copenhagen Political Criteria**

The fourth and fifth biggest Parliamentary Groups in the EP, **GUE-NGL** and **Verts/ALE**, are generally supportive of Turkish accession. They both favour a serious EU accession offer to Turkey, linked to demands on the Kurdish issue and respect for human rights. In the case of the GUE-NGL, specifically due to the weight of the French extreme-left, the Armenian issue is also strongly tied to Turkey's accession demands. Most argue that 'recognition of the Armenian genocide' should be one of the preconditions of Turkey's membership.

The *Turkey in Europe* Monitor, after the European Parliament elections, will also evaluate the positions of the national party delegations of the new member states on the issue of Turkish accession.

*Distribution of Votes in the European Parliament on the Oostlander Report***OOSTLANDER : Résolution**

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| 211 | JA-STEMMEN JA-STEMMEN ΥΨΗΛΟ ΓΙΑ ΤΟ ΦΑΒΟΡ ΠΟΛΕΣΤΑ ΠΟΙΡ ΦΑΒΟΡΕΥΟΛΙ VOOR A FAVOR JA-RÖST |
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- EDD:** Andersen, Belder, Blokland, Bonde, van Dam
- ELDR:** Andreassen, Boogerd-Quaak, Calò, Clegg, Davies, De Clercq, Duff, Flesch, Jensen, Lynne, Maaten, Manders, Mulder, Newton Dunn, Paulsen, Pesälä, Pohjamo, Riis-Jørgensen, Sanders-ten Holte, Schmidt, Thors, Väyrynen, Vallvé, Van Hecke, Vermeer, Virrankoski, Watson
- GUE/NGL:** Ainardi, Bakopoulos, Boudjenah, Caudron, Dary, Di Lello Finuoli, Eriksson, Fiebiger, Kaufmann, Meijer, Modrow, Naïr, Papayannakis, Ribeiro, Scarbonchi, Seppänen, Sjöstedt
- NI:** Cappato, Della Vedova, Martin Hans-Peter, Turco
- PPE-DE:** Arvidsson, Avilés Perea, Ayuso González, Balfé, Bayona de Perogordo, Bowis, Bremmer, Camisón Asensio, Cardoso, Cederschiöld, Coelho, Doorn, Doyle, Fernández Martín, Ferrer, Fiori, García-Margallo y Marfil, Graça Moura, Grönfeldt Bergman, Grosch, Kaldi, Knolle, Korhola, Kratsa-Tsagaropoulou, Lisi, Maat, Marques, Martens, Matikainen-Kallström, Menrad, Naranjo Escobar, Oomen-Ruijten, Oostlander, Pastorelli, Piscarreta, Podestà, Pomés Ruiz, Pronk, Purvis, Røvsing, Santini, Smet, Stenmarck, Suominen, Thyssen, Trakatellis, Varela Suanzes-Carpegna, Vatanen, Vidal-Quadras Roca, Wachtmeister, Wijkman
- PSE:** Adam, Andersson, Aparicio Sánchez, Baltas, van den Berg, Berger, Bösch, Bowe, Bullmann, van den Burg, Corbett, Corbey, Dehousse, De Keyser, Dhaene, Duhamel, El Khadraoui, Gebhardt, Gill, Gillig, Goebbels, Görlach, Hänsch, Haug, Hedkvist Petersen, Honeyball, van Hulten, Jöns, Junker, Karamanou, Katiforis, Keßler, Kindermann, Koukiadis, Krehl, Kreissl-Dörfler, Lage, Lalumière, Lavarra, Leinen, Linkohr, Lund, McAvan, Malliori, Mann Erika, Marinho, Martin David W., Mastorakis, Miguélez Ramos, Miranda de Lage, Myller, Obiols i Germà, Paasilinna, Paciotti, Patrie, Poos, Prets, Rapkay, Read, Rothe, Roure, Sacconi, dos Santos, Scheele, Skinner, Souladakis, Stockmann, Swiebel, Swoboda, Terrón i Cusi, Thorning-Schmidt, Tittley, Torres Marques, Vairinhos, Volcic, Walter, Watts, Weiler, Wiersma, Zrihen
- UEN:** Crowley, Queiró, Ribeiro e Castro
- Verts/ALE:** Aaltonen, Ahern, Auroi, Bouwman, Breyer, Buitenweg, Cohn-Bendit, Duthu, Echerer, Evans Jillian, Flautre, Frassoni, Gahrton, Isler Béguin, Lucas, MacCormick, Maes, Onesta, Schörling, Schroedter, Sørensen, Staes, Turmes, Wyn

|    |   |
|----|---|
| 84 | NEJ-STEMMEN NEIN-STEMMEN ΚΑΤΩ ΑΓΙΝΣΤΙ ΕΝΑΝΤΙ VASTAAN CONTRA CONTRARI TEGEN CONTRA |
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- EDD:** Abitbol, Esclopé, Mathieu, Saint-Josse
- ELDR:** Monsonís Domingo
- GUE/NGL:** Alyssandrakis, Korakas, Patakis
- NI:** Berthu, Beysen, Garaud, Gorostiaga Atxalandabaso, Hager, Kronberger, Lang, de La Perriere, Martinez, Stirbois, Varaut
- PPE-DE:** Bébéar, Berend, Böge, von Boetticher, Bourlanges, Brok, Cornillet, Daul, Dell'Utri, Deprez, Descamps, De Veyrac, Ebner, Ferber, Florenz, Fourtou, Gahler, Glase, Goepel, Grossetête, Hansenne, Hermange, Hieronymi, Jeggle, Karas, Klamt, Klaß, Koch, Konrad, Lamassoure, Langen, Lehne, Lulling, McCartin, Mann Thomas, Martin Hugues, Mombaur, Montfort, Morillon, Nassauer, Niebler, Pack, Posselt, Quisthoudt-Rowohl, Radwan, Rübig, Schleicher, Schnellhardt, Schröder Jürgen, Stenzel, de Veyrinas, Vlasto, Wenzel-Perillo, Wieland, von Wogau, Wuermeling, Zacharakis

**PSE:** Ceyhun, Rothley

**UEN:** Camre, Caullery, Marchiani, Mussa, Thomas-Mauro

**Verts/ALE:** Voggenhuber

|    |                   |
|----|-------------------|
| 46 | <b>Abstention</b> |
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**GUE/NGL:** Blak, Bordes, Cauquil, Krivine, Laguiller

**NI:** Claeys, Dillen

**PPE-DE:** Banotti, Callanan, Dover, Elles, Fatuzzo, Foster, Goodwill, Harbour, Inglewood, Kastler, Keppelhoff-Wiechert, Khanbhai, Langenhagen, Laschet, Lechner, Liese, Mayer Hans-Peter, Mayer Xaver, Nicholson, Perry, Sacrédeus, Santer, Schmitt, Sommer, Stevenson, Stockton, Tannock, Theato, Twinn, Van Orden, Villiers, Zimmerling

**PSE:** Ettl, Poignant

**UEN:** Berlato, Muscardini

**Verts/ALE:** Boumediene-Thiery, McKenna, Rod

**PPE-DE:** European People's Party and European Democrats (centre-right, conservative, biggest national group being the CDU/CSU from Germany. Largely against Turkish accession, voted against in a bloc upon the rejection of their proposal for a privileged partnership with Turkey.)

**PSE:** Party of European Socialists (centre-left, largely supportive of eventual Turkish accession, voted in favour of the Report with overwhelming majority)

**ELDR:** European Liberal Democrat and Reform Party (liberals, largely in favour of eventual Turkish accession, voted in favour of the Report with overwhelming majority)

**GUE/NGL:** Group of the European United Left/Nordic Green Left (largely in favour of eventual Turkish accession, voted in favour of the Report with overwhelming majority)

**Verts/ALE:** Group of the Greens/European Free Alliance (largely in favour of eventual Turkish accession, voted in favour of the Report with overwhelming majority)

**UEN:** Union for a Europe of Nations

**EDD:** Group for a Europe of Democracies and Diversities

**NI:** Non-attached

**The full text of the Oostlander Report can be accessed at**

**<http://www2.europarl.eu.int/omk/sipade2?PUBREF=-//EP//NONSGML+REPORT+A5-2004-0204+0+DOC+WORD+V0//EN&L=EN&LEVEL=3&NAV=S&LSTDOC=Y>**

## TURKISH BUSINESS PERSPECTIVES

by

**TÜSIAD**  
**TURKISH INDUSTRY & BUSINESS ASSOCIATION**

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### GERMAN BUSINESS SUPPORTS TURKEY'S MEMBERSHIP TO THE EU

*A high-level meeting between the Federation of German Industries (BDI) and the Turkish Industry and Business Association (TÜSIAD) was held on 21 April 2004 in Istanbul.*

*The competitiveness of Europe, Turkey's status as a candidate for EU membership and bilateral economic relations were at the heart of this meeting.*

*On this occasion, Dr. Michael Rogowski, the President of BDI and Mr. Omer Sabanci, the President of TÜSIAD issued **BDI-TÜSIAD joint declaration** that contains the following main messages:*

- *TÜSIAD and BDI call on the European Union to accelerate the implementation of **Lisbon Strategy** as well as the **institutional reforms** and to secure its ability to act as a global political and economic power.*
- *The early adoption of a constitutional treaty will facilitate the decision making process in an enlarged European Union. Structural and agricultural policies must be adjusted to the budget restraints in Member Countries and to the challenges of the future.*

*BDI and TÜSIAD emphasise the importance of **a clear European perspective for Turkey**. The business communities in both countries need a reliable framework to develop their operations both on a bilateral level and in Europe.*

- *The Presidents of TÜSIAD and BDI note with satisfaction the progressive development of bilateral trade relations and investment. The Customs Union with the EU and recent steps to enforce stable economic and monetary policies in Turkey will contribute to the further expansion of the Turkish economy and economic relations with Germany.*

- *The Presidents of BDI and TÜSIAD share the view that **business could benefit greatly from the further European integration of Turkey**.*

- *BDI and TÜSIAD point to the decisions of the European Council in Helsinki and Copenhagen granting Turkey the status of candidate for EU membership and offering **negotiations in 2005** if the conditions are met.*

- *TÜSIAD and BDI are concerned that it could be very detrimental for the political and economic stability in Turkey and in Europe as a whole if efforts to facilitate **Turkey's accession to the EU** guided by the Accession Partnership document of the European Commission come to a halt or are reversed.*

*The full text of the declaration can be accessed at:*  
[www.tusiad.org/english.nsf](http://www.tusiad.org/english.nsf)

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CONFEDERATIONS OF EUROPE)



# CEPS

## *Turkey in Europe Monitor*

No. 5, May 2004

### **Introductory Note from CEPS**

*This issue of the CEPS Turkey in Europe Monitor presents an article by Dr. Ayhan Kaya from Bilgi University, Istanbul, on the Turkish origin migrants living in Germany and France. The article comprises some of the findings of a major research project conducted by Dr. Ayhan Kaya and Dr. Ferhat Kentel, aiming to investigate the question of whether the Euro-Turks living in Germany and France can be a driving force for Turkey in its process of integration into the European Union. With*

*this objective in mind, the article seeks to discover the perspectives of Euro-Turks on the EU and 'Europeanness'; the political culture that they have created in the West; the kinds of incorporation strategies they have constructed vis-à-vis their countries of settlement and their thoughts on key issues such as citizenship, democratisation, political participation, globalisation, human rights, equality, rule of law, justice, religion, multiculturalism, interculturalism, co-existence and political institutions.*

Michael Emerson and Senem Aydın

### **Euro-Turks: A Bridge, or a Breach, between Turkey and the European Union?**

**Ayhan Kaya\***

There is a common belief in western European countries that the Turkish origin migrants and their children do not integrate into social, political, economic and cultural life of their settlement countries. According to the same common belief, Turks' political motivations in their countries of settlement are primarily shaped by their homeland. However, there are recently many indications and academic works displaying an alternative picture. Contemporary Turkish origin migrants and their descendants in the west can no longer be simply considered temporary migrant communities who live with the 'myth of return', or passive victims of global capitalism who are alienated by the system and swept up in a destiny dominated by the capitalist west. They have rather become

permanent settlers, active social agents and decision-makers. Lately, there is an emerging middle class group of Euro-Turks who are involved in many different sectors such as service, tourism, catering, telecommunication, construction, etc.

There is also a lack of awareness in both homeland and 'hostland' concerning the characteristics of migrants and their children. Euro-Turks have been stereotypically represented as *Almancı* (German-like) in Turkey and 'foreigner' in the west. It is still commonly believed in Turkey that Turkish origin migrants and their descendants in the west are *Gurbetci*<sup>1</sup> who have a great orientation towards the homeland and will someday return home. On the other hand, they are also called *Almancı*, a term which depicts such people as being rich, eating pork, having a very comfortable life in the west, losing their Turkishness, and becoming

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<sup>1</sup> The term '*gurbetci*' refers to someone in '*gurbet*' (diaspora), which is an Arabic word deriving from *garaba*, to go away, to depart, to be absent, to go to a foreign country, to emigrate, to be away from *garaba*, to go away, to depart, to be absent, to go to a foreign country, to emigrate, to be away from one's homeland, to live as a foreigner in another country.

increasingly Germanized, Anglicized, and Frankified etc. They are also stereotypically called as ‘foreigner’ in their own countries of settlement. The common stereotypical labelling of ‘Turk’ in the west strongly indicates that Turks are conservative, religious, veiling, poor, nationalist, longing for homeland, un-integrating, and violent. This research aims to reveal that Euro-Turks are highly diversified and have very little in common with the ‘*Almanca*’, ‘guestworker’ or ‘foreigner’ stereotypes of the past. It uncovers invisible Euro-Turks who also identify themselves as Turkish origin migrants and their children originating from Turkey like those who somehow fit into the category of stereotypical ‘Turks’ visible in the public space with their outer looks and clothing styles. The work also challenges the common belief in the west that Turks do not integrate in their country of settlement and that Turkish-Islam does not comply with the western way of life.

The project titled ‘Euro-Turks: A Bridge, or a Breach, between Turkey and the European Union’ was conducted by Ayhan Kaya and Ferhat Kentel in the period between September 2003 and March 2004. The research was held in Germany and France, and included both qualitative (in-depth interviews and focus group discussions) and quantitative methods (1065 structured interviews with 90 questions in German, and 600 in France). The structured interviews were conducted in November 2003 by two local public poll companies in Germany and France with the involvement of Turkish speaking university students fluent in either German or French. The interviews were made in three languages (Turkish, German and French) depending upon the choice of the interviewees. It should be noted here that 21 percent of the interviews held among the German-Turks were conducted in German, and 31 percent among the French-Turks in French.

### **Euro-Turks: A Bridge, or a Breach, between Turkey and the European Union?**

The ongoing research aims to investigate the question of whether the Euro-Turks living in Germany and France can be a driving force for Turkey in its process of integration into the European Union. Social, political, and cultural discourses of Turkish diasporic subjects concerning Turkey-EU relations in the two Euro-

pean countries are being mapped out in the research. Turkish origin migrants and their descendants constitute a rather heterogeneous group of people in Europe in respect to their recent economic, political, cultural, ethnic and religious dispositions. Thus, one of the premises of this work was that these separate groups would pose both strong support and reservation to Turkey’s EU membership. Analyzing the public opinion among the Turkish diaspora groups in Western Europe may help us find out if diasporic Turkish communities may provide the Turkish society with new opportunities and prospects in the formation of a more open and democratic society in Turkey. Another premise of this work is that boundaries between Turkey and the diaspora are no longer that strict, they are rather blurred. For instance, it has lately been realized that the Islamic resurgence in the diaspora has resulted in the reinforcement of religious organisations in the homeland. The same process is also applicable to the Kurdish and *Alevi* revival in Turkey, because both social movements are to some extent constrained by modern diasporic formations. Hence, these phenomena make it clear that diasporic formations may have a strong impact on the homeland formations.

This research aims to understand whether the Euro-Turks have developed certain commitments vis-à-vis the European Union and Europeaness; what sort of a political culture they generated in the west; what kind of incorporation strategies they constructed vis-à-vis their countries of settlement; and their contemplation about some essential issues such as citizenship, democratization, political participation, globalization, human rights, equality, rule of law, justice, religion, multiculturalism, interculturalism, coexistence and political institutions. These questions are all addressed in a way that could make us compare their views about the homeland and ‘hostland’. This research is essential in a conjuncture characterized by intensive discussions in Turkey and abroad concerning the EU integration process, the European Constitution, the European enlargement process, the Cyprus question, the secularism debate, and religious fundamentalism. The conjuncture is also unique in the sense that there is a shift in the west from multiculturalist discourse to interculturalist discourse. However, the scope of this work will only be limited with the claim that Euro-Turks

do not pose a threat to their countries of settlement, but rather aim to incorporate themselves into the western democracies and European identity.

The research reveals that Euro-Turks do not pose a threat to the political and social system of their countries of settlement, but rather have the willingness to incorporate themselves into the system. It is commonly known that Western European states, generally speaking, have the tendency to regard Islam as a threat to their national *security*. Instead, the research uncovers that orientation to Islam among the Euro-Turks could also be regarded as a quest for *justice* and *fairness*. Accordingly, this work shall present some of the relevant qualitative and quantitative data gathered during the research. In the end it will be proposed that the EU states should give in the *security discourse*, and get engaged in *justice discourse* in their responds to minority claims.<sup>2</sup>

#### Europeanness: A Constant Process of Being and Becoming

Both the qualitative and quantitative data gathered in our research, point out that concrete understanding of Europeanness does not exist among the Euro-Turks. However, the same observation corresponds to the receiving societies. There is actually no doubt that a deep-rooted sense of Europeanness does not also exist among the majority of the public; and actually an identity is ideologically being constructed by the political elite of the European Union gradually through education, European citizenship, and common history and future. European Union has evidently displayed a stronger political unity since the Tindemans Report (Leo Tindemans was then the Belgian Prime Minister) submitted to the European Council at the end of December 1975, which prompted the member states to form a unified political entity with her own flag, anthem,

<sup>2</sup> This classification is made by Will Kymlicka (2002) to refer to the ways in which the demands of minority groups have been identified in western and eastern European countries. He claims that western European democracies usually define minority claims as a quest for justice and fairness, while eastern European states name such claims as a threat to their national security.

myths, memories, peoples, regions, and rights and duties granted to the EU citizens.<sup>3</sup>

There are at least two definitions of Europe and Europeanness. The first is the one proposed by the Conservatives in a way that defines Europeanness as a static, holistic and prescribed cultural entity. The second is the one proposed by the Social Democrats, Liberals, Socialists and Greens underlining the understanding that 'Europeanness' refers to a fluid, ongoing, dynamic, syncretic and non-essentialist process of being and becoming. While the first definition highlights a *cultural project*, the latter definition welcomes a *political project* embracing cultural and religious differences including Islam. The inclusive and responsible acts of the Social Democrats and Greens in Germany and France, for instance, are very well received by the German-Turks.

#### Q. Which political view are you affiliated with in your country of settlement?

|                                     | Germany |      | France |      |
|-------------------------------------|---------|------|--------|------|
|                                     | Count   | %    | Count  | %    |
| Liberal parties                     | 35      | 3,3  | 9      | 1,5  |
| Conservative parties                | 28      | 2,6  | 4      | ,7   |
| Social democratic parties           | 288     | 27,0 | 169    | 28,2 |
| Greens and environmentalist parties | 91      | 8,5  | 31     | 5,2  |
| Radical right and nationalist       | 9       | ,8   | 10     | 1,7  |
| Radical left and communist parties  | 13      | 1,2  | 23     | 3,8  |
| In equal distance to all            | 44      | 4,1  | 32     | 5,3  |
| None of those above                 | 557     | 52,3 | 322    | 53,7 |
| Total                               | 1065    | 100  | 600    | 100  |

The table above indicates that German-Turks have recently become more affiliated with the left wing political parties such as the Social Democrats (27 %) and the Greens (8.5 %). The same trend is also visible among the French-Turks (28%for the Social Democrats and 5%for the Greens). It should be mentioned here that previously in the early stages of the migratory process Euro-Turks were more oriented towards the conservative parties due to their scepticism towards the left wing parties back in the homeland. The recent shift also implies that Euro-Turks are becoming more involved and reflexive in daily politics of their countries of settlement in a way that displays that they are actually very well integrated. However there is still a great amount of people who are not

<sup>3</sup> For a detailed account of the Tindemans Report see, Tindemans (1975); see also Maas (2004).

really engaged in domestic politics. The qualitative research also shows that the German-Turks, for instance are very reflexive to the latest manoeuvres of the Christian Democratic Union (CDU), which tries to use Turkey's candidature as an election campaign instrument to attract the nationalist votes. Furthermore, the CDU is not considered to be a European entity as it reduces the Europeaness to cultural and religious homogeneity in an essentialist way. What is also quite striking for both countries is that almost the same percentage of Euro-Turks is not affiliated with any German or French political party (around 53% in each country). However, cross-tabulations clearly point out that there is a growing tendency among the younger generations towards political integration, and also that the indifference to domestic politics is highly a common phenomenon among those of lower social status.

### Euro-Turks' Perspectives on the European Union

Focus group discussions, in-depth interviews and structured interviews display that the Euro-Turks are in favour of Turkey's membership to the European Union although there is also a remarkable amount of people who seem to be against it.

#### Q. What Does European Union mean to you?

|   | Germany |      | France |      |
|---|---------|------|--------|------|
|   | Count   | %    | Count  | %    |
| Economic cooperation                        | 513     | 48,2 | 382    | 63,7 |
| Common cultural policy                      | 61      | 5,7  | 34     | 5,7  |
| Democracy project                           | 69      | 6,5  | 38     | 6,3  |
| Christian Club                              | 227     | 21,3 | 67     | 11,2 |
| Exploitation, Imperialism                   | 74      | 6,9  | 24     | 4,0  |
| Political and military super power          | 51      | 4,8  | 44     | 7,3  |
| Bureaucratic community detached from public | 70      | 6,6  | 11     | 1,8  |
| Total                                       | 1065    | 100  | 600    | 100  |

While around 48% of the German-Turks and 64 of the French-Turks regard the EU as an Economic Cooperation, 21% of the German-Turks and 11% of the French-Turks regard it as a Christian Club.

#### Q. To which extent are you either positive or negative about the EU?

|                            | Germany |      | France |      |
|----------------------------|---------|------|--------|------|
|                            | Count   | %    | Count  | %    |
| Very negative              | 59      | 5,5  | 25     | 4,2  |
| Negative                   | 237     | 22,3 | 74     | 12,3 |
| Both positive and negative | 312     | 29,3 | 137    | 22,8 |
| Positive                   | 313     | 29,4 | 285    | 47,5 |
| Very positive              | 29      | 2,7  | 39     | 6,5  |
| No idea                    | 115     | 10,8 | 40     | 6,7  |
| Total                      | 1065    | 100  | 600    | 100  |

Generally speaking the Euro-Turks are positive about the European Union. Approximately 32% of the German-Turks and 54% of the French-Turks are in favour of the EU idea, around 28% of the German-Turks and 17% of the French-Turks are not in favour. 29% of the German-Turks and 23% of the French-Turks have mixed thoughts about it. Those German-Turks who are negative about the EU are likely to think that the EU has gained a lot from Germany's prosperity, in other words from their prosperity. On the other hand, those French-Turks who are positive about the EU are likely to think that the EU has given them more prosperity. This observation is also confirmed by the fact that 6% of the German-Turks are supportive of the EURO, while 25% of the French-Turks support it.

#### Q. To which extent do you support Turkey's membership in the European Union?

|                          | Germany |      | France |      |
|--------------------------|---------|------|--------|------|
|                          | Count   | %    | Count  | %    |
| She definitely should    | 157     | 14,7 | 49     | 8,2  |
| She'd better             | 313     | 29,4 | 222    | 37,0 |
| It doesn't matter        | 251     | 23,6 | 115    | 19,2 |
| She'd better not         | 165     | 15,5 | 76     | 12,7 |
| She definitely shouldn't | 110     | 10,3 | 122    | 20,3 |
| No idea                  | 69      | 6,5  | 16     | 2,7  |
| Total                    | 1065    | 100  | 600    | 100  |

General tendency is that the Euro-Turks are in favour of Turkey's entry into the Union. However, this tendency is sharper in France (57 %) than in Germany (31 %).

#### Q. What does the EU membership of Turkey mean to you?

|                         | Germany | France |
|-------------------------|---------|--------|
| More human rights       | 69,3    | 78,8   |
| More democracy          | 62,7    | 66,7   |
| More job opportunities  | 61,4    | 83,0   |
| Moral breakdown         | 52,0    | 36,3   |
| Exploitation            | 37,2    | 34,2   |
| End of independence     | 23,9    | 24,0   |
| Division of the country | 23,8    | 22,5   |

The interviewees were asked what the EU meant to them, and they were given various items to comment on. Both German-Turks and French-Turks gave similar answers to the following questions: Turkey’s entrance into the EU does not really result in the division of the country (53%German-Turks, 58%French-Turks); it won’t result with the end of independence (52%German-Turks; and 58%French-Turks); membership will bring more democracy to Turkey (63%German-Turks; and 67%French-Turks); and membership will improve the implementation of human rights (70%German-Turks; and 79%French-Turks). On the other hand, there is a big discrepancy between the German-Turks and the French-Turks in answering the following questions: membership will cause moral breakdown in Turkey (52%German-Turks; and 36%French-Turks); membership will bring about exploitation in the expense of Turkey (52%German-Turks; and 34%French-Turks); and membership will enlarge job opportunities (61%German-Turks; and 83%French-Turks). These figures expose that French-Turks seem to be more in favour of Turkey’s membership to the Union, and that they have less cultural, moral and communal concerns than the German-Turks.

**Q. To which extent are you positive or negative about the common currency, EURO?**

|                            | Germany |      | France |      |
|----------------------------|---------|------|--------|------|
|                            | Count   | %    | Count  | %    |
| Very negative              | 537     | 50,4 | 166    | 27,7 |
| Negative                   | 371     | 34,8 | 175    | 29,2 |
| Both positive and negative | 71      | 6,7  | 97     | 16,2 |
| Positive                   | 46      | 4,3  | 127    | 21,2 |
| Very positive              | 17      | 1,6  | 25     | 4,2  |
| No idea                    | 23      | 2,2  | 10     | 1,7  |
| Total                      | 1065    | 100  | 600    | 100  |

The tables below also indicate the perceptions of the interlocutors about the positive and negative impacts of the Euro-Turks on the ‘hostland’. While a great proportion of the people in Germany think that Turks stand for cultural richness and labour force, a relatively lower proportion believe that Turks have negative impact with their incapability of obeying rules, closed community formations and distinct values. The interviewees commonly believe that the Euro-Turks primarily provide the European countries with labour force. “Cultural

richness”, “job opportunities”, and “familial and moral values” are the following items that are stated. What is remarkably different between the German-Turks and the French-Turks is that the German-Turks put emphasis on symbolic contributions such as cultural (53 %) and moral (32 %), and the French-Turks give priority to the material contributions like labour force (73 %) and job opportunities (42 %). Those who do believe that Turks do not bring any contribution to the EU are relatively low (4-5 %).

**Q. What kind of positive impacts do the Turks have on the receiving society? (multi-response)**

|  | Germany |      | France |      |
|--|---------|------|--------|------|
|  | Count   | %    | Count  | %    |
| Cultural diversity and richness                | 568     | 53,3 | 252    | 42,0 |
| Labour force                                   | 688     | 64,6 | 440    | 73,3 |
| Creating new job opportunities                 | 405     | 38,0 | 242    | 40,3 |
| Bringing new familial and ethnical values      | 341     | 32,0 | 121    | 20,2 |
| Bringing humanitarian quality                  | 286     | 26,9 | 111    | 18,5 |
| Others   | 11      | 1,0  | 4      | ,4   |
| I Don’t think that they have a positive impact | 41      | 3,8  | 29     | 4,8  |
| Total  | 1065    | 100  | 600    | 100  |

**Q. What kind of negative impacts do the Turks have on the receiving society? (multi-response)**

|  | Germany |      | France |      |
|--|---------|------|--------|------|
|  | Count   | %    | Count  | %    |
| Abusing the social security system             | 268     | 25,2 | 109    | 18,2 |
| Not adapting with local values                 | 287     | 26,9 | 198    | 33,0 |
| Constructing their own closed communities      | 282     | 26,5 | 195    | 32,5 |
| Being lazy                                     | 252     | 23,7 | 92     | 15,3 |
| Not obeying rules                              | 387     | 36,3 | 141    | 23,5 |
| Others   | 17      | 1,6  | 9      | ,15  |
| I Don’t think that they have a negative impact | 262     | 24,6 | 191    | 31,8 |
| Total  | 1065    | 100  | 600    | 100  |

Combining the two tables above, the Euro-Turks believe that their positive impact is bigger than their negative impact. Approximately 32%of the French-Turks and 25%of the German-Turks believe that Turks have no negative impact on the receiving societies. 36%of the German-Turks state that Turks generally do not obey the rules, and 25%believe that Turks mis-

use the social security system. The misuse of the social security system was one of the mostly debated issues by the young generation German-Turks in the in-depth interviews and focus group discussions. In parallel with the misuse of the social security system, 24% of the German-Turks report that Turks are inclined to be lazy. On the other hand, the disability to adopt to the local values (33 %), the tendency of constructing ethnic enclaves (33 %) are the mostly raised issues by the French-Turks in explicating the negative impacts of the Turks. The ways in which different issues have been phrased by both German-Turks and French-Turks are also subject to the separate incorporation regimes applied by Germany and France vis-à-vis the migrants. The issue of constructing ethnic enclaves and communities raised by the French-Turks seems to be highly linked with the fact that the Republican state tradition is very sensitive about homogeneity and difference-blindness. However, the liberal democratic regime in contemporary Germany does recognise the differences in a way that doesn't problematise ethnic and cultural enclaves as much as the French state does.

Apparently, Euro-Turks have gained strong merits in terms of developing a democratic political culture highlighting human rights, democratization, participation, reflexivity, rule of law, rights, equality and trust. What is different in this picture compared to the picture in Turkey is that they have generated a rights-specific-political culture rather than a duty-specific-one. The answers given to the questions comparing the rights, educational system, police, democracy, human rights, social security system, job opportunities, legal system, the respect for rules and regulations, value human capital, equality, freedom of faith, and cultural dialogue indicate that Germany and France are considered to be much more democratic than Turkey. All these answers depicting the drastic difference between Germany/France and Turkey, clearly indicate the deep-rooted democratic institutions and the high level of democracy in Germany/France. Turkey comes to the fore when the interviewees were asked questions about mutual tolerance, and moral values.

## EU Membership and Migration Prospects for Turks in Turkey

One of the commonly expressed concerns regarding Turkey's membership to the Union is the possibility of immense immigration from Turkey into the EU countries. However, our qualitative and quantitative research exhibits the contrary. In the first place, those interlocutors we interviewed in the in-depth interviews, focus group discussions and structured interviews expressed that they would not recommend the Turks in Turkey to migrate to the EU countries if Turkey gets into the Union (79 %). The reason for them to raise such a recommendation is the difficulties they face in the EU: rising unemployment, longing, low wages, disciplined working conditions, lack of tolerance, and depreciation of moral values. However, they generally have a strong belief that there would be an immense migration to the EU countries. This belief is in parallel with the common belief in the EU countries. Hence, the experiences of the Euro-Turks should be clearly transmitted to the Turks in Turkey. On the other hand, the previous experiences in the integration of Spain, Italy, Portugal and Greece to the Union did not result in immense migration. In these cases even reverse migration was experienced. It seems that the same could apply to the Turkish case. The proportion of those people who would consider going back to the homeland in the case of Turkey's membership to the Union is more than 30% in both countries.

### Q. Would you recommend those from Turkey to immigrate to Germany/France?

|                      | Germany |      | France |      |
|----------------------|---------|------|--------|------|
|                      | Count   | %    | Count  | %    |
| I would recommend    | 220     | 20,7 | 227    | 37,8 |
| I wouldn't recommend | 845     | 79,3 | 364    | 60,7 |
| It depends           |         |      | 9      | 1,5  |
| Total                | 1065    | 100  | 600    | 100  |

### Q. Do you expect an immense migration to the EU countries if Turkey joins the Union?

|            | Germany    |             | France     |             |
|------------|------------|-------------|------------|-------------|
|            | Count      | %           | Count      | %           |
| <b>Yes</b> | <b>758</b> | <b>71,2</b> | <b>412</b> | <b>68,7</b> |
| No         | 180        | 16,9        | 125        | 20,8        |
| No idea    | 127        | 11,9        | 63         | 10,5        |
| Total      | 1065       | 100         | 600        | 100         |

### Q. Would you consider returning back to Turkey if Turkey joins the EU?

|                                  | Germany |      | France |      |
|----------------------------------|---------|------|--------|------|
|                                  | Count   | %    | Count  | %    |
| Yes, I would certainly return.   | 91      | 8,5  | 58     | 9,7  |
| Yes, I would.                    | 204     | 19,2 | 126    | 21,0 |
| I don't know.                    | 405     | 38,0 | 173    | 28,8 |
| No, I wouldn't.                  | 253     | 23,8 | 166    | 27,7 |
| No, I wouldn't certainly return. | 112     | 10,5 | 77     | 12,8 |
| Total                            | 1065    | 100  | 600    | 100  |

### Building New Identities and Bridges

While on the one hand, Euro-Turks are officially defined in Turkey as either '*gurbetci*', or '*Yurtdisindaki vatandaslarimiz*' (our citizens abroad), on the other hand, they are stereotypically defined by the Turkish people in Turkey as either '*Almanyali*' or '*Almanci*' (German-like). Both terms (*Almanyali* and *Almanci*) carry rather negative connotations in Turkey. The major Turkish stereotypes about the Euro-Turks are those of their being rich, eating pork, having a very comfortable life in Germany/France, losing their Turkishness, and becoming more and more German/French.<sup>4</sup> In recent years, Euro-Turks began to raise their voices to complain about the paternalist approach of the Turkish state towards themselves. They no longer want to be perceived as passive and obedient persons in need for support, and cash machines making foreign currency for the homeland. Constituting around 4 million inhabitants in the West, they rather want to be more active in the Turkish – EU relations and to be supportive for Turkey in adapting herself with the new EU regimes. The rise in their willingness to acquire German/French citizenship is a sign in this respect, addressing their potential and reflexivity in *generative politics*.<sup>5</sup>

The number of German-Turks who either have EU citizenship or are planning to apply is around 59% in Germany and 74% in France. These high numbers indicate that Euro-Turks are prone to integration and political participation. The latest statistics indicate that the number of German-Turks naturalized doubled since

<sup>4</sup> For a detailed analysis of these labelings see Kaya (2001).

<sup>5</sup> The term '*generative politics*' was first coined by Anthony Giddens (1994) to underline one of the essential elements of *radical politics* addressing the centrality of reflexive individual agency.

the year 2000, when the new citizenship law was put into force. The number of the German-Turkish population having German citizenship was around 350 thousand, and now this figured increased up to 700 thousand people. The latest statistics we acquired in our research then corresponds to 59% who either have German citizenship or plan to have it soon. And this percentage equals to around 1.5 million people from among the total of 2.5 million German-Turks. The new German citizenship law actually signifies that migrants can be quite receptive and incorporatist vis-à-vis democratic and inclusive political and legal changes.

### Q. Do you have German / French citizenship?

|                             | Germany |      | France |      |
|-----------------------------|---------|------|--------|------|
|                             | Count   | %    | Count  | %    |
| Yes, I have it              | 279     | 26,2 | 213    | 35,5 |
| I have already applied.     | 74      | 6,9  | 44     | 7,3  |
| I am planning to apply.     | 277     | 26,0 | 188    | 31,4 |
| I am not planning to apply. | 435     | 40,8 | 155    | 25,8 |
| Total                       | 1065    | 100  | 600    | 100  |

On the other hand the fact that there are 1 million people (41 %) who are not willing to acquire German citizenship does not necessarily mean that they are not integrationist, nationalist, Islamist or whatever it may be. This percentage is around 26% in France, corresponding to almost 100 thousand French-Turks. It may be that some of the both German-Turks and French-Turks are already pleased with the *denizenship*<sup>6</sup> status, which gives them civil, social, and cultural rights, but not political rights. Another reason in the German context may be that German-Turks had expected a more democratic citizenship law to be put into effect without any limitation for dual citizenship. But perhaps their expectations diminished, and they did not see any further benefit in acquiring German citizenship. A third possible reason in the German context may be that Turks, who are mostly residents in the urban space, preferred to ignore the new nationality law, which relatively required more bureaucratic workload in city-states such as Berlin. This may have had a discouraging impact on the German-Turks in the process of naturalisa-

<sup>6</sup> *Denizen* literally refers to those who reside in certain geography. The term is introduced by Thomas Hammar (1990) in the migrancy context.

tion. A fourth justification in both German and French context may be that there is already a decline in the voting habits of Euro-Turks, who are restricted with the law to vote in the Turkish general elections. The right to vote in their own residential areas is a great issue for Turkish citizens living abroad.

#### Q. Which identifications suit you most?

|                                 | Germany |      | France |      |
|---------------------------------|---------|------|--------|------|
|                                 | Count   | %    | Count  | %    |
| Only Turkish                    | 390     | 36,6 | 145    | 24,2 |
| First Turkish and then European | 531     | 49,9 | 351    | 58,5 |
| First European and then Turkish | 98      | 9,2  | 68     | 11,3 |
| Only European                   | 40      | 3,8  | 21     | 3,5  |
| Others                          | 6       | ,5   | 17     | 2,5  |
| Total                           | 1065    | 100  | 600    | 100  |

The table shows that Euro-Turks themselves confirm their hyphenated identities (Euro-Turks): 60%in Germany and 70%in France. Around 60%of the German-Turks define themselves as either Turkish/European or (50 %) European/Turkish (10 %). This ratio is 59%(Turkish-European) and 10%(European-Turkish) in France. On the other hand, 37%of the German-Turks and 24%of the French-Turks define themselves as “Turkish”. These figures differ from the findings of Hakan Yilmaz (Bosphorus University, November 2003) that is displayed in his work on “Euro-scepticism in Turkey”. In his research 54%of the Turks define themselves as “Turkish”, 30,5%as Turkish-European and 4,7%as European-Turkish. Further analysis of the cross-tabulations also show that younger generations and middle and upper-middle class Euro-Turks are more inclined with using hyphenated identities such as European-Turkish.

#### Q. Do you feel yourself affiliated closer with Germany/France or Turkey?

|                            | Germany, % | France, % |
|----------------------------|------------|-----------|
| Turkey                     | 48,5%      | 35,7%     |
| Germany/France             | 22,0%      | 25,3%     |
| Equal affiliation to both  | 26,9%      | 35,8%     |
| Equal detachment from both | 2,6%       | 3,2%      |
| Total                      | 100%       | 100%      |

The table above indicates that most of the Euro-Turks do not feel themselves closer with their homeland. The cross-tabulations also reveal that younger generations have a growing tendency in affiliating themselves more with

both homeland and receiving country. It should also be stated here that most of the Euro-Turks who have closer affiliation with the homeland come from the lower social status.

#### Q. Which one of those below defines you most? (multi-response)

|                         | Germany |      | France |      |
|-------------------------|---------|------|--------|------|
|                         | Count   | %    | Count  | %    |
| Turkish citizen         | 256     | 24,0 | 213    | 35,5 |
| Turkish                 | 240     | 22,5 | 145    | 24,2 |
| Kurdish                 | 45      | 4,2  | 23     | 3,8  |
| Muslim                  | 348     | 32,7 | 96     | 16,0 |
| Muslim-Turkish          | 424     | 39,8 | 244    | 40,7 |
| Alevi                   | 35      | 3,3  | 22     | 3,7  |
| German (French) citizen | 74      | 6,9  | 54     | 9,0  |
| German (French)-Turk    | 77      | 7,2  | 106    | 17,7 |
| Euro-Turk               | 60      | 5,6  | 36     | 6,0  |
| World citizen           | 56      | 5,3  | 64     | 10,7 |
| EU Citizen              | 22      | 2,1  | 25     | 4,2  |
| Others                  | 10      | 1,0  | 1      | ,2   |
| Total                   | 1065    | 100  | 600    | 100  |

The sum of those defining themselves as German citizen, German-Turk, world citizen and EU citizen is actually quite high (27 %). This goes up to 47%among the French-Turks. The difference between those defining themselves as either German-Turks or French-Turks is worth mentioning here. 7%define themselves as German-Turk, and 18%define themselves as French-Turks. This is probably because of the definition of Germanhood and Frenchhood. While Germanhood is considered to be an ethnic nomination, Frenchhood is defined as a civic nomination letting those outsiders be included in. Among the French-Turks civic identities are more phrased as in their defining themselves Turkish citizen (36 %). This is around 24%for the German-Turks. This table shows us again that such definitions are subject to the dominant regimes of representation by the majority society.

German-Turks generally define themselves as ‘religious’ (33 %), ‘patriot’ (22 %), ‘nationalist’ (17 %), ‘democrat’ (17 %) and ‘conservative’ (17 %). On the other hand, the French-Turks use the following identifications to define themselves ‘nationalist’ (27 %), ‘Atatürkist’ (21 %), ‘religious’ (21 %), ‘laicist’ (19 %) and ‘patriot’ (19 %). This shows that the French-Turks are rather republican and unitary, while the German-Turks are communitarian.

**Q. How do you define yourself with regard to the identifications below? (multi-response)**

|                              | Germany |      | France |      |
|------------------------------|---------|------|--------|------|
|                              | Count   | %    | Count  | %    |
| Nationalist                  | 188     | 17,7 | 160    | 26,7 |
| Leftist                      | 37      | 3,5  | 35     | 5,8  |
| Democrat                     | 183     | 17,2 | 98     | 16,3 |
| Religious                    | 349     | 32,8 | 127    | 21,2 |
| Conservative                 | 180     | 16,9 | 27     | 4,5  |
| Rightist                     | 36      | 3,4  | 12     | 2,0  |
| Atatürkist                   | 93      | 8,7  | 127    | 21,2 |
| Laicist                      | 39      | 3,7  | 112    | 18,7 |
| Social democrat              | 84      | 7,9  | 40     | 6,7  |
| Ülkücü (Extreme nationalist) | 42      | 3,9  | 48     | 8,0  |
| Revolutionary                | 10      | ,9   | 18     | 3,0  |
| Patriot                      | 238     | 22,3 | 115    | 19,2 |
| Islamic                      | 146     | 13,7 | 50     | 8,3  |
| No response                  | 3       | ,3   | 3      | ,5   |
| None of those above          | 2       | ,2   | 4      | ,7   |
| Total                        | 1065    | 100  | 600    | 100  |

It has been reported that 7,5% of the German-Turks and 10% of the French-Turks define themselves as quite religious, a similar pattern with the Turks in Turkey. 89% of the German-Turks and 80% of the French-Turks are reported to be relatively faithful. On the other hand, 2, 4% of the German-Turks and 10% of the French-Turks seem to be either atheist or faithless. Cross-tabulations clearly explain that religiosity among the Euro-Turks is far from being essentialist and fundamentalist, and also that religiosity increases among those of lower social status.

**Q. How do you define yourself with the following statements regarding your faith?**

|  | Germany |      | France |      |
|--|---------|------|--------|------|
|  | Count   | %    | Count  | %    |
| Quite a religious person fulfilling all the requirements of my faith | 80      | 7,5  | 58     | 9,7  |
| Someone trying to fulfil his religious requirements                  | 571     | 53,6 | 279    | 46,5 |
| Faithful, but not fulfilling the religious requirements              | 377     | 35,4 | 197    | 32,8 |
| Someone who doesn't really believe in faith                          | 26      | 2,4  | 28     | 4,7  |
| Someone who does not have faith                                      | 11      | 1,0  | 35     | 5,8  |
| No response  |         |      | 3      | ,5   |
| Total  | 1065    | 100  | 600    | 100  |

**Conclusion**

The data gathered by the structured interviews indicate that German-Turks, generally speaking, are more communitarian, religious and conservative than the French-Turks. Compared to the French-Turks, the German-Turks seem to be less in favour of integration as they are content with their ethnic enclaves, religious archipelagos and traditional solidarity networks. However, other findings in the research indicate the other way around. Although compared to the German-Turks, the French-Turks seem to get engaged more in a modern way of life orientating themselves to integration, French language, secularism, laicism, and French media on the one hand, they are engaged less in French domestic politics, political parties, internet, theatres, and cinemas. However, German-Turks seem to generate more cosmopolitan, hybrid, global, and reflexive identities in a way that redefines Europeaness, which is actually subject to a constant change. Thus, the experiences of the German-Turks actually seem to indicate that Islam does not necessarily contradict with Europeaness, cosmopolitanism, modernity, and globalism.

Western democracies and citizenship regimes seem to fail in treating minority claims as a quest for justice. As Kymlicka and Norman stated "immigrant groups that feel alienated from the larger national and [religious] identity are likely to be alienated from the political arena as well" (2000: p. 39). Traditional citizenship rhetoric is inclined to aggravate the advance of the interests of the dominant national group at the expense of migrants. Hence, it is unlikely that the classical understanding of citizenship can resolve issues of co-existence of 'culturally discrete' entities. In order to avoid the potentiality of conflict and alienation, there is an essential task to be undertaken: citizenship laws should not be based on prescribed cultural, religious, linguistic and ethnic qualities. Moderate and democratic citizenship laws that should be formulated in line with the task stated above can be anticipated to resolve the emphasis made on ethnicity, religiosity and nationality by migrants groups.

This research has also revealed that there are not only those Turkish origin migrants in the west who fit into the category of stereotypical 'Turk'. It has been displayed that the propor-

tion of Euro-Turks in this category is around 40 percent. However, it was also concluded that the majority of the Euro-Turks have become politically, socially, economically and culturally integrated active agents in their countries of settlement. Around 20 percent of them have actually assimilated into the receiving society. On the other hand, 40 percent have generated a form of life embracing both homeland and 'hostland' in a way that constructs a bridge in between.

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## TURKISH BUSINESS PERSPECTIVES

by

**TÜSIAD**  
**TURKISH INDUSTRY & BUSINESS**  
**ASSOCIATION**

[www.tusiad.org](http://www.tusiad.org)

**BUSINESS COMMUNITY'S**  
**INITIATIVES ON THE ROAD TO THE**  
**EU**

*During the first five months of 2004, Turkish business community has intensified initiatives in view of strengthening Turkey's EU membership process. In this context, TÜSIAD's working groups have focused their agenda on the related chapters of negotiations with the EU.*

*TÜSIAD organised also a number of seminars and expressed opinions in order to promote the **alignment of Turkish economic and social policies with the EU acquis**:*

- *New orientations in the field of **high education, science and technology** within the framework of the EU's Lisbon Strategy and the Bologna Process.*
- *Further and better involvement of **women** in education, work force, politics and consequently widespread women participation in the decision-making mechanisms.*
- *Current stage of Turkey's alignment with the EU's customs and **internal market** legislation and the shortcomings both in adoption and the implementation of the relevant legislation.*
- *Enterprise policy and **entrepreneurship**, as the main driving force for economic growth and employment, are addressed alongside with the increased importance of knowledge and innovation in the global economy. TÜSIAD triggered a debate on how entrepreneurship in Turkey could be improved, considering that it is a key factor in increasing European economy's global economic competitiveness.*
- *In the context of **Intellectual Property Rights**, TÜSIAD underlined the importance of guaranteeing IP rights as a crucial factor for promoting creativeness, for achieving sustainable development and for increasing competitiveness.*
- *Regarding the latest constitutional amendments in Turkey, TÜSIAD declared that in order to ensure the implementation of the **gender equality** law, it is required to provide constitutional protection for positive discrimination.*
- *At the occasion of the **Europe Day**, on May 9<sup>th</sup>, TÜSIAD hosted in the Southeastern town of Diyarbakir activities aimed at providing information on EU history and policies to high school and university students coming from different regions of Turkey. This event was organised in cooperation with the regional business organisations and the EU Information Office in Diyarbakir.*
- *A report that analyses the **negotiations** process of some of the candidate countries with the EU is drafted. It aims to prepare Turkey's institutional structure to the negotiations process, following the expected positive decision at the European Council in December 2004.*
- *In high-level meetings with the **business federations** from Germany (BDI), Denmark (DI) and the Netherlands (VND), issues related to the competitiveness of the European industries are analysed. In this regard, TÜSIAD's counterparts from the EU's business community acknowledged Turkey's economic potential and importance of a clear European perspective for Turkey.*

TÜSIAD IS A MEMBER OF UNICE  
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 CONFEDERATIONS OF EUROPE)



CEPS

## *Turkey in Europe Monitor*

No. 6, June 2004

### ***Introductory Note from CEPS***

*This issue of the CEPS Turkey in Europe Monitor presents an executive summary of and provides a link to the full text of a 'Friends of Europe' working paper prepared by Kirsty Hughes on the political and economic impacts of Turkish membership for the European Union. The paper titled 'Turkey and the European Union: Just Another Enlargement?' analyses whether Turkish accession can be managed in a similar way to that of other enlargements. This month's Monitor also provides the full text of the speech delivered by*

*Fabrizio Barbaso, Director General of DG Enlargement at the Middle East Technical University in Ankara on 25 May 2004. The speech titled 'Turkey-EU Relations in the Perspective of the December European Council' provides certain insights to the Commission's views on Turkey before the preparation of the Progress Report due in October.*

Michael Emerson and Senem Aydın

### **Turkey and the European Union: Just Another Enlargement?**

#### **Exploring the Implications of Turkish Accession**

**Kirsty Hughes**

***A Friends of Europe Working Paper on the occasion of the 'Turkey's EU end-game?' European Policy Summit of 17 June 2004***

#### **Executive Summary**

This paper analyses the likely political and economic impacts of Turkish membership of the EU for the Union itself. It asks whether Turkish accession can be managed in a similar way to that of other enlargements or whether critics are right that Turkey is too big, too poor, with too dangerous borders and insufficiently 'European' to join the Union.

#### ***Political Dynamics in Turkey***

Turkey was officially recognised as an EU candidate in December 1999, and in December

2002 the European Council announced that if Turkey met its political 'Copenhagen' criteria by the end of 2004 it would open negotiations without delay. Since 1999, and particularly since the election of the AKP government in November 2002, there has been radical and rapid political reform in Turkey. Major political reforms have promoted democratisation, and led to considerable steps forward in the area of human rights including minority rights and in the area of civilian control of the military. The EU goal has been a very important framework in underpinning these reforms and uniting disparate groups around reform.

At the same time, reforms are not complete and there are particular problems in many areas of implementation of reform including in the human rights area. Judicial reform remains inadequate. The European Commission has made clear its expectation of further progress in a number of key areas before it draws up its vital report on progress and its recommendation in the autumn to the EU's leaders on whether to open negotiations. There is much agreement across different political groups and actors in Turkey, that opening EU negotiations is a vital step if the strong dynamic of political reform is to continue and become deeply

rooted. There is also widespread pessimism in Turkey at the impact on political reform if the European Council does not decide to open negotiations in December.

### **Turkey in the EU - Economic Impacts**

Turkey is a large country in population terms and a small one in economic terms. If Turkey joins the Union in 2015 it will have a population of 82.1 million, slightly smaller than that of Germany at 82.4 million, both accounting for just over 14% of EU28 population. By 2025 at 87 million people, Turkey will be the largest EU member state and account for 15.5% of the population. Looking forward to 2050, population is predicted to stabilise at 97 million – 17.7% of EU28 million (slightly less than Germany's 18.1% share today of the EU25 population).

Today Turkey's economy is just 1.9% of EU25 GDP. Assuming average annual growth of 5%, it would be 2.9% of GDP on accession in 2015. Turkey's GDP per head (at purchasing power parity) is only 27% of the EU average. Turkey's economy is also characterised by major regional inequality. Turkey's macroeconomic situation is stabilising after the 2001 crisis – opening of negotiations is expected to impact strongly and positively on the sustainability of this recovery. But many further economic reforms are necessary. Labour market – and education – reforms are vital if Turkey is to use its economic potential. Both youth unemployment and the exceptionally low employment rate of women at 25.5% need to be tackled.

Given its small size, Turkish accession will have minimal impact on the EU economy. It might have a very small but positive impact on EU25 GDP of 0.1-0.3% of GDP, an impact which will increase if there are net migration flows from Turkey to the current EU members. The EU could benefit in particular from the different demographic profile of Turkey, with its much younger, growing population. If migration flows from Turkey are similar to those anticipated from the new EU member states from central and Eastern Europe, then flows of around 225,000 a year would be anticipated, with a long run eventual stock of about 2.9 million migrants. This would be at a

time when the EU is beginning to feel the negative impacts of its aging demographic profile.

Foreign direct investment in Turkey is exceptionally low. The prospect of EU membership together with increased political and economic stability at macro-level, and major reform of barriers at micro-economic level – including tackling corruption and problems in the judiciary – could result in FDI flows of €2-4 billion a year.

As a large poor country, Turkey will be eligible for significant budget transfers from the Union – though these will depend both on policy reforms in regional and agricultural policies in the EU in the next ten years, and on the actual negotiations. Both the EU's common agricultural policy, and agriculture in Turkey will need further reform. Likely budget flows in the first 3 years of Turkish membership are estimated at a total of €45.5 billion i.e. around €15 billion a year. Turkey's own contributions to the budget will mean the net figure could be €30-35 billion (and negotiations may reduce this further). In per capita terms, this is almost identical to the budget deal for the ten new member states.

### **Turkey in the EU – Political Impacts**

The fact that Turkey will become the EU's largest member state in population terms soon after accession is one of the biggest impacts of Turkish accession. Turkey's strategic geographical location and its large Muslim population also have implications for the EU. It is in the EU's strategic interests that Turkey is democratic, stable and prosperous and a friendly ally. Turkish EU membership can – as with earlier enlargements – contribute to these strategic goals. The impact of Turkish accession – and of opening accession negotiations – in demonstrating that the EU is a secular, multicultural body not a 'Christian club' – will also have important geopolitical ramifications.

Institutionally, Turkey will have a large impact on the Council and the European Parliament but not on the European Commission. Assuming a double majority system of voting operates in the Council (of countries and population), in an EU of 28 both Turkey and Ger-

many will have around 14.5% of the vote each. They will be strong players but unable to block proposals even together but they will be able to block proposals with a third large country. The large countries are not in a position to push through proposals on their own due to the need for a majority of countries as well as population.

The largest 5 countries in an EU of 28 will account for 60.3% of the vote by population. This is only 3.4 percentage points higher than the share of the 'big 4' countries in an EU of 25 (where they have 56.9% of the vote). So Turkey will be an important powerful player and will add to the already complex set of alliances and blocking combinations that are possible. But in an EU of 28, despite its size, it does not add strongly to the dominance of the larger countries (assuming in any event that the large countries could and would agree). In terms of seats in the European Parliament, if seats are reallocated proportionately to take account of Turkish, as well as Bulgarian and Romanian accession, then Turkey – and Germany – would both have 82 seats – 11.2% each of the total number.

Turkey will have an important impact on EU foreign policy interests given its borders with the Middle East, Caucasus and the Black Sea. This will shift the Union's borders to the South-East and increase the Union's range of interests in these difficult regions. Turkey will look to be a significant player in the development of EU foreign policy but it will not be as important a 'bridge' to the Middle East as some expect. Turkey will impact more widely on the already complex political dynamics among member states, including among the larger member states, but Turkey alone will not determine the future political evolution of the Union. And many issues around whether the enlarged Union can find strategic leadership and direction, and whether it will aim for further political integration, will become clear in the next decade before Turkey joins.

There is a risk that Turkey as a member state could resemble the UK and be a rather awkward player – but it is more likely than the UK to understand the political nature of the Union. It will also resemble in some ways the new member states of central and Eastern Europe in some of its policy interests, and in other

ways will have much in common with Mediterranean member states like Greece, Spain and Portugal.

Overall, the paper concludes that Turkey will have significant impacts on the Union but these impacts can be managed as those of previous enlargements have been. Consequently, Turkey's candidacy should be judged on the same terms as that of other candidates – through adoption of the *acquis* and through meeting the Copenhagen criteria.

*The full text of the working paper can be accessed at*

<http://www.friendsofeurope.org/pdfs/TurkeyandtheEuropeanUnion-WorkingPaperFoE.pdf>

### **Turkey-EU Relations in the perspective of the December European Council**

*Speech by Mr. Fabrizio Barbaso, Director General DG Enlargement*

*Ankara, Middle East Technical University, 25 May 2004*

#### **Introduction**

I am pleased and honoured to be here today to address this distinguished audience of Ankara's famous Middle Eastern Technical University. With its strong international background and its reputation which stretches well beyond Turkey, this university is well known for preparing outstanding young professionals of the coming generations. Many of them are already making their mark on Turkey's preparations for EU membership. The programme of the this Third Conference on International Relations offers an impressive number of interventions from top scholars and specialists ranging on a wide number of issues related to Europe in a changing world.

Europe is indeed changing. On 1 May, the European Union extended its membership from 15 to 25 countries. This is the fifth enlargement to take place since the beginning of the European Community 50 years ago. In a historical perspective, the recent enlargement is more than another extension of the EU. It

represents the application on a continental scale of a model of peaceful and voluntary integration among free peoples.

It demonstrates once again the attraction of the European model of integration. But this enlargement is unlike those that preceded it. Never before had so many new Member States joined the EU at the same time. Never before have they been so thoroughly prepared, with a sweeping transformation of their economic, legislative and administrative systems.

### **Turkey in the EU enlargement process**

While Turkey's recent history is very different from that of the central and eastern European countries, a comparable process of transformation has begun in Turkey. The decision of the European Council in Helsinki in December 1999 to give candidate status helped Turkey to embark upon a process of far-reaching constitutional and legislative reforms in a very short period of time. Anyone visiting Turkey for the first time in 5 years is surprised about the pace of Turkey's change. Turkey today appears to be more open, more self-confident and self-critical than it was before. People are eager to see more reforms. It is noteworthy that many of the reforms have been adopted unanimously, with bipartisan support from the majority and the opposition.

And yet the debate about Turkey's EU aspirations is one of the most prominent questions in our European agenda. There is hardly a day where Turkey is not a focus of the European media. Developments in Turkey attract an ever growing attention, in Europe and on a wider stage. The period we are living in is particularly eventful.

My purpose today is not to elaborate on these difficult albeit fascinating subjects. Rather, I would like to concentrate on giving you an assessment of current relations between the European Union and Turkey, which have evolved remarkably in recent years and in particular since the Helsinki decision.

As I am sure you know, the European Council will have to decide in December, on the basis of a report and a recommendation of the Commission, whether Turkey complies with the Copenhagen political criteria. If Turkey is

found to meet the Copenhagen political criteria, then accession negotiations will start without delay. This is the clear roadmap for Turkey which was decided by the Heads of State and Government in Copenhagen in December 2002.

In the Commission, considerable efforts are now being geared towards the preparation of the report. We are intensifying our efforts, in Brussels and in Turkey, in order to establish an accurate assessment of the situation. As always, this report will be based on an objective and thorough analysis. This will be one of the most important tasks of the Commission this year. We have an intensive work programme to monitor Turkey's progress in meeting the Copenhagen criteria, accompanied by initiatives to assist it in this goal.

My Directorate General for Enlargement is actively pursuing a busy agenda which includes a series of formal and informal consultations with the Turkish authorities in the period up to July 2004. We had this morning one of our regular sessions of the regular monitoring of the political criteria. A seminar on cultural rights with EU experts was held last week in Ankara. At technical level, a series of instruments have been worked out combining seminars, fact-finding and expert missions.

We are not only monitoring progress in meeting the political criteria, but also offering assistance by means of expert seminars and legislative advice. Under a joint project with the Council of Europe, for example, important draft pieces of legislation such as the penal code or the law on the press or on association are being reviewed. We are supporting training programmes in human rights for the judiciary and for members of the security forces. We also offer assistance by means of twinnings, involving experts from our Member States who provide advice to Turkish officials in their working environment.

### **The significance of political reforms**

Turning to the political criteria, it is possible to say that reforms in this area have been particularly impressive. Since the first reform package was adopted in October 2001, numerous initiatives have addressed some of the most sensitive issues in the Turkish context. This progress has been explicitly acknowledged by

the European Council at almost every meeting in the recent period. The Brussels European Council in December 2003 noted that the progress achieved has brought Turkey closer to the Union. The package of constitutional amendments adopted by the Turkish Parliament on 7 May constitutes another step towards compliance with the Copenhagen political criteria. It showed once again the strong commitment of Turkey to political reforms.

The new provisions in the latest reform package touch upon a number of areas ranging from the judiciary, civil-military relations, freedom of the press and gender equality. Some of the changes, such as the abolition of the State Security Courts and the withdrawal of the representative of the National Security Council in the High Education Board, address specific issues mentioned in the Commission's 2003 Report and in the Conclusions of the Brussels European Council of December 2003.

One of the most perceptible results of these reforms so far has been a noticeable change of climate. Taboos have been broken one after the other. Civil society is getting stronger and more organised. People are thirsty for freedom. The government appears to be deeply aware of this as Non Governmental Organizations are being consulted on the drafting of legislation such as the new Penal Code. New channels have been set up to allow people to report about cases of human rights violations and the population appears to be more aware of its rights.

In short, the reform process has brought a new mood of openness and freedom in public debate in Turkey. Issues whose mention could previously trigger criminal proceedings, such as the role of the military, the Kurdish language, or cases of torture and ill-treatment, are now freely debated. There is public debate about equipping Turkey with a new and modern constitution enshrining the basic values on which the EU is based.

There has also been a notable change in the climate of our bilateral relations. We have moved a long way in terms of how we approach and perceive each other. Whereas earlier Turkish governments did not recognize the shortcomings under the Copenhagen political criteria, we now very largely share a common assessment of the situation, including in the

area of human rights. We have deepened our dialogue on the political criteria and are discussing issues in detail, openly and without any limitation.

### **Turkey's compliance with the Copenhagen political criteria**

As I already mentioned, in a few months' time it will be the Commission's task to assess in its report whether Turkey meets the Copenhagen political criteria. In view of the substantial reforms already enacted, is Turkey close to meeting the Copenhagen political criteria? My reply would be that at this moment the process is not yet complete. Although further progress has been achieved under the last package of constitutional amendments, we understand that the Turkish government itself has further plans to address all the remaining issues under the Copenhagen political criteria by means of additional legislative packages. Among the issues to be addressed, in our view, are:

- the need to continue and possibly to complete reviewing the basic legislation related to the exercise of fundamental freedoms, such as the Penal Code, with a view to ensuring compliance with European standards.
- aligning the system of rights of defence with EU Standards;
- ensuring full Parliamentary control over military expenditures and in particular over public procurement. The two extra-budgetary funds in the area of military expenditures will only be phased out by the end of 2007;
- removing the representative of the National Security Council in the High Audio Visual Board (RTÜK);
- adopting appropriate legislation to address the problems faced by non Moslem communities.
- -Easing the existing restrictions on Radio/TV broadcasting and education in languages other than Turkish.

### **The challenge of implementation**

We are also following the practical implementation on the ground. It is clear that the task of ensuring systematic and effective implementation of the reforms presents a sizeable challenge. The concrete effects of the reforms

should be felt by ordinary citizens in their daily life. However, according to our information, the picture is still mixed.

There have been some first signs of implementation on the ground such as the liberation of some political prisoners or the adoption of a more active attitude in fighting torture practices across the country. The Kurdish language is being increasingly used in the context of various cultural events in the Southeast and elsewhere. In this context, the starting of Kurdish language courses in three cities in Anatolia is welcome. After the lifting of the state of emergency in the South East, there appears to be some movement on adopting a more integrated approach towards the issue of internally displaced persons and the compensation for damages incurred during the last two decades.

But these positive developments are overshadowed by some negative events. There continues to be court cases against people expressing non violent opinion. There is evidence that human rights defenders are still subject to harassment and intimidation from the authorities. Although the scale of torture has been reduced, there are still reports of cases of ill-treatment including torture, in particular in custody.

In some areas, implementation faces considerable difficulties. This is the case for cultural rights where there is still no radio/TV broadcasting in language other than Turkish. I would like to recall that this issue has been on the agenda since a number of years now and we cannot see any progress on the ground so far.

In other areas, the situation does not seem to have moved much. As regards freedom of religion, apart from some positive developments in specific cases, there appears to be little progress towards systematic solution of the problems faced by non Moslem communities. Another concern is that the degree of awareness of the political reforms in the country appears to vary greatly according to the region. There are reports that, in some regions, local authorities have no information about the implications of the new laws and regulations.

If the Turkish people are to enjoy the values largely shared by European citizens, it is essential that the provisions and spirit of the leg-

islative reforms should be respected throughout the country by different levels of government and public administration, the judiciary and security forces. In this context, the case of Leyla Zana can be mentioned as a negative example which casts a shadow on the implementation of the reforms. We have also been informed of persisting cases of honour crimes and of incidents of disproportionate use of force against peaceful demonstrations.

Of course we don't under-estimate the scale of the challenge for a country of the size and complexity of Turkey. The difficulties witnessed in Turkey would be faced by any country in a similar situation. But what matters is the steady determination to overcome hurdles and bureaucratic bottlenecks, and to establish a clear track record of progressive implementation of the reforms. We know that the task is considerable and we fully support the efforts of the Turkish government to tackle these issues.

### **The December 2004 decision**

If the European Council decides to open negotiations with Turkey, as President Prodi said when he was in Turkey in January, accession is not a formality, and not for the immediate future. The negotiations will take time, reflecting the scale of the difficulties in many sectors faced by such a large and complex country. I should also recall that the task of adopting and implementing the *acquis communautaire* is enormous, and has important implications for the legal system in Member States. Community legislation takes precedence over national legislation. The European integration process, which incorporates a growing number of common policies, involves a loss of national autonomy for Member States. But the process of joint decision- and law-making, and the sharing of sovereignty that this implies, brings considerable benefits to Member States, particularly in policy fields such as economic integration, foreign and security policy, justice and home affairs.

### What impact of Turkey EU accession?

Turkey's candidature for EU membership is a fascinating subject. As a matter of fact, it leaves nobody indifferent as suggested by the vigorous debate which takes place across the EU. As mentioned by President Prodi in his speech before the Grand Turkish National Assembly in January this year, contrary to the situation in Turkey, the public opinion in the EU is not unanimous in favouring a Turkish membership. There are those who are concerned about the capacity of the Union to integrate a country of the size and with the demography of Turkey, the economic development of Turkey and Turkey's geographical situation. Some see the issue in terms of the borders of the future European Union: where will the EU stop? Who will be next? Others are concerned, by the impact of Turkey's EU accession on the nature of the European integration project. At the same time, everybody acknowledges that Turkey's geopolitical position plays a very important role in regional stability in an area which sits at the cross roads of the Balkans, Caucasus, Middle East, Eastern Mediterranean and Central Asia. The Commission is very aware of such considerations and has recently proposed a strategy for relations with certain neighbouring countries, in order to ensure that the enlargement process does not lead to new divisions in Europe.

We can see that there has been a certain evolution in public opinion as there appears to be an increasing understanding for Turkey's EU aspirations and its potential assets for the EU. At the same time, the prospect of the European Parliament elections next months is prompting some political parties in certain Member States to campaign against Turkey's possible accession to the EU and to propose a "special partnership" as an alternative. It is worth mentioning that this option was rejected by a large majority of members of the European Parliament during the recent debate about Turkey.

On its side, the EU will also have to examine whether it is ready for Turkey's accession. It is clear that the accession of a country with the size and population of Turkey would have far-reaching consequences on the functioning of the European Union. This would fundamentally affect many policy areas and the functioning of the EU institutions. We would have

to reflect on how to best meet these challenges. We did the same when we embarked on negotiations with the member states that acceded on 1 May.

### Cyprus

Ladies and Gentlemen,  
At such a wide-ranging international conference, it would be inappropriate for me not to mention Cyprus. We worked very hard with the UN Secretary General in the efforts to achieve a comprehensive settlement of the Cyprus problem. Unfortunately, the outcome of the referendum in the island produced a result which did not allow a united Cyprus to join the EU on 1 May 2004. It is a matter of deep regret that the Greek Cypriot community did not approve the Annan plan which was supported not only by the EU but also by the international community at large. An unprecedented opportunity to bring about a solution to the long-lasting Cyprus issue was missed.

At the same time, the Turkish Cypriots should be congratulated for their desire to resolve the island's problem. Particularly in the latter stages of the process, Turkey played a very constructive role. Directly after the referenda, on 26 April, the European Union expressed its intention to put an end to the isolation of the Turkish Cypriot community and to facilitate the reunification of Cyprus by encouraging the economic development of the north. An amount of €259 millions is being made available to support projects aiming at promoting the economic development of the Turkish Cypriot community. The Commission has initiated the necessary planning to that end and intends to bring forward comprehensive proposals within the coming weeks. A sustained spirit of cooperation between the two communities will be necessary for the implementation of the announced measures.

### Conclusion

In conclusion, the process of modernization of the Turkish political system and its adaptation to the EU standards is underway. I am well aware that there is an impressive degree of consensus in Turkey in favour of joining the European Union. For reforms to be enjoyed by all Turkish citizens in their daily life, it is es-

sential that they permeate throughout Turkish society.

In this respect the representatives of civil society such as NGOs and the associations have a key role to play through their contribution to the public debate in a modern and pluralistic democracy.

On its part, the Turkish government continues to show a steady and impressive degree of determination to bring about political reforms, not only for the sake of complying with the

Copenhagen political criteria but primarily for Turkey's own sake. On the ground, there are already clear signs that implementation of the reforms has started. In the period ahead, the further development of EU-Turkey relations, including the decision to be taken in December, will depend on Turkey's capacity to demonstrate that it fulfils the Copenhagen political criteria, not only in legal provisions, but also in practice. I hope and believe that we will be able to reflect further progress in our upcoming Regular Report.

## TURKISH BUSINESS PERSPECTIVES

by  
TÜSIAD

TURKISH INDUSTRY & BUSINESS  
ASSOCIATION

[www.tusiad.org](http://www.tusiad.org)

DEMOCRATIC REFORM PROCESS  
IS SUCCESSFUL

TURKEY IS READY TO START  
ACCESSION TALKS WITH THE EU

*TÜSIAD, starting from its first report on “Democratisation in Turkey” in January 1997, has consistently promoted the reform process in Turkey that has been accelerated with the 1999 Helsinki Summit decision declaring Turkey as a “candidate country destined to join the EU”. This challenging process included many stages:*

- The DSP-MHP-ANAP coalition government, introduced the **National Program in March 2001**, enacted two important **constitutional reform packages** in October 2001 and August 2002, changed numerous laws and regulations and revised Turkey’s 75-year old **Civil Code** in November 2001.
- These legislative changes removed military officers as judges in the State Security Courts, amended political parties law to make judicial closure of parties more difficult, as well as introducing first steps in tackling crucial areas such as broadcasting and education in mother tongues other than Turkish, reducing the political role and status of the National Security Council, eliminating death penalty, and improving freedom of thought and expression. The packages expanded the right to association, and imposed stricter penalties on human traffickers. They also allowed non-Muslim minority communities greater rights over religious properties.
- The actual AK Party government passed five major political reform packages in the last one and half years.

**The fourth and fifth reform packages** included changes strengthening the fight against torture, broadening the scope of freedoms of association,

demonstration and peaceful assembly, expanding the freedom to use Kurdish in broadcasting and election campaign periods. They removed some anti-democratic elements in the Turkish Penal Code, introduced measures to improve police conduct, gave prisoners/detainees immediate access to lawyers, lifted some restrictions on press, and eased restrictions on the ownership rights of minority foundations.

- The **sixth package** abolished the Article 8 of Anti-Terrorism Law, and terminated its current proceedings, for which Turkey has been widely criticized by the Council of Europe and other international bodies. The package also revoked the authority of the Secretary General of the National Security Council (NSC) to appoint one member to the supervision board for cinema and music works. The sixth package also amended the related provision of broadcasting law (named as RTUK) to guarantee the right to broadcast in languages other than Turkish. On the area of religious freedom, the new clauses in the package eased the rules and procedures for construction planning with regard to places of worship for faiths other than Islam. These changes also eased the registration of the real estates of the foundations of religious communities by expanding the application period.
- **The seventh package**, adopted in August 2003 emphasised the advisory status of the NSC, reduced the frequency of its meetings to once every two months, enabled the appointment of a civilian as its secretary-general and allowed greater parliamentary scrutiny over military expenses.
- **The May 2004 legislative package** achieves most of the reform processes initiated and enhanced through previous packages dating back to October 2001.
- *As a clear sign of implementation, the Turkish state radio and television (TRT) started broadcasting in Bosnian, Arabic, Circassian, and two common Kurdish dialects. Moreover, the Court of Appeals ordered the release of four former DEP deputies on June 9. Turkey, signed the European Convention for the Protection of Human Rights and Fundamental Freedoms' Protocol. It also created human rights committees for each province and district, as well as established the High Board of Human Rights. The State Security Courts are fully abolished.*



# CEPS

## *Turkey in Europe Monitor*

No. 7, July 2004

### **Introductory Note from CEPS**

*This issue of CEPS Turkey in Europe Monitor presents an extract from a CEPS working paper titled “Turkey as Bridgehead and Spearhead - Integrating EU and Turkish Foreign Policy”, prepared by Michael Emerson and Nathalie Tocci within the scope of the joint CEPS-EFPF Project, “Strategy for EU and Turkey in the Pre-Accession Period”. The paper takes as an assumption that the EU will decide to open accession negotiations with Turkey at the end of 2004, and explores in this context the potential for integration of EU and*

*Turkish foreign, security and defence policies already in the pre-accession period. After publication on the CEPS web-site of the full text of the working paper, the subscribers to this Monitor will receive an e-mail alert providing access to it (hyper-link). E-mail alerts will also be sent for the remaining working documents on democratic governance, justice and home affairs, trade, banking, monetary and fiscal policy, agriculture and energy. The results of the Project will be discussed at a one-day conference at CEPS on 27 September 2004.*

Michael Emerson and Senem Aydın

### **Integrating EU and Turkish Foreign Policy**

**Michael Emerson and Nathalie Tocci<sup>1</sup>**

Even if Turkey begins accession negotiations in 2005, full membership would occur probably only around a decade later. Turkey needs to pass and implement key reforms and negotiate thirty-one chapters of the *acquis*. The EU needs to ratify and implement its Constitution and absorb at least twelve new member states. However none of this excludes that the EU and Turkey might begin to integrate their foreign policies in the pre-accession period. Such integration could both yield important benefits to Turkey and to the EU, and it could serve to

accelerate Turkey’s membership into the Union.

This process has already begun with Turkey’s association with the EU’s nascent security and defence policy (ESDP). But this is only a small beginning compared to the conceivable agenda. The intuitive reasons for this idea are twofold. First, Turkey’s neighbourhood has become the main source of the EU’s security concerns, as stated in the EU Security Strategy. EU-Turkey integration in the foreign policy realm would also allow an extended reach of the emerging European Neighbourhood Policy. Second, Turkey offers several specific assets for helping the EU address its concerns and objectives, ranging from the concrete realities of location and logistics, through to matters of culture and ideology.

In policy operational terms, Turkey has the role of geographic hub for regional cooperation, it becomes a secure energy transport hub for Caspian, Middle Eastern and Russian oil and gas and it is well situated to become a forward base for the EU’s security and defence

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policies. Turkey also has valuable human resources to complement those of the EU for cooperation programmes, ranging from business know-how to language skills relevant for its wider neighbourhood.

In normative terms, Turkey could enhance the credibility of the EU as a foreign policy actor. Turkey's membership, like the current eastern enlargement, would constitute a key EU foreign policy act. The extent to which such an action would be successful would depend on the degree to which accession would have contributed to a transformation of candidate Turkey, both in terms of its internal democracy and in terms of its foreign policy. This democratic transformation by a predominantly Muslim country, would also send a striking message about the compatibility of democracy and Islam, and of the multi-cultural inclusiveness of the EU, thus emphatically repudiating the spectre of the 'clash of civilizations'. The success of Turkey's accession would also be measured with respect to its contribution to conflict resolution, by having facilitated state-society reconciliation within Turkey (i.e., vis-à-vis the Kurds) as well as state-to-state settlement (i.e., between Greece and Turkey or between Turkey and Armenia).

This paper explores these general arguments by going through a set of major theatres of operation in the Turkish and EU neighbourhoods. The idea is to review this set of sub-regions and to consider whether and how EU and Turkish interests are convergent and their potential policies complementary.

### ***Balkans***

With Bulgarian and Romanian accession expected in 2007, and Croatia also expected to join the accession process, EU interests in the Western Balkans are directed towards consolidating the transformation of the remainder of the region. Turkey for its part also has a vital interest in the stability of this transit region, which separates it from Western Europe. The interests of the EU and of Turkey thus seem convergent. In terms of their policies, Turkey has already contributed to EU stabilization efforts by participating in EU and NATO operations in Macedonia and Bosnia.

However EU policy is confronted by an increasingly pressing dilemma: how to include the region into its economic and security spaces, without premature accession. The dilemma is posed because the borders between member and non-member states in the Balkans will be virtually impossible to control at the frontiers. Turkey could contribute in three ways. First, during the pre-accession period there could be an expansion of the EU-Turkey customs union to include the whole Western Balkans. Second, Turkey's experience in training police officers both from Turkey and from the Balkan and Black Sea regions represents a major asset. The Turkish International Academy against Drugs and Organised Crime (TADOC) is already a valuable professional institute for the entire region. Third, Turkey is well positioned to serve as a transit route for rising European energy needs. The Greek-Turkish gas Interconnector project, linking to the Tabriz-Erzurum gas pipeline (connecting Turkmen and Iranian gas) is expected expand and connect on to the Western Balkans and into Western Europe.

### ***Black Sea***

In early 1990s Turkey was largely responsible for initiating what became the Black Sea Economic Cooperation, an Organisation with a comprehensive institutional structure, which has suffered from the non-involvement of the EU and the scepticism of Russia. Forthcoming enlargements mean that the entire western and southern coastlines of the Black Sea will become EU territory. As such, the obligations of Bulgaria, Romania and Turkey to comply with the acquis could provide a stronger foundation for regional cooperation on issues like the environment, transport, energy, fisheries and combating organised crime.

Turkey, together with Bulgaria, Romania and the EU itself, might follow the model of Finland's initiative in creating a 'Northern Dimension'. This could either take the form of empowering BSEC with EU human and financial resources, and perhaps adding a role as a forum for political dialogue between the CIS and EU. Alternatively, there could be an EU-Black Sea core group, based on the Black Sea states that are either EU members or candidates, and BSEC members that become ac-

tively engaged in the European Neighbourhood Policy.

### ***South Caucasus***

The EU has refrained so far from playing a substantial role in the South Caucasus, although it expresses the intention to do so. Turkey enjoys strong economic, political and military links with Azerbaijan and Georgia. Turkey also plays an important role in the development of Caspian energy, with the Baku-Tbilisi-Ceyhan oil pipeline under construction, and the planned gas pipeline to run alongside it to Erzurum. Turkey also hosts important diaspora communities from the region, including 450,000 Abkhaz and 2 million Georgians.

Turkey's potential role in the Caucasus and the EU's recognition of the region's importance but unwillingness to take an active lead could dovetail each other. Yet their interests at present are not entirely convergent. Turkey's role in the region has been limited by its relations with both Azerbaijan with whom it has close ethno-cultural ties, and Armenia with whom, due to historical legacies, relations have not been normalized yet. This partiality has been reinforced by the Nagorno Karabakh conflict, which led Turkey to close its frontier with Armenia in 1992. In the recent past, Turkey has attempted to contribute to progress in Karabakh by pursuing a trilateral forum with the participation of Azeri and Armenian officials. But due to its positions, it has not been an impartial mediating influence.

What are the steps through which Turkey's relations with Armenia could be normalised, allowing Turkey to play a constructive role in conflict resolution? In a first stage, Turkey could open its eastern border for trade with Armenia, and Armenia for its part could amend its constitution to remove political ambiguities over its frontier with Turkey. The two countries could establish a truth and reconciliation committee over the genocide question. The EU could support these steps. For Turkey this would occur in the context of the accession process. For Armenia, the EU could make the deepening of its relations through the new neighbourhood policy conditional on efforts in this direction. A second stage could introduce progress on Nagorno Karabakh, involving Armenian withdrawal from the occu-

ped territories surrounding Karabakh, together with guaranteed transport corridors between Karabakh and Armenia, as well as between Nakichevan and Azerbaijan. Turkey would establish normal diplomatic relations with Armenia. In a final phase the status of Karabakh itself would be settled.

Also in the case of the Georgian-Abkhaz conflict, Turkey could play an important role. The existence of large diasporas in Turkey presently constrains its involvement. Turkey has also limited influence on Russia, key to any breakthrough in the conflict. But in a post-settlement phase Turkey's Abkhaz community (larger than the population of Abkhazia itself) could play an important role in reconstruction efforts. Progress in Abkhazia could also allow re-opened rail links from Russia to Turkey and the implementation of the proposed new oil pipeline from Novorossisk to Supsa, linking to the BTC pipeline. The prospect of projects such as these might induce Russia to shift its positions.

Taken together this would mean a transformation of the perspectives for the region. They would combine with Turkey's pre-accession status leading the way for an enhanced ENP towards the Caucasus. In turn, the seemingly utopian vision of a Stability Pact advocated by Demirel in 1999, could have greater chances of success a decade later.

### ***Central Asia***

In the early 1990s, the EU established contractual ties with all the Central Asian Republics (Partnership and Cooperation Agreements), but these have been rather thin relationships. Technical assistance has been supplied under TACIS, but this has not been an easy process, partly because of the scarcity of relevant experts with Russian or Turkish language skills. Financial assistance has been limited also, particularly when compared to the aid to Mediterranean and the Western Balkans, not to mention Central and Eastern Europe.

Turkey instead has cultural, linguistic and religious ties with four of the five Central Asian Republics. In 1992 after the collapse of the USSR, Turkey embarked on an ambitious foreign policy initiative in Central Asia. It provided emergency assistance and engaged in

numerous projects covering trade, investment, business cooperation, training in public administration, media and education, communications and transport. However, particularly in the fields of culture and education, Turkey's role was often perceived as patronising or as attempting to impose Turkish cultural domination. The Republics wanted to assert their own identity and did not wish to alienate Russia. In addition, Turkey's own economic instability meant that Turkey did not have the means to assist state-building and development in Central Asia.

However, Turkey's accession process could offer the potential to strengthen both the EU and Turkish roles in Central Asia. The EU could benefit from Turkey's bilateral ties. The deficiencies of technical assistance due to the lack of necessary language skills could be rectified to some extent through Turkish participation. At the same time, these initiatives would not be tainted by pan-Turkic undertones.

### *The Arab-Israeli conflict*

In the Middle East, the EU, despite being the largest donor to the Palestinian Authority and enjoying strong contractual ties with most states in the region and Israel in particular, has always played a secondary role in any peace process. The EU has been unwilling to use its primarily economic instruments effectively in the political realm.

Turkey's accession process would not alter EU positions towards the conflict. In fact, EU and Turkish views are largely convergent. However, Turkey's role could contribute to the EU's increased 'actorness' in the region. Turkey has enjoyed good relations with Israel and is constantly improving its relations with the Arab world and with Syria in particular. Provided the EU became more willing to use effectively its instruments, Turkey's perceived neutrality as well as its proximity could allow the EU to act more credibly as a facilitator and mediator between the parties. In view of its membership of the Organisation of the Islamic Conference, Turkey could also act as a bridge between the EU, as a member of the Quartet, and the OIC. In May 2004, Turkey together with a sub-group of the OIC met with the EU Presidency (as well as with Russia and the UN

Secretary General) to discuss the institutionalisation of relations between OIC and the Quartet.

### *Iraq*

In principle EU and Turkish interests in Iraq are convergent. Like the EU, Turkey's interests are in fostering a peaceful and democratic Iraq. However in view of its proximity, Turkey's sensitivities regarding Iraq go beyond the general concerns of most EU actors. These concern first and foremost the activities of the PKK in Northern Iraq as well as the fear that a possible secession of Iraqi Kurdistan could fuel instability in south-east Turkey.

Yet irrespective of these fears, the possibility of a Turkish invasion in Northern Iraq appears far-fetched to say the least. It is thus feasible that as and when there is a greater internationalization of Iraq, Turkey (and in particular the Turkish General Staff, who is the principal Turkish actor in Iraq) together with the EU could develop a valuable operational and political partnership.

A promising avenue of Turkey's role in the Gulf is the 'Neighbouring Countries Initiative'. The Initiative was born in 2003, stemming from the common interest of all of Iraq's neighbours to prevent the war. It includes all of Iraq's neighbours, with the exception of Kuwait (that supported the US invasion and occupation), and also including Egypt. The countries of the Initiative have met five times both before and following the American attack. So far the Initiative remains ad hoc, and the only item on the agenda has been Iraq. However, it is conceivable that the Initiative persists and institutionalises. If so it could become of considerable interest to the EU, which is still in the process of developing a concerted strategy towards the war-torn country.

### *Iran*

In recent decades Turkish-Iranian ties have been strained over the two aspects that have been viewed as most critical to Turkish national security: namely political Islam and Kurdish separatism. Yet both threats have considerably diminished in the last few years, opening the space for EU and Turkish cooperation in Iran. Like the EU, Turkey has an interest in a steadily reforming Iran, in Iran's

cooperation on terrorism, in restraining Iran's nuclear programme and in ensuring energy security. Its preferred means to pursue these aims have converged with those of the EU rather than of the US, opting for a policy of engagement rather than confrontation.

Beyond convergent interests, Turkish and EU policies could be complementary. Turkey's deepening political, social and economic ties could act as an asset to EU endeavours to engage in dialogue with Iran. There is currently an annual flow of 450,000 Iranians crossing visa free into Turkey for tourism, education and business purposes. The Tabriz-Erzurum gas pipeline from Iran into Turkey is also of much interest to the EU, as this connects with the Turkish gas network, soon to be expanded and then linked with that of Greece and thence into the rest of the EU. The Iranian gas connection is viewed as particularly important to Europe given that Iran's own network connects with Turkmenistan and that the EU is keen to develop alternative energy sources to Russia.

### *Gulf and the OIC*

Both Turkey and the EU have an interest in gradual reform towards political participation, human rights, and then democratisation in the Gulf region. They also have an interest in securing cooperation of the Gulf countries in energy security and in the fight against terrorism. However both Turkey and the EU have enjoyed relatively thin relations with these countries. The EU has attempted in recent years to relate to the Gulf countries through multilateral forums, exploring the prospects for deepening and institutionalising relations between the EU and the Gulf Cooperation Council (GCC). Turkey instead principally relates to the Gulf through bilateral relations, as well as interacting with them in the context of the Organisation of the Islamic Conference (OIC). Particularly through bilateral commercial ties, Turkey's relations with most Gulf states have been steadily expanding in recent years. Investors from the Gulf have also shown increasing interest in projects in Turkey.

In principle, a secular and democratising Turkey could offer important lessons to the initiation of a reform process in the Gulf countries.

Indeed in the context of the emerging 'Broader Middle East and North Africa' initiative of the G8 summit Turkey has accepted to co-chair the Democracy Assistance Dialogue. However, precisely in view of Turkey's secular nature, there are serious limits to its ability and willingness to foster political change in the Gulf.

### *United States*

Turkey and the US have been allies for over fifty years, both in the context of NATO and through their bilateral relations. The EU, Turkey and the US have shared similar strategic interests. This has remained so both during the Cold War and thereafter. In other words, together with all European countries and the US, the Turkish Republic has always firmly placed itself within the 'West'.

This is not to say that Turkey's (or indeed the EU's) relations with the US have been static. Particularly in the run-up and with the advent of the 2003 Gulf war, relations between both Turkey (and several EU member states) and the US have been strained. On 1 March 2003 a resolution was brought to the Turkish parliament by the ruling AKP government to allow the temporary deployment of 62,000 US troops on Turkish soil. The deployment and transit through Turkey would have allowed a second front attack against Iraq. By a few votes, the motion failed to pass through parliament and the American troops were re-routed to Kuwait. At the time, the rejection of the motion appeared to have plunged US-Turkey relations to their lowest ebb since the 1974 arms embargo following the partition of Cyprus.

However the Turkish government is, notwithstanding, positioning itself to play a constructive role in the Middle East, in a manner that is convergent with both US and European declared interests. Prime Minister Erdoğan engaged in highly positive political debate in the US, as evidenced for example by his speeches in January 2004 in New York and at Harvard. The Turkish leadership is able to deploy arguments about favouring the progressive democratisation of the Middle East region, ostensibly supported by American as well as European leaderships.

In conclusion, following Turkey's stance towards the war in Iraq, Turkish policy seems to be settling down into a maturing, rather than a breaking, relationship with the US. It has brought also Turkey's foreign policy closer to the underlying ideology of European foreign policy, even if the EU has itself been so deeply split over Iraq. The scene is set therefore for a credible deepening of Turkish-EU collaboration over future developments in the Middle East.

***Box A: Potential convergence, complementarity or otherwise of EU and Turkish foreign policies in major theatres of operation***

|                           |  |
|---------------------------|--|
| Balkans                   | Convergent and complementary   |
| Black Sea                 | Convergent and complementary   |
| South Caucasus            | Potentially complementary but not yet convergent: special factors – Armenia and Azerbaijan |
| Central Asia              | Convergent and complementary   |
| Russia                    | Convergent but risks of unintended effects   |
| Mediterranean             | Convergent and complementary   |
| Middle East               | Increasingly convergent and complementary  |
| Iraq                      | Potentially convergent and complementary but special sensitivities – Kurds and Turkomans   |
| Iran                      | Convergent and potentially complementary: special sensitivities – Kurds and religion       |
| Saudi Arabia and the Gulf | Convergent and potentially complementary: special sensitivity – religion                   |
| United States             | Turkey is increasingly convergent with EU positions  |

**Conclusions**

Does the idea of integrating Turkish and EU foreign and security policies hold out the prospect of something important and valuable for both parties. Would Turkey be an asset or liability? Our conclusions are unambiguously positive.

This does, however, depend on the EU's level of ambition for its foreign and security policy. Does the EU aspire to become a major actor in the nearby southern and eastern neighbourhoods, or does it prefer to retreat into itself behind the most secure possible external borders? If the EU truly aspires to play a stabilis-

ing, pacifying and modernising role in its neighbourhood beyond mere token actions, then the incorporation of Turkey into the common external policy offers the prospect of real advantages. In the contrary case it would be consistent for the EU to reject Turkey's future membership once and for all. Yet in this case the EU would run the risk of destabilising Turkey itself, which could mean adding to the chaos of the wider neighbourhood.

Turkey's EU accession stands to be of comparable importance for the EU's emerging foreign and security policy as the recent accession of the ten new member states put together, if not more so. Turkey is almost completely surrounded by a set of regions that represent the EU's prime security concerns, from the residual instability of the Balkans to the West, the Caucasus, Central Asia, Iraq and Iran to the East, and Israel-Palestine and the Mediterranean to the South. The Turkish accession would mark the end of the EU's enlargement to the East, while opening at the same time new dimensions to the EU's relationship to the Middle East and Eurasia to the South and East, regions that are unstable and unpredictable.

The potential advantages for the EU in integrating Turkey as foreign and security policy actor are several. Objective factors lie in concrete logistic and locational advantages, coupled to military capabilities and civilian human resources that can be readily deployed in the Eurasian and Middle Eastern neighbourhoods. More subjective but perhaps even more important are the prospects for the Turkish experience to be viewed as a positive precedent by its neighbours. This general statement has a number of versions, some of which have been recently tried and failed (e.g. the pan-Turkic experiment in Central Asia in the early 1990s). Some other variants are also likely to provoke adverse reactions, like over-selling the Turkish model of multi-party democracy and secularism in parts of the Arab world. Not only does Turkey's democracy still have important shortcomings. But also Turkey's Arab neighbours, in view of the legacy of Ottoman rule, react adversely to arguments suggesting their emulation of Turkey's political and economic system.

However more subtle arguments seem full of promise. The Turkish case suggests that the values of democracy, human rights, the rule of law and secularism are not specific to any particular culture or religion. On the contrary they are universal values with no geographical, cultural or religious limitations. Rather than representing a static model of democracy, the continuing process of Turkey's democratisation could act as a source of inspiration to its neighbours. The same is true also of the gradual transformation of Turkey's security and foreign policy culture. While in the past Turkish foreign policy had focused on the importance of military security and balance of power politics, it now increasingly appreciates the value of civilian instruments of law, economics and diplomacy, as well as of multilateral settings in which to pursue its aims. Related to this, the Turkish example demonstrates the value of European integration as a key external anchor to domestic processes of modernisation.

The final point concerns the EU's own model. Turkey's EU accession and integration would vindicate the EU's ambitions to represent an inclusive project and a multi-cultural community of values. If the EU and Turkey were to make best use of their joint opportunities in the foreign policy domain, Turkey would build on the advantages of its comparative openness as well as proximity to the Middle Eastern and Eurasian neighbourhoods. The EU and Turkey could thus devise an original blend of openness towards their southern and eastern neighbours, with the model of a graduated external border of the EU. However Turkey would need to be re-assured that this would not in any way deprive it of normal political rights as future member state. To have a graduated border regime that adds value is not to be confused with the negative connotations of a second-class member state.

Finally, an integration of EU and Turkish strategic cultures could in the context of the present turmoil in the Middle East and transatlantic discord over Iraq carry a message also to Washington, supporting a shift back towards multilateralism, moderation and the rule of law.

Our conclusions in viewing Turkey as a potential asset to the EU's foreign and security poli-

cies can be distilled into two terms used in military security studies: bridgehead and spearhead. In the present context these words have meaning in terms of the civil values and the objectives of an expanding European Union. The democratising Turkey would be the bridgehead of a modern, multi-cultural Europe right up to and alongside the ideological chaos and violence of the neighbourhood beyond. Its civilian, military and human resources could be integrated with those of the EU and serve as a spearhead of the EU's soft and not-so-soft power projection into the region.

**Box B: Turkey's possible assets for EU foreign and security policy**

**Objective factors**

- Turkey's accession would lead to an *extended reach of the European Neighbourhood Policy*.
- Turkey's neighbours would become direct neighbours of the EU. Turkey has the role of *geographic hub for regional cooperation*.
- Turkey is a *secure energy transport hub* for Caspian, Middle East and Russian oil and gas.
- Turkey is well situated to become a *forward base for the EU's security and defence policy*, for military logistics and the credibility of the EU's presence in the region.
- Turkey has *valuable human resources* to complement those of the EU for cooperation programmes, ranging from business know-how to language skills.

**Normative arguments-**

- Rather than representing values specific to particular cultures or religions, the Turkish case shows that *democracy, secularism and human rights are universal values*.
- Turkey's EU accession would demonstrate *Europe to be an inclusive concept*, with a multi-cultural values, open to different religions.
- Turkey's *transformation of its security and foreign policy culture*, with less reliance on military power and greater emphasis on diplomacy and civilian instruments
- Turkey's accession would confirm the *contribution of European integration to conflict resolution*, with the reconciliation between the Turkish state and its Kurdish population, its rapprochement with Greece, and constructive role over Cyprus.

**Synergy**

- Combining this list of points could give a *synergetic boost to the EU's capabilities and credibility as foreign policy actor* across the EU's southern and eastern neighbourhoods.

**TURKISH BUSINESS PERSPECTIVES**  
by  
**TÜSIAD**  
**TURKISH INDUSTRY & BUSINESS**  
**ASSOCIATION**

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**TURKEY:**  
**A NEW CORPORATE WORLD**  
**FOR EUROPE**

**European Round Table of Industrialists (ERT)** prepared a **report** entitled “**Turkey: A New Corporate World for Europe**” with the aim of assisting the evaluation of the implications of potential Turkish membership to the EU. It provides ample information on the evolution of the relations between EU and Turkey, and on the strength and openness of Turkish industry.

Overall, **the primary message of the report** is that **Turkey's institutions and dynamic private sector are well prepared to start the negotiation process that will lead to EU membership** and a higher level of welfare for both Turkey and the EU.

➤ *Main headlines from the report include:*

- In recent years, **Turkey has taken major steps to restructure its economic, administrative, institutional and judicial environment** with the long-term objective of meeting the challenge of global competition as a strong partner of the EU.

- The obligations that Turkey has contracted with the EU have served as fundamental benchmarks during difficult times. **Turkey has responded to major economic crises** with root and branch reform of its financial and regulatory institutions, thus **demonstrating its reliability as a partner of the EU**.

- European endorsement of Turkey's political aspirations will, as much as any other conceivable factor, guarantee the long-term, stable macroeconomic environment which industry demands. That environment, in turn, provides the conditions for growth and opportunity which European manufacturers are well situated to exploit. **As a destination for exports, as an opportunity for investment, and as a location for competitive manufacturing, even as the source of invisible earnings in**

**tourism and finance, Turkey already offers immediate substantial returns to the European Union** which it aspires to join. In return, **Turkey asks a low-cost, long-term commitment to work together. It is a textbook case of a win-win situation.**

- **The start of accession negotiations**, the markets are convinced, **will remove the final barrier to investor confidence**. Although Turkey attracts its share of portfolio investment, foreign direct investment has historically been below \$1 billion per year. This is less than 0.5% of GDP. International experience shows that an economy of Turkey's size and importance should be attracting six to eight times of that ratio. **Re-confirmation of its eventual membership to the EU and the consequent stimulation of FDI will expand major employment opportunities.**

➤ Many ERT companies (**BP, British American Tobacco, Eczacıbaşı, Fiat, Lafarge, Nestlé, Pirelli, Renault, Roche, Shell, Siemens, Total, TT&TİM, Philips, Tuborg, Unilever, Volvo**) contributed to the report with the reflection of their corporate experiences in Turkey:

- “Turkey could play a vital role with regard to global and regional development through her dominant position in the region, linking together diverse cultural and business traditions and customs.”

- “Turkey is an important country both as a production base and as a market. Recent developments such as increasing productivity, improvements in FDI legislation and stability in political and economic life have rendered Turkey more attractive for investment.”

- “Turkey has young and well-educated human resources with a high capacity of adaptation to new developments.”

- “With its large and growing domestic market, Turkey is a country with great potential.”

- “We invested in Turkey due to Turkey's current domestic market, its potential domestic market and geo-strategic location and skilled workforce.”

The full text of the report is available at <http://www.abgs.gov.tr/uploads/files/ERT%20Rapport.pdf>



# CEPS

## *Turkey in Europe Monitor*

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### ***Introductory Note from CEPS***

*This issue of CEPS Turkey in Europe Monitor presents an extract from a CEPS working paper titled “European Integration and the Transformation of Turkish Democracy”, prepared by Senem Aydın and E. Fuat Keyman within the scope of the joint CEPS-EFPF Project, “Strategy for EU and Turkey in the Pre-Accession Period”. The project is realised with the financial contributions of the Open Society Institute of Istanbul, Akbank, Coca Cola and Finansbank. CEPS acknowledges the kind support for the production of the Turkey in Europe Monitor provided by EU Information Group of Turkey (ABIG). The paper’s general argument is that the Copenhagen political criteria constitute the leverage that is making Turkish modernisation and democratisation more plural, multi-cultural and consolidated. The paper presents a historical overview of modern Turkey from the perspective of political modernisation and democratic*

*consolidation in order to assess Turkey’s ability to meet the requirements of the Copenhagen political criteria and evaluates the impact of EU conditionality and the remaining problems and prospects in four major areas – the role of the military, human rights, protection of minorities and the judicial system. The full text of the working paper is available at [www.ceps.be](http://www.ceps.be). This and other working papers of the Project (justice and home affairs, trade, banking, agriculture, energy, growth, budgetary implications, monetary and fiscal policy) will be presented for public debate at high-level conferences to be held in Brussels on 27 September and Istanbul on 8 November. Those interested in attending either of the two conferences are invited to write to [turkey\\_europe@ceps.be](mailto:turkey_europe@ceps.be). Participation in the conferences is subject to a limited number of places.*

Michael Emerson and Senem Aydın

### **European Integration and the Transformation of Turkish Democracy**

**Senem Aydın and Fuat Keyman<sup>1</sup>**

In recent years, Turkey’s reform process, aimed at opening of accession negotiations with the European Union, has been impressive. Since August 2002, the Turkish parlia-

ment has made a number of important legal and constitutional changes to upgrade Turkish democracy in accordance with European standards. The European Union for its part understands that the accession of Turkey would be a political act of huge importance for itself as well as Turkey. It has therefore to inform itself about the political origins of the Turkish application, and to understand the nature of the current political transformation underway there. However this effort of understanding has also, in our view, to be based on a crucial premise, that the issue of Turkey’s possible accession should be decided on fair and objective grounds, namely the standard admission criteria, and more particularly not on grounds of geographic or cultural essentialism, since this would mean that the process had no point.

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In order to substantiate these points, we first provide a historical overview of modern Turkey from the perspective of political modernisation and democratic consolidation, followed by a discussion on the problems and prospects that exist in Turkey's attempt to fulfil the Copenhagen political criteria.

### **From Republican Origins to Democratic Transformation**

As Feroz Ahmad correctly observes, "Turkey did not rise phoenix-like out of the ashes of the Ottoman Empire. It was 'made' in the image of the Kemalist elite which won the national struggle against foreign invaders and the old regime".<sup>2</sup> The history of the making of modern Turkey has been that of Westernisation, conditioned by "the will to (Western) civilisation". In this process of 'making', the image of the Kemalist elite was to "reach the contemporary level of civilisation" by establishing its political, economic, and ideological prerequisites, such as the creation of an independent nation-state, the fostering of industrialisation, and the construction of a secular and modern national identity. The Kemalist elite thus accepted the universal validity of Western modernity as *the way* of building modern Turkey.

The idea of the state employed by the Kemalist elite was by no means abstract. It was a reaction to two fundamental problems, which had caused the decline of the Ottoman Empire.<sup>3</sup> First, the Ottoman state was identified with the personal rule of the sultan, which eventually led to its inability to compete with the European nation-state system. Second, the Islamic basis of the Ottoman state was regarded as the primary obstacle to progress in Ottoman society. For the Kemalist elite, there was therefore a need to create a nation-state distinct from the person of the sultan and secular enough to reduce Islam to the realm of individual faith. This meant a reconstruction of the idea of national sovereignty. The state was thus viewed not as an arbitrary institution, nor an expression of class interest, but an active agent that reshapes the nation to elevate

the people to the level of contemporary (Western) civilisation.

The Kemalist elite also took seriously the Weberian answer to the riddle of the 'European miracle' - that the reasons behind Western advancement could be located precisely in Western cultural practices. Kemalism understood modernisation not just as a question of acquiring technology, but as something that could not be absorbed without a dense network of cultural practices, which made instrumental thought possible. The commitment to political modernity had to be supplemented with a set of cultural practices in order to ground "the articulation of reason and capital via the nation-state", or the institutional and discursive construction of national identity. The Kemalist elite initiated a set of reforms that had to be imposed from above to "enlighten the people and help them make progress".<sup>4</sup>

Republicanism, nationalism, *étatisme*, secularism, populism, and revolutionary reformism were the six principles of the act of modern governance. Republicanism defined the nation-state as impersonal rule, which was contextualized as national sovereignty through nationalism. *Etatisme* was designated to foster capitalist industrialisation through import-substitution policies carried out by the state, and gave expression to the politico-economic logic of the Kemalist elite. These principles indicated the acceptance of the dominance of the West and the Kemalist elite's will to civilisation. They also indicate the significance of nation-state building for nationalist discourse. What gave specificity to Kemalist nationalism, however, was its populist character, its rejection of the West as a class-based social formation. Populism meant, in the Turkish context, the affirmation of the non-class character of Turkish society.

The second political period of the Turkish republic began in 1945 with the transition to the multi-party system, and later in the 1960s to the rise of the New Left. As a result it was no

<sup>2</sup> See Feroz Ahmad (1993), *The Making of Modern Turkey*, London: Routledge.

<sup>3</sup> Heper, Metin (1985), *The State Tradition in Turkey*, North Humberstone: The Eothen Press.

<sup>4</sup> See Ernest Gellner (1995), *Encountering Nationalism*, London: Polity. These reforms include "the hat revolution", "the reform of attire", "the adoption of a civil code", "the alphabet reform", and "the religious reform".

longer possible to define the Turkish political landscape purely on the basis of the secularist versus anti-secularist axis. With the multiparty system, the emergence of the liberal vision of Westernisation and modernisation presented a serious alternative to the Kemalist principle of étatism and populism. At the same time, with the rise of the New Left, the emergence of the socialist vision challenged the non-class based populist image which had been used to define Turkish society as an organic totality. However, these challenges did not lead to a significant transformation of state identity. Nor did they give rise to a radical rupture in the performance of Kemalist nationalism in giving meaning to the making of modern Turkey.

It was by then clear that Turkish modernisation should involve some elements of economic and political liberalism, but this did not alter the dominant role of the state and its strong nature vis-à-vis society. The effective instruments of formal democracy were established with the transition to multi-party and parliamentary democracy in Turkey. There were now free and recursive elections, and the opposition parties were able to criticise the governing party or the governing coalition. The military coups of 1960 and 1980 were both short lived with relatively smooth transitions to civilian rule. However, the establishment of formal democracy proved to be inadequate to resolve the problems of the country.

The 1980 coup nonetheless brought about a radical rupture in the making of modern Turkey, the impact of which was deeply felt at each and every level of Turkish society. At the economic level, the goal of industrialisation was decisively shifted from import-substitution to export-promotion, and much more emphasis was placed on market forces. The crucial point here is that since export-promotion meant adaptation to the international division of labour, the shift in industrialisation was in fact the transformation of Kemalism via *laissez-faire*, which however contradicted the Kemalist image of the organic state. While serving to create a secure ground for the liberal restructuring of economic life, the 1980 coup also ironically created the ground for a new idea of the state which could replace the Kemalist republican populist state, the existence of which the military was supposed to protect. Indeed, the 1980

coup resulted in the transformation of state identity from radical secularism to what has been termed neo-republicanism.<sup>5</sup> By incorporating Islamic discourse and implicitly *umma* (a community of believers who are united by the same Islamic faith) as its model of social organization, and also by abandoning the radical secularism of the early republic to secure its popular support and to open up the domestic market to Islamic capital, the post-1980 military regime weakened the very conditions of the existence of Kemalist nationalism and the republican state.

The use of Islamic discourse and its notion of *umma* were considered by the military regime to be a temporary and short-term pragmatic strategy to restructure the political system and to restore the performative power of the Kemalist republican state.<sup>6</sup> However, such a contradictory move led to unintended consequences. The first was that in the 1983 national election, which marked the transition to civilian rule, the neo-liberal Motherland Party came to power despite the resistance of the post-1980 coup military regime. The military supported the Nationalist Democracy Party, which had been formed as the "state party" of the post-1980 coup regime. This indicated the crisis in the capacity the state to carry out the Kemalist vision.

The regime's temporary and pragmatic appeal to the Islamic discourse became one of the enabling factors for the emergence and re-emergence of Islamic organisations within both state and civil society as political parties, or as *tarikats* (the religious brotherhoods), and also for their increasing strength within the Turkish political landscape. While the regime's objective of depoliticisation was targeting the discourses of the left-right axis,

<sup>5</sup>See Faruk Birtek and Binnaz Toprak (1993), "The Conflictual Agendas of Neo-Liberal Reconstruction and the Rise of Islamic Politics in Turkey", *Praxis International*, No. 13, p. 194, July.

<sup>6</sup>Interestingly enough, the use of Islamic identity by the military regime in the form of the Turkish-Islam synthesis, in order to depoliticise society and eliminate the Left-discourse from the political sphere, which contributed to the resurgence of Islamic identity as a political force, ended in 1997, when the National Security Council declared that Islamic fundamentalism constitutes a fundamental threat to secular regime.

whose *modus operandi* were not directed at the essential identity of Kemalist nationalism, it gave rise to discourses aiming primarily at dismantling that identity. Thus, the attempted depoliticisation brought into existence once again the secularist versus anti-secularist axis.

The search for a political community both outside the terrain of and as a response to the Kemalist vision was one of the significant themes of Turkish politics in the 1990s. The political landscape was characterised by a clash between the discourse of progress and secularism versus the discourse of traditionalism and anti-secularism, as well the emergence of the ethnic issues centred on the Kurdish question, whose activities ranged from the politics of identity to PKK terrorism.

This intersection between the decline of the hegemony of Kemalist nationalism and the rise of Islamic discourse was crucial to the crisis of identity that was then taking place in Turkish political life. This could be considered to be a positive development, insofar as the emergence of alternative visions of modernity might be an indicator of multiculturalism and pluralism. However, the Islamic resurgence was mainly the outcome of the 'weak state consensus', which was created through neo-liberalism, and which generated a clash between the Western and the Islamic visions of modernity. To the extent that the weak state consensus aims at minimising state power rather than democratising it, it could not provide for the democratic regulation of the state/society relations, in which Islamic identity acts not as the essence of an alternative vision of society, but as an identity among others in a multi-cultural, plural setting.

The main conclusion from the impasse of Turkish politics in the 1990s, was the following. Democracy could not only open possibilities for the articulation of essentialist claims to identity, but could also, on the contrary, lead to strategies against essentialism, nationalism and religious communitarianism. What was most needed in Turkey as it approached the new millennium was the building of a democratic consensus between state and civil society.

### **Driving Forces of Turkish Democratisation in the 2000s**

Since 2000, it has become possible to observe five crucial developments (international and national) that have generated extremely important, if not system-transforming changes in state-societal relations in Turkey. These have forced political and state elites to come to terms with the fact that democracy is not only a normatively good system of governance, but also constitutes a valuable strategic and political device to enable any country to be strong and stable in its homeland and in international relations. These developments have also created an adequate ground for the solution of the paradox that has described the process of the making and the remaking of modern Turkey.

*The changing Turkey-EU relations since 1999.* Since the Helsinki Summit of 1999, when Turkey was granted a status of a candidate country for full membership, Turkey-EU relations have gained in 'certainty'. This has forced the political and state actors to focus on democracy, since the candidate country status was requiring Turkey to fulfil the Copenhagen political criteria. This process still continues, and Turkey takes further measures to consolidate its democracy to get a starting date for negotiations. What is important here is that the more that Turkey-EU relations have gained 'certainty' over time, the more Turkish politics have come to terms with the fact that democracy should be the only game in town.

*The February 2001 financial crisis and Turkey-IMF relations.* As the Turkish economy collapsed in February 2001 and generated devastating and tragic impacts on the country, the need to restructure state-economy relations became very apparent. Although the crisis appeared to be economic and financial, it was in fact a crisis of governance, which has occurred as a result of the populist, clientalist and corruption-producing nature of Turkish politics. For this reason, the strong-economy program, prepared in accordance with the structural adjustment program of the IMF, had as its first aim to restructure the state through freeing the economy from Turkish politics. Thus, it had become clear to political and economic actors that without a strong and stable economy, Turkey faced drastic problems, for which the viable solution is to democratise

both the state and its governing relations with society.

***The November 2002 elections and the AKP government.*** On the evening of 3 November 2002, as the final vote count came in, an electoral earthquake shook Turkish politics. The three parties that had formed the coalition government after the 1999 elections, as well as two opposition parties, failed to pass the 10 per cent national threshold and found themselves left outside the parliament. The election results demonstrated popular feeling that the ineffective and undemocratic governing structure based on economic populism, clientalism, corruption and democratic deficiencies had run its course, and that a strong single-party government with institutional and societal support could make Turkey a democratic and economically stable country. The AKP government has indeed created political stability in Turkey, and has made a number of important legal and constitutional changes necessary for meeting the requirements of the Copenhagen political criteria.

***The Iraq war in 2003 and Turkish-American relations.*** The September 11 terrorist attacks have generated consequences for the world much beyond the killing around 3000 innocent people. The unilateral declaration of the US-led global war on terrorism, aiming at revitalising the international politics on the basis of the normative and strategic primacy of security issues as opposed to global social justice problems, has not only concretised itself as war. It also unearthed the underlying problems of the key international institutions, such as the UN and the NATO, created a split in the process of European integration, and divided the world into those who are the friends of the US and those who are against the war on terrorism.

Turkey has not been immune from this process, and this became clearer as the US embarked on its war against Iraq, and occupied the country in order to remove the Saddam Hussein tyranny. Turkey with its border with Iraq found itself subjected to the military and political demands from the Bush Administration to deploy its military in its South Eastern regions. Turkey's rejection of this demand, with its famous parliamentary decision of 1 March 2003, obviously created big problems

in Turkey-US relations. What has become apparent, beyond its decision keep out of the war and occupation, is that as long as Turkey does not solve its own Kurdish problem, it will face security problems from Kurdish tribal forces in Northern Iraq. This in turn means Turkey will remain very hesitant towards the political future of Iraq involving, as a likely scenario, a federal system in which the Northern part will be governed by the Kurds. The war on Iraq has thus made the political and state elite realise that only a democratic Turkey willing to solve its problems stemming from the questions of identity and difference, most concretely the Kurdish question, would be strong enough to face up to the increasingly problematic structure of the Middle East region in general and the post-war Iraq in particular.

***The role of civil society:*** In addition to these international and national changes, there have been strong societal calls for the further democratisation of relations between the state, society and the individual. Since 2000 most of the civil society organizations have made such calls, and in doing so have shown their support of Turkey-EU relations. Strong economic actors, such as the Turkish Industrialist and Businessman Organisation (TUSIAD), the Independent Industrialist and Businessman Organisation (MUSIAD) and the region-based and province-based Industrialist and Businessman Organisations (the SİADs) have supported Turkey's entry into the EU and initiated lobbying-based activities for this end. They have voiced the need for more democracy in Turkey and recognised the role of the EU as international anchor for democratisation. Similarly, a number of civil society organisations and think-tanks operating in various fields have worked in their own ways for further democratisation and modernisation. Civil society has become an important element of Turkish politics not only through its discourse of democratisation but also by its associational activities.

All these changes - Turkey-EU relations, Turkey-IMF relations, the AKP single-majority government, Turkish-American relations and the increasing importance of civil society - are together making Turkish modernity more societal, liberal, plural and multi-cultural, as well as of transforming Turkish democracy into a more consolidated, substantial and

deepened democratic mode of governance. However, the current Turkey-EU process of political conditionality appears to be most significant for societal modernisation and democratic consolidation.

### The EU-driven Political Agenda

By making basic norms of liberal democracy the *sine qua non* condition for membership – its most important possible incentive and reward –, the EU has developed its policy of ‘conditionality’ as an instrument to transform the governing structures, economy and civil society of the candidate countries, initially of Central and Eastern Europe. The major instruments of conditionality were ‘gate-keeping’ along with ‘bench-marking’ and ‘monitoring’.<sup>7</sup> Hence, the EU institutions decided on whether or not to give the green light to the different stages along the accession process which, in the case of Central and East European countries, consisted of privileged access to trade and aid, signing and implementing enhanced association agreements, the starting of accession negotiations, the opening and closing of thirty-one chapters of the *acquis*, signing of the Accession Treaty, ratifying the Accession Treaty and finally, entering the EU.<sup>8</sup> Benchmarking and monitoring were undertaken by yearly ‘Progress Reports’ outlining the steps taken by the candidate countries in fulfilling the Copenhagen criteria, and ‘Accession Partnerships’ listing short and medium-term recommendations to achieve that end. The Commission has also supported these mechanisms through a significant amount of financial aid and technical assistance. This has allowed the EU to offer resources and legitimation to some actors and constrain the behaviour of others in the domestic sphere. It has influenced the democratisation process of candidate countries primarily by empowering reformist elements in soci-

ety and by altering the domestic opportunity structure.<sup>9</sup>

The Helsinki Summit of December 1999 caused a significant shift in the EU’s policy towards Turkey by declaring it a candidate country and by subjecting it to the same formal mechanisms used for the Central and East European countries to guide and measure progress on the Copenhagen criteria. The European Commission published the first Accession Partnership in March 2000, which was followed by the preparation of the Turkish ‘National Program for the Adoption of the *Acquis*’ by the Turkish authorities in March 2001.

Immediately following the approval of the National Program, the silence on political reform was broken with a record number of thirty-four amendments made to the Constitution in October 2001. The amendments were not restricted to political rights, but extended over a large area of socio-political life. Although most of these amendments dealt with matters of detail or were simply changes in language that did not create a new legal situation, some of them were real constitutional reforms, such as the shortening of pre-trial detention periods, the limitation of the death penalty to times of war and terrorist crimes, changes that made the prohibition and dissolution of political parties more difficult, and expansion of the freedom of association and strengthening of civil authority in the National Security Council. After the constitutional amendments, the new Civil Code entered into force on 1 January 2002, introducing significant changes in the area of gender equality, protection of children and vulnerable persons. It established new practices and institutions in Turkish Law, such as pre-nuptial contracts on the management of family assets.

There followed three ‘Harmonisation Packages’<sup>10</sup> in the wake of the Copenhagen European Council of December 2002. These not only aimed to translate the preceding constitutional amendments into action by harmonising Turkish Law with them, but also introduced

<sup>7</sup> Grabbe, Heather (2001), ‘How does Europeanisation Affect CEE Governance? Conditionality, Diffusion and Diversity’, *Journal of European Public Policy*, vol.8, no.6, pp.1013-1031.

<sup>8</sup> Noutcheva, Gergana et al. (2004) ‘Europeanization and Secessionist Conflicts: Concepts and Theories’, in Bruno Coppieters et al., *Europeanization and Conflict Resolution: Case Studies from the European Periphery*, Ghent: Academia Press, pp. 1-50.

<sup>9</sup> Ibid, p. 17.

<sup>10</sup> A term of reference for a draft law consisting of a collection of amendments to different laws, designed to amend more than one code or law at a time, and which was approved or rejected in a single voting session in the Parliament.

further reforms particularly in the fields of human rights/protection of minorities, freedom of expression and freedom of association. The most notable of these were the easing of restrictions on broadcasting in and the right to learn 'different languages and dialects traditionally used by citizens in their lives', namely Kurdish. These measures culminated in the Copenhagen decision of December 2002 that 'if the European Council in December 2004, on the basis of a report and a recommendation from the Commission, decides that Turkey fulfils the Copenhagen political criteria, the EU will open negotiations without delay'.

This decision was received with considerable disappointment in Turkey as general expectations had been raised in the country by the political elites as well as by the media that the decision to actually launch accession negotiations with Turkey would have been taken at that Summit. However, contrary to some theories circulated by the more fervent Eurosceptics in Turkey, this disillusionment has not led to a slowdown in the reform process, nor has it led to the abandonment of the 'EU Project'-as it is often referred to in Turkey. In fact just the opposite happened. The Copenhagen Summit has fostered a 'sense of certainty' in EU-Turkey relations by giving a specific date for the beginning of accession negotiations.<sup>11</sup> Even though the year 2004 was a conditional date, it was nevertheless a significant step forward, as it provided Turkey with the prospect that full EU membership was a real possibility.<sup>12</sup> In the meanwhile, the EU also decided to significantly increase the amount of financial assistance to Turkey. Pre-accession financial assistance would reach 250 million Euros in 2004, 300 million Euros in 2005 and 500 million Euros in 2006 to 'help Turkey prepare to join the EU as quickly as possible'.<sup>13</sup>

<sup>11</sup>Öniş, Ziya and E. Fuat Keyman (2003), 'Turkey at the Polls: A New Path Emerges', *Journal of Democracy*, vol. 14, no.2, pp. 95-107.

<sup>12</sup>Keyman, E. Fuat and Ziya Öniş (2004), 'elsinki, Copenhagen and Beyond: Challenges to the New Europe and the Turkish State', in Mehmet Ugur and Nergis Canefe (eds.) *Turkey and European Integration: Accession Prospects and Issues*, London: Routledge.

<sup>13</sup>European Union European Commission Representation to Turkey, 'EU Funded Programmes in Turkey: 2003-2004', December 2003 (accessible

The strengthening of the credibility of EU conditionality was immediately reflected in the subsequent reform packages adopted by the Turkish government. Four comprehensive sets of democratic reforms entered into force in the year 2003, aiming to improve the most criticised aspects of Turkish democracy, such as limits to freedom of speech and expression, freedom of association, torture and mistreatment along with the strong influence of the military on domestic politics.

With the two democratisation packages that entered into force in January 2003, the Law on Political Parties was further liberalised, the fight against torture strengthened, freedom of the press further expanded, the procedures for setting up associations eased and the restrictions applying in the acquisition of property by non-Muslim community foundations abolished. Retrial of cases on the basis of the decisions taken by the European Court of Human Rights was also made possible, paving the way for the retrial of some former Kurdish nationalists such as Leyla Zana.

The sixth reform package that entered into force in mid-July 2003 became famous for the lifting of the infamous Article 8 of the Anti-Terror Law, with expansion of the freedom of speech, abolition of the death penalty and expansion of broadcasting rights in Kurdish. It was the final set of democratic reforms, however, which entered into force at the end of July 2003, that attracted the most attention, due to its emphasis on strengthening the civilian control of the military, as well as the additional measures to strengthen the fight against torture and the exercise of fundamental freedoms.

In May 2004, there was another set of amendments to the Constitution, some of which consisted of harmonising the Constitution with the previous democratisation packages. However, more significant amendments regarding the further civilianisation of Turkish politics, reform of the judiciary and freedom of press were also approved by the Parliament. The subordination of domestic law to international law in the area of fundamental rights and liberties was also now secured in the Turkish Constitution. The eighth democratisa-

tion package adopted in July 2004 resolved yet another long-criticised issue, repealing the provision that allowed for the nomination of a member of the High Audio-Visual Board (RTÜK) by the Secretariat General of the National Security Council. The new Penal Code and the Law on Associations, currently pending in the Parliament are also expected to be adopted before the Commission Report in October. Most of the reforms in the past were passed immediately after or before crucial European Council meetings, displaying once again the clear drive of the prospect of membership.

In addition to legislative changes, the government has also taken specific steps geared towards securing effective implementation, the most notable of which was the establishment of Human Rights Boards in cities and provinces as well as a special Reform Monitoring Group composed of various representatives of selected ministries and government bodies.

As the prospect of EU membership and the associated conditionality became more 'real', it became impossible to separate the domestic and international spheres from each other. By helping to create a 'strong language of rights' in the country, the EU started to play an important role in furthering the change in state-society relations and provided legitimacy for civil society organisations calling for a more democratic Turkey and demanding recognition of cultural and civil rights/freedoms.<sup>14</sup> Similarly, the EU has also provided increasing legitimacy for the governing party AKP's heavy emphasis on democracy and the protection of individual rights and freedoms, as was reflected in the speed of political reforms after the Party came to power in November 2002. Democracy as advocated by the EU became the 'catchword and the strategy through which the former Islamists seek to change the system at the same time as they change themselves'.<sup>15</sup>

<sup>14</sup> See Keyman, E. Fuat and Ahmet İçduygu (2003), 'Globalization, Civil Society and Citizenship in Turkey: Actors, Boundaries and Discourses', *Citizenship Studies*, vol. 7, no.2, pp. 219-233.

<sup>15</sup> Bazoglu Sezer, Duygu (2002), 'The Electoral Victory of Reformist Islamists in Secular Turkey', *International Spectator*, vol. 37, no .4, pp .7-21.

Another reason that facilitated compliance by Turkey was the perceived decrease in the costs of these measures for the military/security establishment, which used to be particularly high in the 90s. This was specifically the case for reforms related to minority rights. The political costs of compliance were reduced with the virtual end of Kurdish terrorism in late 90s, weakening the previous opposition of the military/security establishment and strengthening the view that national unity can be preserved through further democratisation, rather than via military means.

### Policy Conclusions

Recent years have clearly seen substantial improvements in Turkish democracy. Nobody today questions whether the basic institutions of government – the parliamentary legislature, the government and presidency – are functioning democratically. Reforms recently undertaken have been addressing long-criticised aspects of Turkish democracy, particularly the role of military in politics, respect for human rights, protection of minorities and the judicial system. Yet while in legislative and institutional terms a lot has been achieved and few challenges remain, there is still much to be done regarding implementation.

For example, in the field of *torture and ill-treatment by the police and in penal establishments*, there are still legislative measures to be taken, the most significant of which are the lifting of the statute of limitations for such crimes, removal of law enforcement officials from active duty pending the outcome of investigation and abolishing the practice of giving a copy of medical reports to security officers. Annulment of Article 159 of the Penal Code and a comprehensive reform of the Law on Political Parties would constitute fundamental steps in further expanding the freedom of expression. With respect to the freedom of association, the draft Law on Associations introduces the legislative remedies for long standing obstacles regarding government approval mechanisms and cooperation with foreign associations. The draft, however, does not touch upon the broad authority of the Interior Ministry and government officials to inspect premises and records of associations. This would require further legislative action in the next stages of the reform process.

The issue of the *protection of minorities* is no longer a 'taboo' subject in Turkish political life. There are serious efforts to improve the lives of minorities in Turkey. Regarding non-Muslim minorities, the remaining problems in the field of property rights for community foundations and religious freedoms are resolvable through the correct and full application of the provisions of the Treaty of Lausanne. The other minority groups, particularly the Kurds, would benefit greatly from the extension of cultural rights such as the granting of local broadcasting rights, the introduction of optional language classes in public schools upon demand and the lifting of restrictions on expressions of cultural identity. In order to ensure effective implementation of such measures for all minorities, it is also necessary to undertake a gradual shift from the traditional interpretation of the monolithic Turkish nation to a redefined notion of political community which requires a more inclusive and truly civic concept of citizenship.

The guarantors of the rule of law and of reform process, the *judiciary*, has also undergone significant reforms, the most notable of which was the recent abolition of the State Security Courts that have in the past dealt with crimes against the state. Future reforms should focus on ensuring proper training and working conditions for the members of the judiciary, and ensuring its full independence from the executive. Implementation here is a major challenge that will take many years.

The process of change already extends throughout society, from the policemen who are actually now following the newly opened Kurdish languages courses, to the civil servants who revise the implementing regulations, the military which decreases its spending upon the request of the civilian power, the judges and the public prosecutors who give increasing references to the European Convention of Human Rights, and the majority of the citizenry who support the European integration process. Further training and education coupled with the continued and credible application of EU conditionality would secure the path of reform which in the eyes of many is as revolutionary as those achieved by Mustafa Kemal and his followers in the 20s and 30s.

Given the pace of reforms in the last 3 years, the remaining legislative and institutional tasks could be achieved in a relatively short period of time by the Turkish authorities. What requires more energy and more time are efforts geared towards changing the mindsets of the public officials, in particular the police force, bureaucracy, military, public prosecutors, the judges and the citizenry of the country. This is particularly the case for military-civilian relations where the full implementation of the comprehensive reforms requires changes in the assessments of the military's role, both in the eyes of the public and of the military itself.

In the case of Turkey, the progress achieved so far suggests that for the existing reforms to be entrenched and further proceed, the EU should follow the same path as for Romania and Bulgaria. It is generally recognised that the EU opened negotiations with these countries before they fully respected the Copenhagen political criteria, with high degrees of corruption and malfunctioning public administrations.<sup>16</sup> Also one may bear in mind the case of Latvia, where according to a report by the European Parliament in February 2004 there remain significant problems regarding the situation of its Russian minority. The opening of accession negotiations with Turkey on the grounds of 'sufficient progress', to be followed by regular assessments of compliance with the political criteria upon closing of a certain number of previously agreed chapters, is plausible.

In the case of Turkey, the adoption costs of the ultimate transformation that will occur on the path to eventual accession still seem to be perceived as high, particularly by the military/security establishment, those at the extreme left and right of the political spectrum, and even for a majority of 'social democrats'.<sup>17</sup> The costs are perceived to arise from the pooling of sovereignty, decentralisation and increased recognition of multiple identi-

<sup>16</sup> Emerson, Michael, 'Has Turkey Fulfilled the Copenhagen Political Criteria?', *CEPS Policy Brief*, April 2004, no. 48, p. 2.

<sup>17</sup> Schimmelfennig, Frank et. al. (2003), 'Costs, Commitment and Compliance: The Impact of EU Democratic Conditionality on Latvia, Slovakia and Turkey', *Journal of Common Market Studies*, vol. 41, no. 3.

ties, which comprise the defining traits of European integration. These processes come into direct conflict with the authoritarian visions of nationalism based on a single identity, and lead the members of the anti-EU coalition to regard major political reform along these lines as a major threat to the unity of the nation.<sup>18</sup> Although such resistance was also present in a majority of the Central and East European countries, the levels are higher in the Turkish context due to ‘historical legacies and the peculiarities of her nation-building experience’.<sup>19</sup> There is no complete overthrow of the existing system in the Turkish case, making it difficult to achieve reform from within the existing structures.<sup>20</sup>

A credible and consistent policy of conditionality is thus necessary to empower reformist elements in Turkish society. In cases where the incentive of membership offered by the EU requires the adoption of principles perceived as threatening for the ruling elite, the only means for the EU to bring about change are through direct democracy promotion and mobilisation at both elite and the mass level. As an example, this indeed worked in the case of Slovakia, in overcoming the resistance of the Mečiar leadership.<sup>21</sup> In addition the EU also needs to continue offering aid and assistance to pro-democratic forces in Turkish society and to build transnational networks for change. Close and direct links with civil society and the reformist elite are essential for further change to occur. Determined attempts to change the perceptions of the elite, particularly in the security forces and the judiciary, would also prove beneficial. All these measures would also be helpful in fostering ‘socialisation’ into European norms and values.

<sup>18</sup> Öniş, Ziya (2003), ‘Domestic Politics, International Norms and Challenges to the State: Turkey-EU Relations in the Post-Helsinki Era’, *Turkish Studies*, vol. 4, no.1, pp. 9-34.

<sup>19</sup> Ibid, p. 5.

<sup>20</sup> See Muiznieks, Nils and Ilze Brands Kehris (2003), ‘The European Union, Democratization, and Minorities in Latvia’ in Paul J.Kubicek (ed.), *The European Union and Democratization*, London: Routledge, pp. 31-55.

<sup>21</sup> See Krause, D. Kevin (2003), ‘The Ambivalent Influence of the European Union on Democratization in Slovakia’ in Paul J.Kubicek (ed.), *The European Union and Democratization*, London: Routledge, pp. 56-86.

We conclude with a suggestion, based on two words – *fairness* and *objectivity*. For the decision about Turkey’s readiness for the full accession negotiations to be taken fairly, it has to have an objective basis, which can only mean the capacity and willingness of Turkey to meet the Copenhagen criteria. Turkey’s place in Europe should not be based on religious or geographical references. Instead, Turkey’s identity and its compatibility with the Europeans norms of democracy and economic modernisation should be judged on the basis of an objective, historical and analytical reading of modern Turkey.

The history of modern Turkey since 1923 has been one of modernisation and democratisation. However, this history has had, and continues to have, its problems in linking together modernity and democracy. Yet Turkey’s profound political identity as a secular parliamentary democracy appears indeed to be compatible with European norms of democracy and liberal economy. That is evidenced in the fact that the more Turkey has attempted to meet the Copenhagen criteria, the more it has consolidated its democracy and made its modernity liberal, plural and multi-cultural. Turkey has achieved this in a short period not only because of the strong political will to do so, but also because it has already established the institutions and norms of democracy and modernity.

In this sense, we suggest that, rather than culturalist and essentialist discourses of Europe, which privilege religion and geography over universal norms of democracy and liberal economy, the principle of fairness and objectivity should be the basis of the EU’s decision about Turkey. Fairness and objectivity have the potential to create a reciprocal relationship between Turkey and the EU, in which both parties have mutual benefits. While accepting Turkey as a full member of the EU would demonstrate that the process of European integration and its enlargement operates on the basis of universal norms rather than religion or geography, the project of Europeanisation in Turkey makes a significant contribution to the process of democratic consolidation and societal modernisation. With its secular modernity and mostly Muslim identity, Turkey can contribute to the reshaping of the political identity of Europe as a multi-cultural space

governed by the universal norms of democracy and liberal economy. With such a political identity, Europe will for its part reshape international relations as a democratic space

of world governance, which our extremely dangerous post-September/11 world needs today.

## **TURKISH BUSINESS PERSPECTIVES**

by  
**TÜSIAD**  
**TURKISH INDUSTRY & BUSINESS**  
**ASSOCIATION**

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### **WOMEN IN TURKEY AND THE EU**

**Turkey's progress towards EU membership is an important catalyst in empowering Turkish women and generating positive effects on the status of Muslim women in Europe and beyond.**

Turkish women's achievements for gender equality dates back to the Ottoman Empire. With the legal codifications of 1836 and constitutional reform movements of 1876 and 1908, women became more vigorous in claiming their rights. Accordingly, they disseminated the debate on gender equality and individual rights to public through their associations and by publications in daily papers.

With the foundation of the Republic in 1923, the pace of the modernisation process of the society increased. Secularisation, adoption of civil code and the enactment of law on the unity of education contributed positively to women's status in society. Women's access to education and admission to public professions were substantial changes. In 1940s the percentage of women studying medicine, law, engineering, which are mainly seen as professions for men, was 42 %. Women acquired the right to vote in 1934 and in the next elections 18 women were elected to the Turkish parliament.

Post-1980, academics, professionals, journalists and students raised consciousness on gender equality by challenging the patriarchal structures in some segments of the society. They organised campaigns against domestic violence and for amending discriminatory arti-

cles of the Civil Code and the Penal Code, as well as founding the Women's Library and Women's Shelter and several other associations to defend women rights.

One of these associations, **KA-DER** (Association for the Support and Training of Women Candidates) promotes women's representation in the parliament with a view to end gender inequality in politics.

**KAGIDER** is an influential association, which promotes women entrepreneurship ([www.kagider.org](http://www.kagider.org)).

It is also interesting to stress that in some sectors such as banking, engineering, legal, and the medical, the presence of Turkish women is among the highest in Europe.

**The Women Initiative for Turkey in the EU** was founded with the aim of contributing to Turkey's accession process to the EU. The broad perspective of this initiative is to promote women's status in Turkey through better cooperation with its counterparts, stimulated by the launch of accession negotiations with the EU.

Problems related to gender equality and women's rights within the social, cultural and political sphere of a society are still a problem in Turkey. Women in the EU face discrimination and have to struggle for their cause as well. In this context, status of women in Europe will be analysed in the below mentioned seminars:

#### **“Raising Mutual Understanding: Women in Turkey and the EU”**

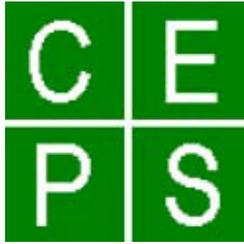
organised by KA-DER with the support of Eczacıbaşı Group, on September 13, 2004,  
at the Bosphorus University, in Istanbul.

<http://www.ka-der.org.tr/sempozyum/eng/mainpage.htm>

#### **“Comparative Perceptions of Women's Role in the EU and Turkey”**

organised by Women Initiative, on October 13, 2004  
at Palais des Beaux Arts, in Brussels.

[www.womeninitiative.info](http://www.womeninitiative.info)



# CEPS

## Turkey in Europe Monitor

No. 9, September 2004

### **Introductory Note from CEPS**

*This issue of CEPS Turkey in Europe Monitor presents the CEPS-EFPF working paper titled “Turkey and the European Budget: Prospects and Issues”, prepared by Kemal Derviş, Daniel Gros, Faik Öztrak and Yusuf Işık, in cooperation with Firat Bayar, within the scope of the joint CEPS-EFPF Project, “Strategy for EU and Turkey in the Pre-Accession Period”. The project is realised with the financial contributions of the Open Society Institute of Istanbul, Akbank, Coca Cola and Finansbank. CEPS acknowledges the kind support for the production of the Turkey in Europe Monitor provided by EU Information Group of Turkey (ABIG). The paper argues that although it is highly speculative to calculate the cost of Turkish membership for the incumbent members due to changes that both Turkey and the EU are going through, there are ways to – at least to some extent – to calculate the cost that Turkey as a fully integrated EU member would represent to the budget.*

*The first possibility is to calculate what Turkey would receive under the Common Agricultural Policy and the Structural Funds, as a full member today. The second approach would be to calculate what the EU would have to pay by a likely accession date such as 2015, under current rules. Although the authors are aware of the fact that the elaborated numbers may be altered, they reach the conclusion that net transfers would have a significant impact in Turkey, while being a manageable amount for the EU budget.*

*10 working papers of the Project (justice and home affairs, democratic governance, foreign policy, trade, banking, agriculture, energy, growth, budgetary implications, monetary and fiscal policy) and the Final Report that outlines the major findings and the conclusions of the Project are now available at [www.ceps.be](http://www.ceps.be). (see the end for the full list of working papers and further information on how to purchase the final report).*

Michael Emerson and Senem Aydın

### **Turkey and the European Budget: Prospects and Issues**

**Kemal Derviş, Daniel Gros, Faik Öztrak and Yusuf Işık  
in cooperation with Firat Bayar<sup>1</sup>**

The factors that will determine the speed of convergence of Turkish incomes to EU averages are discussed in Working Paper No. 8 of this same series. We present here a brief discussion of the impact Turkish membership would have on the EU budget. How much would Turkish membership cost the then incumbent members? This is a question that is at the same time straightforward and impossible to answer. It is impossible in the sense that the EU is evolving constantly so that it is difficult to predict with any precision what the financial consequences of accession of Turkey, in, say, 2014, would be. However, it is straightforward to calculate how much Turkey would cost the EU budget if it were to enter under present rules.

<sup>1</sup> Kemal Derviş is former Minister for Economic Affairs, Member of Parliament and Member of the Coordination Board, EDP. Daniel Gros is Director at CEPS. Faik Öztrak is former Undersecretary of the Turkish Treasury and Visiting Professor at Middle East Technical University. Yusuf Işık is Advisor to Kemal Derviş, and former Head of the Strategic Research Department of the State Planning Organisation. Firat Bayar is former Associate of the Turkish Treasury and Ph.D candidate at Middle East Technical University.

One may be tempted to argue that the transfers from the EU budget to Turkey will simply be whatever member countries agree that these transfers should be, because they do indeed under the current treaties all have to agree. On the other hand, it would not be possible to negotiate membership with any Turkish government if Turkey is not able to get a 'fair' deal, where 'fairness' will entail some comparison to other countries that will have joined relatively recently. The three countries on which Turkish negotiators are likely to focus are Romania, Bulgaria and Croatia, assuming that the first two will have joined in 2007, and Croatia some time thereafter. Turkey will be able to accept transition rules of the type accepted by the 2004 accession countries as well as those already accepted by Romania and Bulgaria. And Turkey may even be ready to accept a lengthening of these transition rules reflecting recognition of her size. Turkey will not accept a deal, however, which would set it apart from other member states in a qualitative and lasting fashion. Nor is it actually likely that the EU would propose anything significantly less than fair to Turkey as the experience of Romania and Bulgaria suggests. The principle of equal treatment of member states is deeply ingrained in the EU's framework – even when it comes to financial matters.

A key factor limiting the degree of freedom of the EU budget is the fact that the financial envelopes are determined in a multi-annual framework called the 'financial perspective'. The current framework, which was decided among the EU-15 in 2000, and thus long before the current enlargement, runs until 2006. The next framework, which will be negotiated à 25, will run until 2012. By that time Turkey is not likely to have already become a member country so that it will have only a limited influence for the following financial framework, which would run until 2018. Assuming accession by 2015, this would imply that the financial envelope for the first three years of Turkey's membership would have been decided by the EU-28 (the current EU-25 plus B, R and HR). In this respect, the situation of Turkey might thus resemble that of Bulgaria and Romania, which are likely to join by 2007, so that their first years of membership will also be covered by a financial framework in whose negotiations they were not present.

In terms of negotiations, Turkey would thus be fully part of the EU's financial framework only during the 2018-2024 round. Given that for all present and former member states it took between 5 and 10 years before they were integrated into all support programmes, it is thus likely that Turkey will benefit fully from the EU's budgetary support schemes some time after 2020.

What will determine Turkey's share in the EU budget of the 2020s, are the rules that will *by then* be in effect for everyone else and the level of development reached by the EU and Turkey itself. One cannot know with certainty what these rules will be and any long-term projections are therefore highly speculative.

In reality, however, the discussion about the financial burden Turkey would represent for the EU budget usually focuses on the current rules. The experience with the current enlargement process suggests that over time the discussion will shift from how much it costs to who will bear the (minor) burden. But this point is still some way into the future. Current circumstances have another impact, however, in that it is usually assumed that the burden would have to be borne by the current EU-15 because it is usually assumed that most of the new member countries will remain net beneficiaries for quite some time to come. By the early 2020s this might no longer be the case, but again it is impossible to forecast with any precision which of the new member countries would no longer qualify for financial support (under current rules) by that date.

The 'maximum' that Turkey would receive *after* a transition period under current rules is a 'starting point' many analysts have chosen.<sup>1</sup> There are two variants to this approach.

- a) How much would Turkey receive if it were a fully established member today?
- b) How much is Turkey likely to receive under current rules by a likely accession date, e.g. 2015?

The overall calculations are actually quite simple in both cases since the budget of the EU is dominated by two items: Structural Funds (destined for regions with a GDP per capita at PPP below 75% of the EU average)

<sup>1</sup> See Hughes (2004) as well as Quaisser & Reppeghather (2004).

and the Common Agricultural Policy (CAP). The gross receipts of any member country are to a large extent determined by these two items.

### Turkey in the EU today

If Turkey were a member country today, it could count on Structural Funds allocations, which would be capped at 4% of its GDP as decided at the Berlin European Council. Given that Turkey's GDP has averaged around €200 billion in recent years, this implies immediately that its allocation would be around €8 billion annually.

It has also been calculated that extending the current CAP to Turkey (with per hectare payments based on current yields) would cost around €9 billion. This implies that the total receipts of a hypothetical Turkish EU member today might be slightly less than €20 billion (Turkey would also receive funding under other programmes). Turkey would then also have to contribute as all other member states to the EU budget. With a current contribution rate of around 1% of GNP (the ceiling for the EU budget is 1.25% of GDP, but the EU spends just slightly above 1% of GDP at present), this would mean around €2 billion annually, leading to a net financial benefit of around €16 billion annually. Apart from the fact that this approach is based on today's conditions, the sum mentioned also represents an upper bound.

### Turkey in 2015 in an enlarged EU

In calculating the sums Turkey would receive in 2015, it does not make sense to use current euros since both the EU and the Turkish economy are likely to grow over the next decade.

Once again, the starting point for the Structural Funds is that the absorption limit has been set at 4% of the recipient's GDP. This implies that one can immediately calculate the ceiling of what Turkey could receive under current rules for the Structural Funds, once one has an idea of the size of the Turkish GDP.

Under the growth scenario presented in section 2 above, Turkey will grow much more quickly than the EU over the next decade and Turkish GDP could reach about 4% of that of the EU-

28 GDP (at present it amounts to only around 2%) by the middle of the next decade. This implies immediately that the cost of extending current Structural Funds to Turkey would cost at most 0.16% of EU-28 GDP ( $=0.04*0.04$ ).

The calculations for agriculture are potentially more complicated since one would have to guess the output structure of agriculture in Turkey in about a decade and then calculate to what extent this would change if Turkey participates in the CAP. This would actually be an exceedingly complex operation as one would have to take into account the entire input/output matrix. For example, some commodities (maize) are used as an input in the production of others (meat). However, this is not necessary as an indirect approach can yield a better result.

The starting point is that Turkish farmers are likely to obtain *at most* 20% of their value added from the EU's CAP, for the simple reason that this is what farmers in the EU-15 obtain today: the CAP costs at present amount to 0.5% of GDP and the value added produced by agriculture is about 2.5% of the EU-15 GDP.

Agriculture produces at present around 12% of GDP in Turkey, but taking into account that its share has been declining continuously over the last decade, a reasonable assumption might be that in about a decade agriculture will account for about 10% of Turkish GDP at the maximum. On this basis one can easily calculate the potential maximum cost of extending the present rate of support of the CAP to Turkey. Assuming, as before, that the Turkish economy accounts for 4% of EU GDP (and that agriculture contributes 10% to this), the cost of providing an 'equivalent rate of support' for Turkish agriculture would be 0.08% of EU-15 GDP ( $=0.2*0.04=0.2*0.04*0.1$ ). To repeat, this is again an upper bound. Other estimates arrive at much lower numbers; see for example Quaisser and Repegather (2004) who argue that the cost of extending the CAP to Turkey should only be around 0.045% of the EU's GDP.

The number calculated above is again an upper limit, as the CAP is likely to change over time, inter alia, because of the commitments made by the EU in the context of the WTO to abolish exports subsidies, and the general limitations the WTO imposes on various types of domestic agricultural subsidies in general.

Moreover, it has already been agreed within the EU that the cost of the CAP should rise by less than 80% of the increase in nominal GDP. This implies that the cost of the CAP as a percentage of EU GDP has to fall over the next decade.<sup>2</sup> Depending on the overall growth rate of the EU, the cost of the CAP is thus likely to be less than 0.4% of the GDP of the enlarged EU once Turkey joins. Since any single country, even if it is the largest one, is not likely to get more than one-fourth of this sum, it is clear that the cost of extending tomorrow's CAP to Turkey cannot be more than 0.05 to 0.1% of the EU's GDP.

The gross cost (Structural Funds plus CAP) together might thus amount to 0.26% of EU-28 GDP (=0.096+0.16). Against the gross receipts, one would have to set the contribution that Turkey would have to make to the EU budget. At present, and this is unlikely to change any time soon, all member states contribute at the same rate, or rather %of GNP, to the EU budget. The contribution rate is equal to the share of the EU budget in overall GDP. Assuming that the EU budget will continue to be limited to around 1-1.2% of GDP, this implies that Turkey will have to contribute about 1.2% of its own GDP to the EU budget. Under the assumptions made so far (Turkish GDP at about 4% of that of the EU-15), this would then amount to around 0.048% of EU-15.

Table 1. Maximum budgetary cost, full membership

|                               | Turkey in today's EU (in billions of current euros) | Turkey 2015 in enlarged EU (as a % of EU GDP) |
|-------------------------------|---|---|
| Structural Funds              | 8   | 0.16  |
| CAP receipts                  | 9   | 0.08  |
| Total receipts                | 16  | 0.25  |
| Contributions to EU budget    | 2   | 0.05  |
| (Max) Net receipts for Turkey | 16 (0.16% of EU GDP)                                | 0.20  |

Source: Own calculations based on current EU budgetary rules and regulations.

<sup>2</sup> For example, with a growth rate of nominal GDP of 5% p.a., this rule would imply that the budget available for the CAP would have to fall by around 1% (not 1 percentage point) every year).

The *ceiling* for the net cost should thus be around 0.20% of EU GDP (equivalent to about €20 billion given today's EU GDP of around €10.000 billion) under both illustrative calculations.

### Transitional arrangements

The numbers calculated above represent the maximum that would be achieved only after a considerable transition period, as in the case of the new member countries from Central and Eastern Europe, assuming *current rules*. The immediate post-membership transfers would be much lower, as in the case of all new member countries. As argued above, the experience of Romania and Bulgaria might be particularly instructive in this respect given that these two countries have a similar GDP per capita and it could thus be said that they set the benchmark for Turkey. Neither Romania, nor Bulgaria will participate in the current negotiations for the next financial framework, but the EU has already proposed a certain allocation for them (and the two countries have not objected), amounting to a total of around €15 billion at current prices. Since the combined population of these two countries is about 30 million, Turkey should receive about 2.3 times as much if it were to be treated equally on a per capita basis. This would then amount to about €35 billion over three years. All this suggests that for the first years of membership, transfers in the range €9-12 billion per annum might be realistic.

The new member states from Central and Eastern Europe benefited also from modest amounts of pre-accession aid, originally under a programme, PHARE, whose primary justification was to support the transition to a market economy, not preparation for accession. The PHARE funds (mostly for technical assistance for democracy building, etc.) were later augmented by two additional programmes: SAPARD (support to structural change in agriculture) and ISPA (infrastructure). Over the last years (2000-03) the total support going to, for example Bulgaria has been around €300 million per annum, with about half coming from PHARE, one-third under ISPA and the remainder under SAPARD. The original justification for PHARE funding does not apply in the case of Turkey; but it is clear that a substantial amount of funding for democracy-

building will appear needed viewed from the EU side.

Since the equality of treatment is so much engrained in the EU approach, it is thus likely that as negotiations proceed a similar amount of financial support for the preparation for accession will become available for Turkey as well. Scaling the funds available for Bulgaria – either on a per capita or on a % of GDP basis – yields a similar result in that the total available for Turkey might be just a bit below €3 billion per annum (not immediately, but after 4-5 years). This would correspond to approximately 1-1.2% of GDP for Turkey (0.03% of the EU's GDP or 2-2.5% of its budget).

### Concluding remarks

Are figures in the range of 0.15% to at most 0.20% of EU GDP large or small numbers? Compared to national government expenditure, which is usually around 40-50% of GDP, they are negligible. However, a figure of, say, 0.17% of EU GDP would not be negligible compared to the EU-budget ceiling of 1.25% of GDP. The current discussion whether the EU budget should be limited to 1 or 1.25% of GDP shows that sometimes even small sums can have a considerable political impact. It must be stressed, however, that all the numbers referred to here are highly tentative. The rules themselves are likely to become more restrictive for both Structural Funds and agriculture as the current discussions on reform of the CAP and Structural Funds show.

Nevertheless, the projections made here appear realistic in terms of what is economically and politically likely to be feasible. Net transfers in the €9-12 billion range in the first post-membership years and of about €15 to €20 billion in the 2020s would constitute an important amount for Turkey, a significant but manageable amount for the EU budget and be negligible compared to the sum of national budgets or the overall EU economy.

The budgetary side of membership negotiations is usually left to the very end because this is the only area with a zero sum game. What Turkey gains, others must pay. In the end, however, the numbers tell only part of the story. The nature of the financial package will depend to a large measure on how the EU has developed in the meantime. For a self-

confident enlarged EU that has successfully absorbed more than a dozen member countries during the first decade of the 21st century, the challenge of integrating Turkey into its rules of financial support to its weaker member states will be manageable, particularly if some of the recent member countries have in the meantime graduated from the need for large-scale financial support. Sustained rapid growth in Turkey would be another key factor as it would dispel the fear that Turkey would be a drain on the EU budget for a long time to come and reflect the rise of Turkey's contribution capacity.

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**2005**  
**TURKEY AT THE EDGE OF A NEW**  
**ERA:**  
**THE EU AND NEW TURKISH LIRA**

**On the 6th of October the European Commission will unveil the Regular Progress Report and The Impact Assessment for Turkey. In addition, the Commission is required to provide the European Council with a recommendation on whether or not to launch the accession negotiations with Turkey. On the verge of these reports and the recommendation, the intuition of the European political and financial circles about the outcome is rather positive. Such a feeling might be the result of encouraging and clear messages conveyed by the Enlargement Commissioner, Günter Verheugen following his monitoring visit to Turkey and his meeting with Prime Minister R.Tayyip Erdoğan in Brussels.**

Positive prospects regarding Turkey's EU bid increases the level of market confidence for the Turkish economy. Recently, Standard & Poor's has raised Turkey's long-term foreign currency sovereign credit rating from B-plus to BB-minus and long-term local currency sovereign credit rating from BB-minus to BB<sup>1</sup>.

Likewise, Fitch Ratings raised the outlook for Turkey's long-term foreign and local currency sovereign credit rating of B-plus to positive from stable.<sup>2</sup>

Progress in EU – Turkey relations has reflected positively to the Turkish macroecono-

mic conditions leading to a sustainable stability. As an outcome of constantly ameliorating economic

performance in the last two years, Turkey has stepped into the “**low inflation-high growth**” era. In Turkey, investments have risen even with the volatile external and internal prices. Cooperation between Turkey and IMF continues to lead the country day by day to a better economic condition. According to IMF, macroeconomic conditions in Turkey are at their best in decades.

The economic growth in Turkey will be empowered by the launch of **New Turkish Lira** (YTL). YTL will be in circulation from January 1, 2005. Conversion rate will be:

**1 YTL = 1.000.000 TL**

Sub-unit of YTL will be KURUS (YKr), the equivalent of cents in Euro.

**1 YTL = 100 YKr**

The composition of denominations for YTL banknotes will be 1, 5, 10, 20, 50 and 100. The denominations for the coins will be 1,5,10,25,50 YKr and 1 YTL. The YTL and old Turkish Lira will co-exist during 2005 and at the end of the year old Turkish Lira will be withdrawn from circulation.

Coupling the ongoing hard work to drive inflation down to single digit with the introduction of YTL, the Central Bank aims at restoring Turkish citizens' confidence to their own currency as well as improving Turkish currency's reputation in the world markets. Removing zeros from the currency will also eradicate the technical and operational problems caused in the past by multiple zeros in currency.

As the Central Bank authorities proclaim, the **New Turkish Lira is the symbol and the evidence of Turkey's determination to drive inflation down and move forward towards EU membership.**

<sup>1</sup><http://quote.bloomberg.com/apps/news?pid=10000085&sid=arw.AoL1Ro3Q&refer=europe>

<sup>2</sup>[http://www.fitchratings.com/corporate/ratings/issuer\\_content.cfm?issr\\_id=80442217](http://www.fitchratings.com/corporate/ratings/issuer_content.cfm?issr_id=80442217)



# CEPS

## *Turkey in Europe Monitor*

No. 10, October 2004

### **Introductory Note from CEPS**

*This issue of CEPS Turkey in Europe Monitor presents an article and extracts of two other articles, demonstrating the arguments that are used in favour of and against Turkish accession to the European Union.*

*Ingmar Karlsson, the Consul General of Sweden in Istanbul, in his article titled 'Turkey's cultural and religious heritage-an asset to the European Union', takes the three well-known arguments often used in arguing against Turkish membership – absorption capacity of the EU, security and geopolitics, the identity factor - and develops counter-arguments to prove that Turkish accession will in fact be beneficial for the Union. Regarding the absorption capacity of the EU, the author highlights that there can be no objection to Turkey's incorporation into an EU which will in the foreseeable future be characterised as a political and economic union with variable geometry, concentric circles and different speeds, rather than as the strong United States of Europe on the American model. Karlsson responds to the security and geopolitical arguments that advocate Turkey's exclusion on the grounds that Turkey will import the instability of its region to the Union, by stressing the point that an excluded Turkey can not act as a firewall against the crises in the Middle East as all the crises in the Middle East so far have directly affected Europe and will affect even more so in the future. He underlines that having Turkey as a full member will have significant advantages for the Union as it will increase the EU's opportunities for pursuing a proactive policy in the Arab world and, with its stable democracy, stand as a model for a Muslim world that is in need of such models. With respect to the arguments that Turkey should be left out due to its 'alien culture' and its 'religion', Karlsson highlights that a no to Turkey on religious and cultural grounds would create severe problems in the integration of 'Euro-Muslims' by sending out an immediate and*

*strong message to the fastest growing segments of the European population that they will always be considered unwelcome and second-class citizens even if they choose a secular way of life. This, Karlsson argues, would lead to the emergence of a ghetto Islam in Europe instead of a modern tolerant European Islam.*

*Steven Everts from the Centre for European Reform, in the extract from the article entitled "An asset but not a model: Turkey, the EU and the wider Middle East", looks at two sets of questions: the consequences of Turkey's accession for EU policies in the wider Middle East and the 'Turkey as a bridge' or 'model' arguments. With respect to the first issue, he concludes that Turkey has a lot to contribute to EU policies on the Middle East in terms of credibility, political access, know-how and economic leverage. Everts stresses that the prospect of Turkey's accession should be used to deepen EU engagement in the Middle East and cites Israel – Palestine, Iran and Syria as areas that provide good opportunities for early joint EU – Turkish action. He highlights that rejection by the EU would not only hinder the reform process inside the country but that it would also jeopardise the 'Europeanisation' of Turkish foreign policy that involves the adoption of EU's distinct foreign policy style of promoting security through multilateral mechanisms and institutional integration. Regarding the 'model' or 'bridge' argument, Everts' view is that Turkey cannot be a 'model' for democratising the wider Middle East as it is a unique case in three key respects: its long – standing ties with the West, its secular state structure, and the transformation of its political elite through the prospect of EU membership. According to Everts, the fact that Turkey has ambivalent relations with most of its neighbours in the region also aggravate the need to tone down the 'Turkey as a bridge' argument and avoid the 'Turkey as a model' rhetoric altogether.*

Michael Emerson and Senem Aydın

## Turkey's Cultural and Religious Heritage – An Asset to the European Union by Ingmar Karlsson<sup>1</sup>

Ever since Turkey concluded an Association Agreement with the then European Community in 1963, it has, apart from Bulent Ecevit's period as prime minister in the 1970s, pursued its ambition of joining the

European Union. Turkey entered into a customs union that has been in force since 1996 and its candidacy for membership of the EU was confirmed in Helsinki in 1999.

The rediscovery of the 'Turkish peril' in some quarters in Europe is therefore surprising. The basic principle of Roman law – *pacta sunt servanda* – is part of the European cultural heritage. Anyone who ignores this principle with regard to Turkey loses political credibility and flouts official EU policy, according to which Turkey is to be treated like any other candidate. Accordingly accession negotiations should start as soon as the country meets the Copenhagen criteria.

The arguments against a Turkish EU membership that have been used so far have lost much of their force in view of the rapid reform process launched by the Erdoğan government and the result of the referendum in Cyprus. Consequently, those who are opposed to Turkey's membership now talk less about the country's "EU maturity" and the fulfilment of the Copenhagen criteria. Instead they argue that EU cannot absorb a new member of the size of Turkey, that a Turkish membership would cause serious geopolitical and strategic problems and, last but not least, that EU is a community based on Christian values.

### The absorption capacity of the EU

With 25 members the EU is said to be an over-extended structure, and that further geographical expansion can only take place the expense of a deepening of political cooperation. This line of argument – that Europe is not powerful enough to absorb Turkey – can only be described as political tactics. If there was any truth in it, it should have been de-

ployed over ten years ago when the EU's eastward enlargement process started. In those days the main opponents of Turkish membership – the CDU/CSU in Germany – were the keenest advocates of enlargement.

The project of building a strong United States of Europe on the American model is no longer on the political agenda after the accession of ten new members on May 1 2004, and will be even more passé by the time Bulgaria and Romania join the EU in 2007. A united Carolingian Europe must now be built up again by Paris and Berlin. The new enlarged EU will for the foreseeable future be a political and economic union with variable geometry, concentric circles and different speeds. What objection is there to Turkey's incorporation into such a union, particularly in view of the fact that, with its geographical location, its size and its decades-long membership of NATO, Turkey is a strategically important partner which by itself would enhance the role of Europe in global politics more than the ten new members combined? The accession of Turkey – at the beginning of a new budget period in 2014, say – would increase the population of the Union by 12 per cent. There must be something seriously wrong with a union that cannot absorb such an expansion. Demography, after all, is one of the most serious problems facing the EU, not least in Germany, and Turkey, with its large, youthful population, could help to solve this problem.

### Security and geopolitical arguments

The geopolitical and strategic arguments that were used in favour of the accession of Poland, the Czech Republic, Slovakia, Hungary and the Baltic states are valid for Turkey too, in fact even more so than was the case in Central and Eastern Europe in the early 1990s. Some day the enlargement process will come to an end, but terminating it without admitting Turkey would be a serious mistake and an unwise policy. Those who are opposed to Turkish membership seem to think of the EU as an "island in the sun", a Switzerland surrounded by good, friendly neighbours. But Europe's geostrategic location is far from idyllic. Europe must stabilize its own periphery to ensure that it is not affected by the problems that exist there. Turkish membership of the EU would strengthen Europe on its most vulnerable front.

<sup>1</sup> Ingmar Karlsson is the Consul General of Sweden in Istanbul. This article has first been published in *Turkish Policy Quarterly*, Fall 2004.

Turkey now faces three geostrategic choices: affirmation of its European identity, rapprochement with the Arab and Muslim world, and integration with the Turkic-speaking peoples of Central Asia. There is no doubt that the present Turkish government has chosen the first of these three options and that the country's political and economic elite are playing the European card. If this fails because the EU defers its decision or refuses to admit Turkey to the Union, both the other options would become more feasible. In that case, the friends of modernization would probably not be able to persist in their pro-European stance.

Both the pro-Islam and the pan-Turkic option would entail serious consequences for the stability of Southeastern Europe. Even though Turkey is not likely to achieve a dominant position in the Central Asian republics, the mere attempt to do so would have a destabilizing effect and also exacerbate the existing problems in the Caucasus. It is in Europe's vital interests to see to it that the problems in the Middle East, including Iraq, and the southern periphery of the former Soviet Union do not converge. There is an obvious risk of this happening if Turkey were to play the pan-Turkic card. The second option, i.e. rapprochement with the Arab and Muslim world, would have an adverse affect on Europe too. One argument against Turkish membership is that in that case part of the EU's external frontier would abut on the most crisis-ridden and troubled region in the world and that Europe should at all costs keep away from the problems of the Muslim world in general and the Middle East in particular.

But we cannot escape this part of the world and its problems, and therefore the opposite conclusion is the most credible one, i.e. a rapprochement between Turkey and this region would bring its crises closer to us. The idea that a Turkey excluded from the European Community could be a firewall against the crises in the Middle East is politically naïve. All the crises in the Middle East so far have directly affected Europe, and they will affect us even more in future. If Turkey were a member, this would increase the EU's opportunities for pursuing a proactive policy in the Arab world. This is not without risks, but if Turkey remains outside the Union this will have serious consequences. A stable democracy in a Muslim society, on the other hand,

could stand as a model for a Muslim world that badly needs such models. The Turkish membership of the EU would demonstrate the falsity of the argument that Islam and democracy cannot mix and help to bring about favourable changes in the Islamic world's attitude to Europe. A no to Turkey in December would on the other hand have a radicalizing effect both in the Muslim world at large and within Turkey itself. It will strengthen the argument of the fundamentalists that the Muslim world must turn inwards because the rest of the world conspires against it and it will strengthen those in Turkey who question the reform policies of the prime minister.

### **The identity factor – Is the EU a Christian community?**

The resistance to Turkish membership is not only motivated by fears about the EU's lack of absorption capacity and about the risk of importing problems and disturbances, but also by vague qualms about a culture that is regarded as alien. One argument that is now gaining ground, especially in Catholic Europe, is linked to identity, namely Europe's Christian values, which are mentioned as a reason for keeping Turkey out. In that case it might just as well be argued that Greece should not have been admitted to the EU because of its Eastern Orthodox roots, that "semi-Oriental" such as Romanians and Bulgarians should be kept out too and that Albania and Bosnia are forever doomed to be Muslim ghettos in Europe.

What will happen if the secularization process in Europe continues? Where do the limits of identity go? Will a secular country such as Sweden have to leave the EU in the not too distant future when the number of Muslims who go to mosques for Friday prayers is larger than the number of churchgoers on Sundays?

The Justice and Development Party has emerged as a result of the transformation of Turkish Islamism and has come to power in free elections. Turkey is now undergoing a historic reform process that is mainly motivated by the prospect of EU membership. Prime Minister Erdoğan wants to transform the AKP into a modern European party – a Muslim version of a Christian Democratic Party – and he needs Europe's support for this process.

There have never been any religious criteria for membership of the EU. To refuse Turkey admission on religious grounds would send a false and dangerous signal, especially after 11 September 2001. Such a decision would ignore the fact that Islam is a mainstream religion in Europe today. As late as the end of the 1960s Europe was a net emigration area. But nowadays 10-15% of the population in most Western European countries were born outside their present home country, and a growing percentage of them were born outside Europe. More immigrants arrive in Europe every year than in the USA. There are today at least 15 million Muslims in the EU, which is more than the number of Protestant Scandinavians, and the number will increase as immigration continues.

The trend towards a multiracial and multiconfessional Europe is therefore unstoppable. This trend will be further strengthened by current demographic trends in Europe. Today, the birth rate among Muslim immigrants in Europe is three times higher than in the non-Muslim population. If this trend continues the Muslim population will, given current immigration patterns, have doubled by 2015, while Europe's non-Muslim population will decrease by 3.5%. Some estimates of the number of Muslims in Europe in 30 years' time are as high as 65 million.

Three-four decades ago the Muslim immigrants were coming to Europe looking for work and they planned to return home as soon as possible. They therefore remained marked by their culture of origin, Indo-Pakistani, North African or Turkish. The parents tried to protect their children from the unfamiliar European environment rather than integrating them into it. But most of these immigrants never went back. Their children were born in Europe and became better educated than their parents. This led to new ways of thinking and now we can see how some kind of silent revolution is taking place among the younger Muslim population in Europe. European Muslims are now Muslims and not North-African, Indo-Pakistani or Turkish Muslims and a European Islamic culture is slowly developing.

Islam is thus already today an integral part of Europe and a European religion and as we

have been talking about Eastern Christianity we will soon be talking about Western Islam. Islam must therefore be recognized and regarded as a "domestic" European religion. There is nothing which intrinsically prevents a Muslim from being as good a Swede as a member of the Pentecostal Brethren or an adherent of the Jewish faith, or that mosques cannot become as natural a feature of Swedish cities as churches have always been in Istanbul, Aleppo, Damascus, Mosul or Cairo.

Only a depoliticised and liberal Islam can be integrated into Europe, and such an integration is only possible if it is paralleled by economic and social integration. A future Europe with a flourishing Muslim presence and an open European identity must therefore be based on self-criticism, a permanent and open dialogue and a respect for diversity. We must realize that Muslims can make a positive contribution in the construction of a new Europe. Their presence should be seen as a source of enrichment and not as a problem.

Young Muslims in Europe now mobilize for recognition, identity and survival. They often look upon themselves as a new force distancing themselves from traditional and international bonds, wanting to be a European face of Islam. They are not only born in the West by Muslim parents. Some of them have grown up in mixed marriages and they know both a Muslim and a Christian way of living. They speak the languages and are born citizens of European states and their common language is English, German, Dutch, French or Swedish.

They are using Islam as a way of establishing the universal values they have in common with those around them. Defining their own identity as Muslim thus is a way of interacting with the rest of society.

With the sociological change there will be an ideological change as well. In Islam law and ethics are identical. If you change the ethics you thus change the law. Through the principle of "ijtihad" (to develop, interpret and apply Muslim doctrines to contemporary situations) there will be a new interpretation of Islam. The integration of Europe's Muslims depends on the adoption of a form of Islam that embraces the principal Western political values; pluralism, tolerance, the separation of

church and state, democratic civil society and individual human rights.

We are already today witnessing the emergence and creation of a several European Muslim identities, German, French, British, Swedish, Dutch etc. Interviews with Swedish Muslims show that they are more and more focusing on their presence, role and future in Sweden: What kind of multicultural Sweden do we as Muslims want to have in the future? What kind of multicultural state do we think is necessary to safeguard the long-term survival of the Muslims as a cultural, ethnic and religious minority group in Sweden and what can we as Muslims do to bring this about?

They thus want to draft a new brand of Islam, one that aims to reconcile the basic tenets of the faith - such as the five pillars, social justice and submission to the will of God - with the realities of contemporary European life.

For this new generation "Euro Islam" is not a zero sum game. They see no contradiction in being Muslim and European at the same time. In a report from the Swedish Muslim Youth Association you can read: "The goal for young Muslims should be to accept, understand and respect differences but also to understand common values and goals and try to implement them. Young Muslims should form a bridge between the European and the Muslim countries".

If immigrants are integrated in this way, the Islamic communities in Europe can become a bridge between Europe and the immigrants' countries of origin. "Euomuslims" will then be able to set an example, and transfer democratic approaches and liberal ideas and reforms to their native countries. This would enable a fruitful triangular relationship to develop between the Islamic communities, their native countries and their new home countries, since many people living in the Diaspora want to maintain close contacts with their origins.

A no to Turkey on religious and cultural grounds would be disastrous for Europe since it would send an immediate and strong message to the fastest growing segments of the European population that they will always be considered unwelcome and second-class citizens also if they chose a secular way of life.

Sending such a message could, before we know it, lead to the emergence of a ghetto Islam in Europe instead of a modern tolerant European Islam. Radical mullahs all over Europe are already doing their best to exploit Muslim immigrants' psychological, cultural and material problems for their own purposes, and this message would only make their work easier.

If this happens, we might soon witness a 'clash of civilizations' in Western Europe, not in the form of a military showdown between the West and the Islamic world, or as envisaged by Samuel Huntington, the proponent of the clash of civilizations theory, but in the form of a continuous guerrilla warfare in ghettoized suburbs of our cities.

Against this background the decision taken in the Netherlands in December this year will be fraught with consequences for the destiny of Europe.

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## **An Asset but not a Model: Turkey, the EU and the Wider Middle East**

**by Steven Everts<sup>2</sup>**

### **1. A success story for EU foreign policy, but what next?**

At the December European Council, the heads of state and government will have to decide whether and when to open accession talks with Turkey. EU leaders are rightly mindful of public opposition and the effects that Turkey's membership could have on the Union's cohesion and capacity to act. But the best way for the EU to consolidate and anchor Turkey's democratisation process is by giving Turkey the green light to start accession negotiations...It would be a triumph of EU foreign policy to welcome a successful Turkey, which has laid to rest the ghosts of military authoritarianism and chronic economic instability. Europeans should say, loudly and repeatedly, that no one else has managed to transform, in a peaceful and deliberate manner, the political

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<sup>2</sup> Steven Everts is a Senior Research Fellow at the Centre for European Reform. This article is an extract from a longer CER essay, accessible at [http://www.cer.org.uk/pdf/essay\\_turk\\_everts.pdf](http://www.cer.org.uk/pdf/essay_turk_everts.pdf)

system of a country as large and complex as Turkey.

...It is a great pity that so few Europeans are willing to describe and sell the EU-Turkey relationship as a geostrategic success story for the EU, and a vindication of its distinctive foreign policy style. Instead, the debate has concentrated on whether Turkey is 'really' European, whether it is ready to start accession talks and what would be the consequences for the EU's institutions, budget and policies. This narrow debate on the merits and costs of Turkey's eventual membership is necessary. But many larger questions loom, such as: what kind of club should the EU be and where are the borders of Europe?

...There are also questions relating to Turkey's impact on EU policies towards the wider Middle East...

This essay will look at two sets of broader questions, first analysing the consequences of Turkey's accession for EU policies in the wider Middle East and then probing the 'Turkey as a bridge' or 'model' arguments. It will argue that Turkey is an asset for the EU, but not a model for the democratisation of the wider Middle East. It will conclude with recommendations for policy-makers in Turkey and the rest of Europe.

## 2. The macro impact of Turkey's accession

No one can say for certain how, once inside the EU, Turkey will influence EU policy on the Middle East. EU accession is probably ten years away, if not longer. In that period EU and Turkish foreign policy, as well as the Middle East itself, are bound to change in unpredictable ways. Therefore, the debate should focus on Turkey's influence on EU Middle East policy in the pre-accession phase.

With its large population and strategic location Turkey can expect to exert some influence over EU policies towards the Middle East. But its influence will be limited. Already 25 member states (soon 27 or 28), plus the Brussels-based institutions, have their say in shaping EU policies...

Moreover, in the decade ahead, Turkey will remain in a position of being a '*demandeur*', with its membership aspirations crowding out

whatever other EU policy objectives it may have. Nonetheless, the prospect of Turkey's accession is already forcing the EU to devote more resources and develop more coherent policies towards the Middle East. Turkey's accession will increase the salience of the Middle East, and accelerate the Union's already deepening involvement in the region...

...From their side, leaders in the Middle East are already becoming frequent visitors to Brussels. In future, more may pass through Ankara on their way to Brussels for consultations. By the same token, representatives from civil society in the Middle East will expand their contacts with both Turkey and the EU...

At the macro level, the biggest impact of future Turkish membership will be on the mind maps of EU officials and politicians...Turkey's accession will confirm and accentuate the shift whereby the EU has become a continent-wide, heterogeneous Union with a religiously diverse population and a political outlook that is increasingly externally oriented. The EU and Turkey alike should acknowledge this trend and maximise the potential benefits.

## 3. The EU's Middle East policies

Over the years, the EU has built up a dense web of relations with the countries in the Mediterranean and the Middle East...

No outsider should expect quick results in the Middle East, given the exceptional levels of instability, political tensions and economic deprivation. But even EU officials admit that the EU is underperforming in the Middle East. Institutional incoherence, poor political discipline, risk aversion and insufficient emphasis on promoting good governance and democracy have all taken their toll.<sup>3</sup> While the EU has set itself the right objectives and developed a dazzling array of policies, partnerships and programmes, it lacks credibility and clout. Turkey, as a Muslim country straddling Europe and the Middle East, could be of help here, making EU policies perhaps more acceptable to countries in the region, especially in the pre-accession phase before it becomes an EU member.

<sup>3</sup> Steven Everts, 'The EU and the Middle East: a call for action', CER, January 2003.

#### 4. Turkey's international strategy

The principle challenge of Turkish foreign policy has been the need to balance the fact that the country borders on the Middle East (as well as the Caspian region and the Caucasus) with its Western vocation and orientation...

Turkey's elite has mostly stuck to three core tenets: conservative nationalism, strict secularism and a strategic alliance with Washington. For decades, Ankara's relationship with the US was the lodestar of its foreign policy. This US-centric orientation chimed with, and was reinforced by, the huge influence of the military establishment on Turkish foreign policy. Relations with the rest of Europe and the EU mattered, but were always of secondary importance. The deep ambivalence on the west European side about Turkey's membership aspirations fed this circle of mutual suspicion...

In the past few years, however, Turkish foreign policy has changed profoundly. Turkey has made its EU membership aspirations the central tenet in its foreign policy. Its pro-US stance remains solid, but is less automatic. In March 2003 the Turkish parliament dared to say 'no' to Washington's request to let its troops pass through Turkey to open a second front against Iraq. But the prospect of EU membership has also affected Turkey's regional strategy. For example, Ankara has moderated its position on the touchstone issue of Cyprus...

Europeans with high hopes of what Turkey may contribute to EU policies should realise that, most of the time, Turkey has played a low-key role in the region. Turkey's non-Arab status, coupled with the Ottoman legacy and Turkey's pro Western orientation have meant that in Turkish - Arab relations, ambivalence and ambiguity are always present. Some Arabs and Iranians have accused Turkey of betraying its Islamic identity. At times they have blasted the Turks for being a stooge of US imperialism and of having an unacceptably close relationship with Israel...

In the past few years, Turkey has sought and achieved a rapprochement with neighbours such as Syria and Greece with which it had fraught relations. Kemal Kirisci of Bogazici

University has rightly remarked that there has been a striking process of 'Europeanisation' in Turkish foreign policy.<sup>4</sup> At a basic level, Turkey has adjusted its stance on various international issues in line with the EU mainstream, for instance on the International Criminal Court (ICC). But more importantly, Turkey has started to adopt the EU's distinct foreign policy 'style' of promoting security through multilateral mechanisms and institutional integration. For instance, the Turkish government has started to embrace the idea that a solution to the Cyprus question can only be found in the context of EU and UN involvement. Even before Turkey joins the EU, this socialisation process should continue. Both the EU and Turkey should nurture this development and make sure it becomes more deeply embedded in Turkey's political class and the wider national debate.

In turn, Turkey has quite a lot to offer to the EU. It can contribute expertise and knowledge of the Middle East region. While Turkey has fewer Arabic speakers than one might expect, the country's network of contacts, combined with the political capital of the AKP government and the burgeoning economic ties, will be assets for the EU. But the biggest effect of Turkey's pre-accession status will be at the level of political symbolism. The EU may have a much better image in the Middle East than the US. But for many Arabs and Iranians, the EU is a white, Christian club with dubious colonial legacies. There is a deep sense that the 'West', of which Europe is a constituent part, is a hostile force to Muslims worldwide. If the EU took in Turkey, it would send an immensely powerful signal to the contrary. Public statements by Egyptian and Iranian leaders from the region make it clear that they support Turkey's membership bid – and regard it as a litmus test for the EU's reputation in the Muslim world. The unusual move by the Israeli Defence Ministry, to warn Ankara privately that EU membership would harm Turkish – Israeli relations, underlines the same point, while highlighting the ambivalence of EU-Israeli relations.<sup>5</sup>

<sup>4</sup> Kemal Kirisci, 'Turkey, the EU and the Middle East: can Turkey help with the democratisation in the Middle East?', Paper for a workshop on Turkish foreign policy, University of Otago, New Zealand, August 2004.

<sup>5</sup> Ha'aretz, July 5th 2004.

Apart from these general effects, what would be the impact of Turkey on EU policies towards specific countries in the pre-accession phase?

### **Israel-Palestine**

Turkey's relations with Israel have been close, especially for a country with a Muslim population. While solidarity among ordinary Turks with the Palestinian cause has been great, at the level of the government and military establishment, the relationship with Israel has been exceptionally strong...

However, in recent years, Turkish-Israeli relations have become more strained, as the peace process has stalled and Palestinian hardship has increased... Sympathy for the Palestinians is not an empty slogan for the new government...

But there has been no abrupt break in Israeli-Turkish relations, and none is likely to occur in the near future since both countries benefit from a close partnership.

Turkey's relatively constructive relationship with Israel could benefit the EU. The Union is Israel's biggest trading partner, but politically relations are troubled...

The EU and Turkey could work together fruitfully on Israel-Palestine, trying to break the deadlock in the peace process. The objectives of both sides are the same, while the respective starting positions and relative diplomatic strengths complement each other well.

Concretely, the EU and Turkey should help the Palestinians prepare for the day when Israel will withdraw from Gaza, so that Hamas does not take over. They should also try to use Israel's disengagement from Gaza to push for further withdrawals from the West Bank. In practical terms, EU-Turkey co-operation could focus on reforming political institutions, organising elections, training police forces and even drawing up plans for a third party security force. Significantly, Israeli Deputy Prime Minister Olmert has said that Israel would not object to Turkish troops helping to provide security in the context of an agreed political framework.

### **Iran**

Turkey's growing political ties with Iran are an asset for the EU as it seeks to expand its influence and salvage the deal it forged in October 2003 on Iran's nuclear programme. The access of AKP leaders to Iranian leaders, coupled with the visa-free travel conditions, strengthen the argument that, especially in the pre-accession phase, Turkey could be a useful bridge between the West and Iran. As the international stand-off over Iran's nuclear programme moves to a crisis point, Turkey and the EU have a shared interest in seeking a diplomatic yet effective solution. Both Turkey and the EU have some leverage over Iran, and both will want to forestall a US military attack. Together, they should try to persuade the Iranians that national greatness does not depend on having a nuclear bomb, and that their interests are best served by staying non-nuclear. Together, they must underline that if Iran continues to defy the demands of the International Atomic Energy Agency (IAEA), targeted economic sanctions will follow. Together, they should also explain to the US and Israel that plans for 'surgical strikes' against Iranian nuclear installations will be counter-productive by triggering a nationalist backlash. While air strikes may delay a nuclear Iran, they will not succeed in eliminating the two key ingredients of a military nuclear programme: technological know-how and a keen desire to acquire a nuclear deterrent.

### **Syria**

Turkey and Syria have had frosty relations for decades, with tensions peaking in 1998 when Turkey threatened military action... But after the Syrians expelled Öcalan in 1998, bilateral relations have started to improve... Improvements in the Turkey-Syria relationship took place while the EU was trying to persuade Damascus that closer links with the EU would be possible – provided Syria was willing to meet EU concerns...

Turkey and the EU should work together closely in drawing Syria into a wider web of international cooperation and reciprocal obligations. The EU can offer trade, technology, know-how and investment, all of which the Syrian economy desperately needs. In political terms, Damascus also needs more friends in the region and beyond. If it wants better relations with Europe, Syria will have to heed

precise European concerns and demands, especially in the area of WMD proliferation, its control over Lebanese politics and its support for Palestinian militant groups. Turkey's budding relationship with Syria may offer an additional means of influencing the choices that the Syrian regime will make. As the dominant land route for Syrian exports, Turkey stands to gain considerably from an intensification of EU-Syrian trade relations. Together, the EU and Turkey have an interest in demonstrating that a deft political strategy can achieve better results than America's penchant for issuing threats and isolating countries.

### **5. Why Turkey is not a 'model' for democratising the wider Middle East**

...After the September 11th attacks, when relations between the West and the Muslim world shot to the top of the international agenda, many commentators and politicians started to view and describe Turkey as a 'strategic case'. Americans, especially, have grown fond of describing Turkey as an inspiring example of a democratic, Muslim country where 'moderate Islam' has been remarkably successful...

Turkey cannot be a 'model' for the progressive democratisation of the wider Middle East. Turkey is a unique case. Its successful, if incomplete, democratisation process cannot be transplanted to other countries in the region for at least three reasons. The first is the most straightforward: unlike any other country in the region, Turkey has a long-standing relationship with the West: institutionally through NATO, and bilaterally with Washington and capitals in Europe. No other country in the region has the same, or even a comparable, starting position. Nor was any other country in the region born out of an empire, which gives Turks greater political self confidence than countries in the region that started off as colonies.

Second, ever since the beginning of the Turkish republic, the strict secular nature of its political system has put Turkey in a distinct international category. Turkey's secular state structure makes it akin to France – see for instance the similarity in policies on women's headscarves – but very different from Arab states, never mind Iran.

But culturally Turkey may well become more 'Islamic' as the AKP and other groups try to expand the role of Islam in public life, while respecting the main tenets of Turkey's secular state structure. Put succinctly, in Turkey more democracy and more power for Islamic political groups have gone hand in hand. But this was only possible in the context of a firmly secular political system, which is absent in the rest of the Middle East.

The third reason why Turkey is unique is that the deepening of Turkey's democratisation took place largely because of the 'golden carrot' of EU membership. It is true, as Turkish leaders often stress, that the reforms were necessary in themselves. But the prospect of EU membership has had a transformative effect on the Turkish elite. This also means that a different Turkish government will probably persist with the current reform agenda, even if, as is likely, there will be setbacks on the road to EU membership. But apart from the countries of the Balkans, the EU is not offering a membership perspective to any other country. Thus the EU will have to influence the rest of the Middle East with only the 'silver carrot' of deeper co-operation in the context of its neighbourhood policy.

### **6. Conclusions and policy recommendations**

...Turkey has a lot to contribute to EU policies on the Middle East: credibility, political access, know-how and economic leverage. If handled deftly, the prospect of Turkey's accession could be a real boon for EU influence in the region. The reverse is also true: a rejection of Turkey would not only jeopardise the reform momentum inside the country, but also counter the pro-EU and moderating shift in its regional policy. The EU would forego Turkey's contributions. And a shunned Turkey will more likely side with the US – both in particular instances such as Iran or Israel - Palestine, and in its overall foreign policy philosophy.

Turkey and the EU should deepen their political relations well ahead of formal accession. Here are some policy recommendations for both sides to maximise the potential benefits:

#### **For the EU:**

- Use the prospect of Turkey's accession to deepen EU engagement in the Middle

East. The centre of gravity in the Union's foreign policy is shifting south anyway. So leaders should make the most of Turkey's know-how and political links to strengthen EU policies for the region. Israel - Palestine, Iran and Syria provide good opportunities for early joint EU-Turkish action.

- Recognise that compared to the rest of the Middle East, Turkey's case is unique in three key respects: it has long-standing ties with the West, it has a secular state structure, and the bait of EU membership has transformed its political elite. Moreover, Turkey has ambivalent relations with most of its neighbours in the region. Thus, it is best to tone down the 'Turkey as a bridge' argument and avoid the 'Turkey as a model' rhetoric altogether. Turkey is an asset for the EU but not a model for the Middle East.

#### For Turkey:

- Use the anchor of EU accession to step up the normalisation of relations with Iran and Arab countries such as Syria. The paradox is that the closer Turkey gets to EU membership, the more it should be able to forge closer ties with the Middle East. Both domestic and Western support for a strategy to reach out to the Islamic world will be greater once Turkey's European destination has been confirmed. And the more Turkey can champion its Middle Eastern ties in Brussels and elsewhere, the more the EU will see Turkey's accession as a help for achieving its own Middle East objectives.
- Prepare for membership not just in terms of adopting the *acquis communautaire* – the body of EU rules and policies – but also by incorporating the EU's distinct foreign policy 'style' of projecting stability through political and economic integration. Turkey's leaders must ensure that the current 'Europeanisation' of Turkey's foreign policy continues, and permeates the country's political class.

### Ankara et l'UE, les raisons du "non" par Jean-Louis Bourlanges<sup>6</sup>

La question de l'adhésion de la Turquie à l'Union européenne mérite-t-elle d'être posée? N'a-t-elle pas été tranchée savant meme queue de letter? Le doute est permis si l'on considère que la possibilité d'une telle adhésion a été officiellement reconnue en 1963, date de la signature du traité d'association entre la Turquie et la Communauté économique européenne, mais que le débat sur le principe même de cette adhésion n'a jamais vraiment pris corps au cours des quarante dernières années. En France comme en Allemagne, le débat était au reste surdéterminé par la guerre froide et par la question de la cohésion du camp occidental face à l'Est.

...Perçu comme un facteur de renforcement ou d'affaiblissement de l'Alliance, l'accueil réservé à la demande turque d'association s'inscrivait, en tout état de cause, dans un jeu transatlantique bien davantage qu'europpéen.

Le débat fut de nouveau escamoté à Copenhague, en 1993, quand les Douze fixèrent les critères d'adhésion des États libérés par la destruction du Rideau de Fer.

.... À partir de 1997, à Luxembourg, et surtout de 1999, à Helsinki, les membres du Conseil européen se sont progressivement engouffrés dans la brèche ouverte à Copenhague et, sautant allègrement par-dessus la question de l'appartenance à l'Europe du candidat potentiel, ont décidé que celui-ci avait « vocation » — admirons l'élévation spirituelle du terme choisi — à rejoindre l'Union européenne. Il lui fallait seulement respecter tous les critères mais rien que les critères applicables aux autres candidats. De ce jour, la question de principe qui n'avait encore été posée n'avait plus lieu de l'être. Le débat était clos avant d'être ouvert et, passant des principes aux modalités et au calendrier, la discussion changeait de nature.

...Parce que la candidature de la Turquie confronte les Européens à un choix qui les effraie sur la nature — mono ou multiculturelle — de

<sup>6</sup> Cet article sera publié fin octobre 2004 dans la revue *Politique Internationale*. Jean – Louis Bourlanges est

leur Union, le débat qu'elle occasionne se présente de façon totalement biaisée. Par une sorte de transposition politique de la loi de Gresham sur les monnaies, les mauvaises questions chassent ici les bonnes. Les bonnes questions sont celles du degré d'appartenance de la Turquie à la civilisation européenne et des conséquences de la transformation éventuelle de l'Union en un ensemble multicivilisationnel promis à une extension indéfinie.

Les mauvaises questions, légitimes assurément mais secondes par rapport aux autres, privilégient les interrogations sur la démocratisation de la société et de l'Etat turcs ainsi que les considérations diplomatiques relatives aux conséquences de l'ouverture des négociations par rapport à celles qui tiennent à la nature et à la portée ultime du pacte qui lie les membres de l'Union.

...Il est de bon ton aujourd'hui de dénoncer l'archaïsme et le cléralisme de ceux qui proclament le lien nécessaire entre les frontières héritées de la chrétienté et les frontières projetées de l'Europe actuelle. Toute référence religieuse dans la définition de l'Europe — dédaigneusement qualifiée de « club chrétien » — paraît incongrue à ceux qui font, à juste titre par ailleurs, de la laïcité, c'est-à-dire de la sécularisation et de la neutralité religieuse du pouvoir politique, l'une des valeurs fondamentales des sociétés européennes. Il s'agit là d'un étrange procès instruit au nom d'un mélange politiquement très efficace d'ingénuité, de manipulation et d'ignorance.....

....Manipulation que de confondre la reconnaissance du fait religieux comme élément constitutif d'une culture déterminée avec le refus du pluralisme religieux comme élément constitutif des sociétés européennes actuelles. C'est une idée singulière que de récuser, sous prétexte que la pratique religieuse de chacun relève désormais de la sphère privée au même titre que le choix d'un livre, la décoration d'un appartement ou la détermination d'un lieu de villégiature, le rôle central des croyances religieuses et des institutions ecclésiastiques dans la formation des structures mentales propres aux différentes sociétés et dans l'élaboration des modèles culturels et politiques dans lesquels celles-ci se reconnaissent. Nier que les frontières de l'Europe, fiction géographique mais réalité historico-culturelle, ont été largement

déterminées par des confrontations religieuses reviendrait à nier l'histoire. Être européen ce n'est pas être chrétien mais l'avoir été, non pas individuellement mais collectivement, non pas personnellement mais historiquement, non pas cléricalement mais culturellement.....

...L'inscription géographique de cette identité culturelle est à l'évidence malaisée....

...L'expansion planétaire du modèle européen n'est pas la cause unique de notre difficulté à assigner à l'Europe des frontières qui ne soient pas le simple produit de conventions géographiques ou diplomatiques. À l'ouest et au nord, la frontière, l'eau et la glace, est géographique bien davantage que culturelle. ....À l'est, la situation est moins claire encore. Non seulement rien de sérieux ne sépare géographiquement le « petit cap d'Asie » qu'est l'Europe selon Paul Valéry, du reste du continent qu'elle prolonge, mais, sur le plan de l'histoire et de la culture, s'est de longue date dessinée, à la charnière de l'Orient et de l'Occident, une immense zone grise empruntant à l'est et à l'ouest ses éléments constitutifs.

...Curieusement, toutefois, alors que la question de l'adhésion turque soulève désormais les passions, c'est au sud que la frontière de l'Europe devrait être regardée comme la moins contestable.

....Aussi bien n'y en a-t-il pas une mais trois au sud de l'Europe : une frontière conventionnelle, celle des géographes, qui arrête l'Europe au Bosphore et passe à l'intérieur du territoire turc ; celle de l'islam, qui parcourt les États balkaniques, les divise entre eux et à l'intérieur d'eux-mêmes ; la frontière politique, enfin, celle qui sépare la Turquie des États balkaniques. C'est à l'évidence cette dernière que les Européens devraient retenir. On imagine mal qu'on puisse vouloir remettre en cause les frontières actuelles de la Turquie ou laisser durablement aux portes de l'Union les laissés-pour-compte musulmans du reflux ottoman — Bosniaques, Albanais, Kosovars, Macédoniens ou Bulgares — même si l'on ne doit pas sous-estimer les difficultés d'intégration au modèle européen dominant de ces peuples déchirés et tourmentés qui sont dans l'épaisseur du trait.

....Le problème posé par la présence historique de la Turquie sur le territoire européen ne se réduit pas à une querelle de bornage. Il oblige à s'interroger plus profondément sur la nature des liens politiques passés et présents entre la Turquie et les États européens. Indépendamment de la différence de civilisation entre celle-là et ceux-ci, il serait absurde de contester que la Turquie a été dans le passé un membre à part entière du système européen et qu'elle est aujourd'hui un acteur majeur du système atlantique....

.....On ne saurait ni ignorer la participation historique de la Turquie au concert européen ni en déduire que cette participation vaut laissez-passer pour l'Union européenne. Ancêtre rudimentaire tout à la fois du Conseil européen, du Conseil atlantique, du G8 et du Conseil de sécurité des Nations unies, le concert européen n'était ni spécifiquement européen ni constitutif d'une véritable Union. ....Sur le plan politique, on ne saurait voir dans cet instrument parfaitement informel de négociation intergouvernementale entre des puissances rivales une quelconque préfiguration de l'Union européenne telle qu'elle aspire à devenir : ce club d'« amis éternels », selon la formule de Pascal Lamy, décidés non pas simplement à ajuster leurs intérêts et à régler leurs différends mais à agir ensemble, une fois pour toutes, sur la base d'un transfert fédéral de compétences au profit d'institutions communes. ....

....Ce sont deux choses fort différentes, en effet, que celles qui consistent, d'un côté, à construire l'union des Européens et, de l'autre, à participer à une alliance internationale de type classique, comme l'Otan ou le Pacte de Bagdad, associant des États potentiellement menacés par un adversaire commun....

....Pour les Européens d'aujourd'hui, le choix est clair : tout dépend de ce qu'ils veulent faire ensemble. S'ils veulent organiser une fédération de peuples et d'États destinée à exprimer, par-delà les rivalités politiques d'hier, leur identité commune et à s'imposer plus qu'aujourd'hui comme acteur à part entière dans un monde multipolaire, il leur est nécessaire de s'en tenir autant que possible au cadre territorial que leur a légué l'histoire. S'ils entendent, en revanche, poursuivre un simple objectif de réconciliation et de rapprochement entre des peuples traditionnellement hostiles, s'il ne

s'agit pour eux que d'ajuster des intérêts contradictoires et de tenter de substituer entre les peuples le dialogue et le droit à la confrontation et à la violence, il leur faut s'affranchir des contraintes de l'histoire et de la géographie, chercher les nouveaux membres à raison de ce qui les distingue et non de ce qui les rapproche des anciens, engager l'Union sur la voie d'une expansion géographique progressive mais illimitée.

L'adhésion de la Turquie trancherait une hésitation d'un demi-siècle entre deux conceptions de l'Union, idéologique d'un côté, géopolitique de l'autre. Elle consacrerait la victoire d'une Europe éthérée, réduite à l'exaltation de valeurs universelles et du droit, sur une Europe enracinée dans une terre et une histoire particulière, la victoire d'une Europe onusienne sur une Europe carolingienne....

...L'Union européenne avec la Turquie aurait l'avantage de contraindre peu et l'inconvénient de promettre moins encore. ...Sur le plan budgétaire, l'écart de situation entre ses membres serait trop massif pour qu'on puisse le combler sans des transferts financiers considérables.

.... Sur le plan juridique, l'inégalité persistante des membres de l'Union devant les exigences effectives, et non pas simplement nominales, de l'État de droit porterait un coup d'arrêt peut-être définitif au développement de l'espace commun de liberté, de sécurité et de justice. Fondé sur la mise en œuvre d'un principe de reconnaissance mutuelle des différents systèmes juridiques nationaux, un tel espace est inconcevable s'il n'y a pas entre les États membres un socle commun de principes, de procédures et de garanties. Économiquement, enfin, il sera longtemps illusoire de prétendre intégrer la Turquie à la zone euro sans s'exposer à des chocs asymétriques majeurs et répétés.

Ce reflux général des politiques communes, dont on ne contestera pas qu'il est voulu par plus d'un État membre, Royaume-Uni en tête, tendrait à faire de l'Union la variante internationale du célèbre « couteau sans lame auquel il manque le manche ». ... Ainsi vidée de l'essentiel de sa substance, l'Union élargie risquerait fort de ne pas être beaucoup plus

que l'Union douanière dont la Turquie est déjà membre et qui ne paraît pas lui suffire.

.....L'appauvrissement général des contenus de l'Union se doublerait d'un profond déphasage de son système institutionnel. Celui-ci se révélerait à l'épreuve des faits tout à la fois surdimensionné et dénaturé. Surdimensionné parce qu'avec son Parlement élu au suffrage universel et son autorité exécutive démocratiquement investie et politiquement responsable devant les élus des peuples, l'Union dispose déjà d'institutions caractéristiques d'une fédération politique d'États. Réduite à une double fonction de concertation entre États souverains et de régulation juridique entre partenaires économiques, elle n'aurait nul besoin de tout l'appareil institutionnel et procédural que lui ont accordé les Traités successifs. L'Union deviendrait alors le seul cas connu de zone de libre-échange gérée par un quasi-État fédéral. À l'inverse de la formule traditionnelle, elle ferait figure de Vespa équipée d'un moteur de porte-avions !

Cette contradiction est, en fait, ingérable. ...L'indétermination des frontières finales de l'Union frappe le projet européen d'une faiblesse essentielle. La question n'est pas de savoir ce que dans la foulée de l'adhésion turque il adviendra des candidatures potentielles ou déclarées de l'Arménie, d'Israël ou du Maroc et, derrière elles, de celles des États de Transcaucasie, du Levant et du Maghreb. L'embarras est d'une autre nature. Il tient au fait qu'une fois la Turquie admise dans l'Union, il n'y aura plus de différences entre l'Europe et la non-Europe, l'intégration de l'altérité turque détruisant l'identité historico-culturelle de l'Union et ruinant toute idée d'un marqueur significatif entre celle-ci et ce qui l'entoure.

Avec la frontière disparaît pour l'Europe la possibilité d'être un acteur à part entière de la communauté internationale. Là encore, la question n'est pas de savoir si la Turquie est plus ou moins inféodée à Washington, mais plus essentiellement si l'Union européenne a vocation à exister en qualité de membre européen de la communauté internationale, dépositaire de valeurs, d'intérêts et d'approches spécifiques à cette partie du monde ou si elle doit s'imaginer comme un instrument de régulation internationale offert à tous ceux qui veulent s'y soumettre, une sorte de petite ONU

géographiquement atrophiee mais politiquement aussi impuissante que la grande. L'Europe élargie qu'on nous propose est, en réalité, une Europe désincarnée, condamnée par un universalisme à gaz pauvre à laisser aux autres le soin d'assumer la défense et la promotion de ce qu'ils ont de particulier et d'irréductible au sein de la communauté humaine. Les autres, c'est-à-dire à l'extérieur les grandes puissances mondiales et à l'intérieur les États nationaux, dépositaires souverains de leurs particularités respectives et manipulateurs sournois d'une Union européenne réduite à l'antique et stérile concert des nations.

Rien n'est à cet égard plus faux que d'imaginer que l'élargissement de l'Union à la Turquie puisse lui permettre de jouer un rôle actif de médiateur dans les affaires Nord-Sud et de contribuer à désamorcer la guerre annoncée des civilisations. Pour atteindre un tel but, il n'est en réalité que deux approches théoriquement possibles : soit la création d'un instrument efficace de régulation planétaire, c'est-à-dire une ONU réformée et renforcée ; soit l'émergence d'un acteur géopolitique nouveau, disposant de la volonté et des moyens de faire prévaloir sur la violence et la confrontation l'action multilatérale, la règle de droit et la coopération Nord-Sud. L'Union élargie devrait perdre ici sur les deux tableaux : ses limites géographiques, fussent-elles arbitraires et transitoires, l'empêcheraient d'être autre chose qu'un ensemble régional confronté à d'autres ensembles régionaux. Elle serait d'autant moins capable d'être un arbitre respecté que sa nouvelle frontière sud traverserait un Moyen-Orient en feu et la contraindrait à s'engager dans l'ensemble des contentieux de la zone — avenir du Kurdistan irakien, bataille pour le contrôle de l'eau, relations avec Israël et la Syrie — moins en qualité d'honnête courtier impartial que de partie directement intéressée au règlement des conflits. Par ailleurs, la dimension kantienne de l'Union, fortement stimulée par sa transformation en communauté multiculturelle fondée sur le droit et non sur l'histoire, l'empêcherait plus encore qu'aujourd'hui de s'assumer en tant que puissance à part entière, capable de défendre ses intérêts spécifiques et de faire prévaloir sa propre vision du monde. Par une dernière ruse de l'histoire, la Turquie apporterait à l'Europe les moyens militaires d'une puissance accrue tout en la rendant incapable de placer cette force nou-

velle au service d'une identité devenue imaginaire et d'une volonté commune introuvable.

C'est au bout du compte Michel Rocard, champion désenchanté de la cause d'Ankara, qui dit les choses avec le plus de netteté. Son plaidoyer sans enthousiasme « pour une Europe sans âme » a le mérite de ne rien dissimuler à l'opinion des deux implications fondamentales de l'adhésion potentielle de la Turquie : l'engagement de l'Union dans un processus indéfini d'élargissement et le renoncement à ce que l'ancien premier ministre nomme « une Europe capable non seulement de défendre mais d'exporter vers d'autres continents son modèle social, et capable aussi de peser fortement sur les affaires mondiales ; bref, d'être une puissance ». Depuis quinze ans, les dirigeants européens refusent de choisir entre ces deux conceptions de l'Europe.

Maastricht avait simultanément ouvert la voie à une Europe fédérale et à une Europe intergouvernementale. La première exclut la Turquie et la seconde l'autorise. Depuis lors, la préférence implicite des dirigeants nationaux s'est manifestée à divers signes : adhésions dénuées du moindre contenu politique explicite, intergouvernementalisation rampante des institutions, déchirement des gouvernements sur le conflit irakien, et enfin marche résolue de l'Union vers la candidature turque. Cette dernière option confirme toutes les autres. Par l'ouverture imminente de négociations d'adhésion avec la Turquie, c'est bien l'impuissance conjointe des États dans une Europe sans frontières que l'on inscrit à l'ordre du jour.

**TURKISH BUSINESS PERSPECTIVES**

by  
**TÜSIAD**  
**TURKISH INDUSTRY & BUSINESS**  
**ASSOCIATION**

[www.tusiad.org](http://www.tusiad.org)

**2005**  
**TURKEY AT THE EDGE OF A NEW**  
**ERA:**  
**THE EU AND NEW TURKISH LIRA**

**On the 6th of October the European Commission will unveil the Regular Progress Report and The Impact Assessment for Turkey. In addition, the Commission is required to provide the European Council with a recommendation on whether or not to launch the accession negotiations with Turkey. On the verge of these reports and the recommendation, the intuition of the European political and financial circles about the outcome is rather positive. Such a feeling might be the result of encouraging and clear messages conveyed by the Enlargement Commissioner, Günter Verheugen following his monitoring visit to Turkey and his meeting with Prime Minister R.Tayyip Erdoğan in Brussels.**

Positive prospects regarding Turkey's EU bid increases the level of market confidence for the Turkish economy. Recently, Standard & Poor's has raised Turkey's long-term foreign currency sovereign credit rating from B-plus to BB-minus and long-term local currency sovereign credit rating from BB-minus to BB<sup>1</sup>.

Likewise, Fitch Ratings raised the outlook for Turkey's long-term foreign and local currency sovereign credit rating of B-plus to positive from stable.<sup>2</sup>

Progress in EU – Turkey relations has reflected positively to the Turkish macroeco-

omic conditions leading to a sustainable stability. As an outcome of constantly ameliorating economic performance in the last two years, Turkey has stepped into the “**low inflation-high growth**” era. In Turkey, investments have risen even with the volatile external and internal prices. Cooperation between Turkey and IMF continues to lead the country day by day to a better economic condition. According to IMF, macroeconomic conditions in Turkey are at their best in decades.

The economic growth in Turkey will be empowered by the launch of **New Turkish Lira** (YTL). YTL will be in circulation from January 1, 2005. Conversion rate will be:

**1 YTL = 1.000.000 TL**

Sub-unit of YTL will be KURUS (YKr), the equivalent of cents in Euro.

**1 YTL = 100 YKr**

The composition of denominations for YTL banknotes will be 1, 5, 10, 20, 50 and 100. The denominations for the coins will be 1,5,10,25,50 YKr and 1 YTL. The YTL and old Turkish Lira will co-exist during 2005 and at the end of the year old Turkish Lira will be withdrawn from circulation.

Coupling the ongoing hard work to drive inflation down to single digit with the introduction of YTL, the Central Bank aims at restoring Turkish citizens' confidence to their own currency as well as improving Turkish currency's reputation in the world markets. Removing zeros from the currency will also eradicate the technical and operational problems caused in the past by multiple zeros in currency.

As the Central Bank authorities proclaim, the **New Turkish Lira is the symbol and the evidence of Turkey's determination to drive inflation down and move forward towards EU membership.**

<sup>1</sup><http://quote.bloomberg.com/apps/news?pid=10000085&sid=arw.AoL1Ro3Q&refer=europe>

<sup>2</sup>[http://www.fitchratings.com/corporate/ratings/issuer\\_content.cfm?issr\\_id=80442217](http://www.fitchratings.com/corporate/ratings/issuer_content.cfm?issr_id=80442217)



# CEPS

## *Turkey in Europe Monitor*

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### **Introductory Note from CEPS**

*This issue of CEPS Turkey in Europe Monitor presents a long extract of the Working Paper titled "The Turkish Gate: Energy Transit and Security Issues", prepared by John Roberts within the scope of the joint CEPS-EFPF Project, "Strategy for Turkey and the EU in the Pre-Accession Period". CEPS and EFPF gratefully acknowledge financial support for this project from the Open Society Institute of Istanbul, Akbank, Coca Cola, Dogus Holding and Finansbank. CEPS acknowledges the kind support for the production of the Turkey in Europe Monitor provided by EU Information Group of Turkey (ABIG).*

*The paper sets out Turkey's current and potential role in the supply of gas to Europe, starting with the EU's need for gas, the geography of global gas disposition and Turkey's importance as a natural funnel through which the EU can access gas from many of the world's leading gas suppliers. It also places*

*Turkey's role in the context of EU reliance on Russia as its largest single supplier of gas. It deals with the existing and potential pipeline infrastructure for gas supplies to Europe via Turkey and discusses what role the EU is already playing, and might be expected to play in the future, with regard to ensuring its energy security by means of pipeline development to carry gas to EU market via Turkey.*

*Gas is the prime focus of the paper. Although oil security is of obvious importance to the EU and Turkey is a major transit country for oil supplies, essentially the problem of ensuring oil security for the EU is, in geographical terms, argued to be a global one due to the fungibility of oil. Oil issues are therefore covered in an appendix available with the full text of the Working Paper at [www.ceps.be](http://www.ceps.be).*

Michael Emerson and Senem Aydin

### **The Turkish Gate: Energy Transit and Security Issues**

by

**John Roberts<sup>1</sup>**

#### **Introduction**

Turkey's role as a gateway through which gas can enter the European Community is becoming increasingly important as the European Union grapples with the interrelated problems of ensuring energy security and the provision of energy supplies from multiple sources at competitive prices.

<sup>1</sup> John Roberts is a specialist on the geopolitics of energy with the Platts energy group, serving as Senior Editor with the group and focusing on energy security.

A net energy importer, and itself a major market for regional producers, Turkey's importance lies in its ability and willingness to develop major transit systems for gas as well as oil, thus enabling hydrocarbon resources to access European markets by pipeline from such diverse regions as the Caspian, Central Asia, the Gulf, and the eastern Mediterranean.

#### **Regional Gas Disposition**

Turkey lies adjacent to countries or regions possessing some 71.8% of the world's proven gas reserves and some 72.7% of the world's proven oil reserves<sup>2</sup>. But such figures are somewhat misleading, essentially for two reasons. Firstly, gas is a very different commodity

<sup>2</sup> According to the BP *Statistical Review of World Energy*, June 2003.

compared to oil; secondly, some producers, notably Russia, have comparatively little interest in utilising Turkey as a transit country. In this context, the most relevant element might be that as many as 10 current producers, collectively possessing 35.5% of global proven gas reserves, either have, or might reasonably be expected to have, an interest in directing exports to Europe via Turkey.

Perhaps surprisingly, Turkey's current or potential role in oil transportation is considerably less important than its current or potential role in gas transit. There is no doubt that oil pipelines across Turkey do play, and will play, a major role in the global energy market but their role can best be defined as *useful* and *important* rather than *vital*. Oil is essentially a fungible commodity; it is more flexibly transported than gas (notably by sea) and Turkey's role in this context is one that concerns the global energy supply system rather than that of the European Union alone. Gas, however, is a different matter: it is more complex and, in a strictly EU context, Turkey's role, both current and potential, is much greater.

### Gas Transit Issues

The European Union is already the world's biggest gas import market while it is also one of the world's fastest-growing energy markets. It possesses a variety of energy import sources – notably Russia and Algeria – but is naturally seeking to diversify supplies. Turkey's role is potentially extremely important in that it furnishes a natural corridor through which gas from a wide variety of suppliers in an arc from the Caspian through the Middle East and the Gulf to Egypt can access the growing EU market by pipeline. With the EU already in receipt of large volumes of gas from three main sources – Russia, the North Sea and North Africa – Turkey's goal is to become Europe's fourth main artery.

### The EU's Gas Balance to 2030

The European Union is already looking to Turkey as a potential import route, while Turkey is very much looking to the EU as a market for gas transiting through Turkey. This relationship is fuelled by Europe's prospective demand for gas imports and the availability of supplies to meet much of this demand in countries adjacent or close to Turkey.

The International Energy Agency (IEA) estimates that the EU's primary gas demand is expected to grow by 2.9% per year from 2000 to 2010 and by 1.6% from 2010 to 2030. It anticipates that demand will increase in all end-use sectors, but most dramatically so in power generation.<sup>3</sup> In this case, it appears to be defining the EU as meaning the EU-15, the 15 members of the Union prior to its enlargement on 1 May 2004. In contrast, various other projections for the EU are based on an EU-30, which includes all the current EU member states plus the three current candidate states of Romania, Bulgaria and Turkey and two other countries observing EU energy principles, Norway and Switzerland.

According to recent projections, the EU-30 are expected to consume almost 700 bcm/y of gas by 2030.<sup>4</sup> The International Energy Agency acknowledges a massive dependence on imports. It envisages imports rising from 187 bcm in 2000 to 632 bcm in 2030, a 449-bcm/y increase (see Tables 1 and 2).

These tables slightly overstate Europe's reliance on imports, since Norway, which in 2000 accounted for one quarter of EU imports and which is still expected to account for 17% of European imports in 2030, is firmly listed as an import source. In this context, however, the EU's supplies from Norway should more properly be considered as part of EU domestic production, in view of Norway's membership of the European Economic Area and its conversion of the EU's gas directive into domestic legislation. Indeed, the text of the European Green Paper of 2002, in asserting that Russia and Algeria occupy the two leading places as *external* suppliers of gas to the EU, effectively acknowledges Norway as an *internal* supplier. Even so, this still means that the EU will remain considerably dependent on imports. In a recent presentation, the IEA's chief economist, Dr Fatih Birol, anticipated that the growth in

<sup>3</sup> International Energy Agency, *World Energy Outlook 2002*, Paris, 2002, p. 189.

<sup>4</sup> Presentation by Dr Fatih Birol, Chief Economist for the International Energy Agency, to the seminar on Natural Gas in South East Europe: Investment, Transit and Trade, in Istanbul, 5-6 May 2004.

imports to 2030 would likely be covered as follows:<sup>5</sup>

- An extra 79 bcm from Russia;
- An extra 51 bcm from Central Asia;
- An extra 157 bcm from the Middle East,
- An extra 136 bcm from West and North Africa; and
- An extra 18 bcm from the Americas (mainly Trinidad & Tobago).

This totals 441 bcm/y, possibly indicating a slight reduction in the IEA's anticipated import requirements. In terms of distribution, the IEA has produced this assessment concerning the distribution of gas imports into the EU – or at least the EU-15 – for 2000 and 2030.

Table 1. EU-15 and EU-30 gas import dependence, 1998-2030 (%)

|                  | 1998 | 2010 | 2020 | 2030 |
|------------------|------|------|------|------|
| <b>EU-15</b>     | 49   | 54   | 62   | 71   |
| <b>Europe-30</b> | 36   | 42   | 51   | 60   |

Source: European Commission (2000), Green Paper on a European Strategy for the Security of Energy Supply, November.

Table 2. EU-15 gas balance, 1998-2030 (in bcm)

|   | 1998  | 2002  | 2030 |
|---|-------|-------|------|
| <b>Production</b>                       | 202.3 | 208.8 | 153  |
| <b>Consumption</b>                      | 349.1 | 385.6 | 506  |
| <b>Balance to be covered by imports</b> | 147.2 | 177.2 | 359  |
| <b>Import dependency</b>                | 42.2% | 46.0% | 71%  |

Source: For 1998 and 2002 figures, BP *Statistical Review of World Energy 2003*; Projections for 2030 derived from percentages cited in European Commission (2000), Green Paper on a European Strategy for the Security of Energy Supply, November. Note the BP figures for 1998 reduce the apparent level of import dependence to 42.2% when set against the 49% level cited in the European Commission Green Paper, 2000.

<sup>5</sup> Presentation to seminar on Natural Gas in South East Europe: Investment Transit Trade. Held in Istanbul, 5-6 May 2004.

Table 3. EU gas import distribution, 2000 and 2030

|                      | 2000  | 2030 |
|----------------------|-------|------|
| Africa               | 33.5% | 28%  |
| Norway               | 25%   | 17%  |
| Transition economies | 41%   | 33%  |
| Middle East          | Neg.  | 17%  |
| Latin America        | Neg.  | 5%   |
| Other                | 1%    | Neg. |

Source: IEA, *World Energy Outlook*, 2002.

In terms of import flexibility, it should be noted that Libya is due to be directly connected to Italy by the 'Green Stream' pipeline (with first flows currently scheduled for early 2006), adding to the variety of low-cost gas imports from North Africa. In addition, LNG is also becoming increasingly important in the EU gas mix, with the IEA arguing that "LNG would become especially important if there turned out to be less Russian gas than expected."<sup>6</sup> LNG is already a significant factor in the energy mix of countries with Mediterranean or Atlantic coastlines, but has yet to make a significant mark in northern and central Europe.

### Transport and Geography

Turkey's proximity to gas producers is much more directly relevant to the question of EU energy security – and to the terms under which the EU can expect to secure gas from other producers, notably Russia. Gas is essentially transported by two methods: by pipeline and as liquefied natural gas (LNG). In the Turkey-EU context, pipelines are the more important issue, but their importance is obviously affected by the ability or willingness of the EU to increase LNG imports.

Because Russia has its own direct pipeline systems serving the EU market, it is not particularly interested in routes through Turkey, which it is likely to view in an essentially competitive context, even though the EU might argue that routes through Turkey are intended to complement, rather than compete with, Russian pipeline supplies. But Turkey is located close to a number of other gas produc-

<sup>6</sup> International Energy Agency, *World Energy Outlook 2002*, Paris, 2002.

ers which have had, or may have, an interest in assessing the prospect of accessing European markets by means of pipelines through Turkey. Countries currently studying prospects for delivery of their gas through Europe include Azerbaijan, Kazakhstan, Iran, and Egypt.

Countries with gas reserves that have previously considered the issue, and might reasonably be expected to do so again include Turkmenistan, Iraq and Qatar. In addition, Uzbekistan, Saudi Arabia and Syria have potential interests in tacking on their output to networks developed to serve their neighbours' exports. These ten countries collectively possess 55.34 tcm in proven gas reserves, equivalent to 35.5% of the world's total reserves of 155.78 tcm.

*Table 4. Reserve estimates for Turkey's gas-producing neighbours (in trillions of cubic metres – tcm)*

|                             |               |
|-----------------------------|---------------|
| <b>Caspian/Central Asia</b> | <b>6.57</b>   |
| Azerbaijan                  | 0.85          |
| Kazakhstan                  | 1.84          |
| Turkmenistan                | 2.01          |
| Uzbekistan                  | 1.87          |
| <b>Middle East</b>          | <b>47.11</b>  |
| Iran                        | 23.00         |
| Iraq                        | 3.11          |
| Qatar                       | 14.40         |
| Saudi Arabia                | 6.36          |
| Syria                       | 0.24          |
| <b>Northeast Africa</b>     | <b>1.66</b>   |
| Egypt                       | 1.66          |
| <b>Russia</b>               | <b>47.57</b>  |
| <b>World</b>                | <b>155.78</b> |

*Source: BP, Statistical Review of World Energy, London, June 2003.*

With regard to Russia, Turkey is mainly, so far as transit is concerned, a competitor rather than a conduit. However there is one major gas line from Russia to Turkey that appears to have been built with at least a possible view to onward transfer of Russian gas to markets beyond Turkey. This is the 16 bcm/y Blue Stream line under the Black Sea opened in 2002 and which, in simple supply terms, could be used to ship gas to markets elsewhere in Europe. As of mid-2004, Gazprom has refused to entertain such ideas, although Turkey has raised the issue in repeated negotiations con-

cerning the pricing of gas delivered through the line. However, periodically there have been various Russian suggestions that the Blue Stream line, or fresh connections through the Caucasus, might be used to supply Israel with Russian gas via Turkey.

### **The Challenge from LNG**

Pipeline is the more normal transportation method for gas but LNG offers an increasingly competitive alternative particularly over distances of 3,000 kms or more. Although it requires provision of expensive liquefaction plants, to convert the gas to liquid form so that it can be transported by sea, and the availability of purpose-built tankers, in some cases it may even prove competitive with pipelines at distances of 1,000 kms. Egyptian plans for developing gas exports by means of LNG currently appear to be more advanced than recently revived plans for an extension of the recently constructed Egypt-Jordan gas line (now being extended to Syria and Lebanon) into Southern Turkey. Qatar has already invested heavily in LNG projects and while it did consider proposals for piped exports to Europe via Turkey in the 1980s, it is only likely to revive such proposals seriously if it becomes convinced that Turkey is indeed creating a new artery; that Iraq can offer a stable interconnection between the Gulf and Turkey, and that gas shipments to new European markets will not prove counterproductive to its existing LNG trade. At present, repeated attacks on Iraq's northern oil pipeline to Turkey make it highly unlikely that anyone will move to develop a parallel gas pipeline in the immediate future, although the issue is kept under constant technical review in Ankara.

The focus which Qatar, Abu Dhabi and Oman are placing on development of LNG exports almost certainly ensures that while Gulf reserves remain key to the global gas balance, the prospect of major Gulf exports to Europe via Turkey is very much a second stage prospect. Iran furnishes an obvious exception to this in that it is actively seeking to export gas to the EU via Turkey. But whether its neighbours on the Arab side of the Gulf will follow suit will depend very much on the initial success of such projects as the Turkey-Greece gas line and the Nabucco project (see below).

## Incoming Pipelines to Turkey

Whether Turkey can become the EU's 'fourth artery' very much depends on the completion or implementation of various projects designed to bring gas to Turkey, to transport it from Turkey, and to increase Turkey's own throughput capacity.

This is certainly Turkey's goal and, indeed Turkey already has one major important pipeline which might, in time, be used to ferry gas to European markets beyond Turkey itself: the 20 bcm/y capacity Tabriz-Erzurum line which opened in December 2001 and which now carries Iranian gas to Ankara and other parts of Turkey. In addition, in conjunction with BP, Statoil and other developers of Azerbaijan's giant Shakh Deniz field, it is committed to building the \$1bn South Caucasus Gas Pipeline from Baku to a connection with its own East-West Main Trunk Pipeline at Erzurum. The Baku-Erzurum line will initially have a capacity of around 7-8 bcm/y but is designed for expansion up to at least 16 bcm/y.

But Turkey's ability is to import gas from its neighbours, particularly with regard to subsequent transit of that gas to markets in Europe, is not limited to Iran and Azerbaijan alone (see Table 5).

Table 5. Potential Eurasian gas suppliers to the EU market (by pipeline)

| a. Supply potential as of 2010 |           |                 |                   |                  |
|--------------------------------|-----------|-----------------|-------------------|------------------|
| Country                        | Volume    | Transit country | Potential by 2015 | Existing system  |
| Iran                           | 10 bcm    | Turkey          | 20-30bcm          | 3-10 bcm         |
| Turkmenistan                   | 13 bcm    | Iran/Turkey     | 30 bcm            | 13 bcm           |
| Turkmenistan                   | 34-80 bcm | Russia          | 80 bcm            | 50 bcm           |
| Turkmenistan                   | 10-36 bcm | Russia/Ukraine  | 36 bcm            | 36 bcm           |
| Azerbaijan                     | 7 bcm     | Turkey          | 20 bcm            | 6-20 bcm*        |
| Iraq                           | 10 bcm    | Turkey          | 10 bcm            | None             |
| Egypt                          | 4 bcm     | Jordan/Syria    | 10-12 bcm         | Link to Jordan** |

\* SCP system under construction, due to open 2006.

\*\* Egypt-Jordan gas line has reached Syrian border.

| b. Additional supply potential post-2015 |           |                     |                 |
|--|-----------|---------------------|-----------------|
| Country                                  | Volume    | Transit country     | Existing system |
| Qatar                                    | 20-30 bcm | Kuwait/Iraq/Turkey  | None            |
| Egypt                                    | 10-12 bcm | Jordan/Syria        | Link to Syria*  |
| Saudi Arabia                             | 10-20 bcm | Jordan/Syria/Turkey | None            |
| Kazakhstan                               | 10-20 bcm | Azerbaijan/         | None            |

|              |           |                          |                       |
|--------------|-----------|--------------------------|-----------------------|
|              |           | Turkey                   |                       |
| Turkmenistan | 20-30 bcm | Azerbaijan/Turkey        | None                  |
| Turkmenistan | 30-36 bcm | Iran/Turkey              | Limited connections** |
| Uzbekistan   | 5-10 bcm  | Turkmenistan/Azer/Turkey | None                  |

\* This would be additional to the 10-12 bcm potential delivery before 2015.

\*\* Turkmenistan's Caspian shore gas fields are already linked into the Iranian network via the 12 bcm/y capacity line from Korpedzhe to Kurt-Kui, but there are no significant connections to Iran from Turkmenistan's main central and southeastern gas fields.

| c. Potential gas pipelines from Turkey to (other) EU countries |         |             |                                    |
|--|---------|-------------|------------------------------------|
| Route  | Initial | LT capacity | Comments                           |
| Turkey-Greece  | 0.75bcm | 3-11 bcm    | Due to open 2006                   |
| Greece Italy Interconnector                                    | 22 bcm  | 22 bcm      | Under study. Possible opening 2008 |
| Turkey-Austria (Nabucco)                                       | 3-5 bcm | 20-25 bcm   | Under study. Possible opening 2009 |
| Greece-Western Balkans-Austria                                 | ??      | 10-20 bcm?? | Preliminary proposal               |

Source: IEA, Methinks.

## The South Caucasus Pipeline

Construction of the new Baku-Tbilisi-Erzurum line, officially called the South Caucasus Pipeline (SCP), is officially due to be completed in September 2006 at a cost of \$953m.<sup>7</sup> Curiously, whether construction work on this project has yet started remains a moot point. Because the sections of this line in Azerbaijan and Georgia use the same right of way as the better known 1.0 mb/d Baku-Tbilisi-Ceyhan oil pipeline, basic groundbreaking and site preparation work, particularly in difficult terrain, is being carried out for both lines simultaneously. With a similar stakeholding in the two lines, and with BP as operator of both systems, coordination of the two projects meant that as of mid-2004, the emphasis was on laying oil pipe. But as pipe laying for BTC ends in the second half of the year, pipe laying work on the gas line was expected to start in earnest.

<sup>7</sup> Mejid Kerimov, Azerbaijani Minister of Fuel and Energy, Istanbul, January 2004.

The SCP will initially have a capacity of around 7-8 bcm/y, but documentation produced by BP in March 2004 showed an eventual planned capacity level of 20 bcm/y. This now appears to be the general long-term target for Azeri gas exports, the marketing of which is now being carried out by one of the major partner's in both SCP and Azerbaijan's giant Shakh Deniz gas field, Norway's Statoil.<sup>8</sup>

The official timetable for delivery of Azeri gas to Turkey, which may well slip, envisages a starting rate of 2.0 bcm/y in 2006, rising to 3 bcm/y the following year, to 5.0 bcm/y in 2008, and then reaching its initial plateau level of 6.6 bcm/y in 2009. Although the initial 2001 sale and purchase agreement were apparently based on projected Turkish domestic usage of this gas, it is now clear that much or all of it will go straight to Greece. Norway's Statoil, which is responsible for securing export contracts for Azeri gas via the South Caucasus Pipeline, is actively assessing various European markets, starting with Greece.

### Other Connections

Turkey is also pursuing discussions with various other potential suppliers. The most important of these is, probably, Iran, since Tehran has already been discussing eventual deliveries of gas to Greece via Turkey, whilst EU officials have spoken of Iran as a long-term gas supplier to EU member states. Current agreements provide for Iranian deliveries to Turkey to plateau at 9.56 bcm/y in 2007, but as the line has the potential to handle double this volume, and as Turkey's own gas demand projections remain unclear, it seems likely that at least part of the line's capacity will be used to supply gas to the Turkish system that will subsequently be forwarded to other European markets.

As mentioned previously, Turkish officials also continue to discuss with their Iraqi counterparts what they call the 'Iraq Integrated Natural Gas Pipeline Project' by which they hope to see a Turkish-Iraqi consortium, embracing both the public and private sector, de-

velop gas fields in northern Iraq and bring some 10 bcm/y into the Turkish system, again with a view to forwarding some of this gas to other European markets.<sup>9</sup> But while Turkish officials say they have current backing for this project, which was first mooted in 1996, from the Iraqi Ministry of Energy and from private Turkish companies, this is a project that cannot be undertaken until there is a substantial improvement in security conditions in Iraq.

Turkish officials are also continuing discussions with Egypt. But although Egypt is currently extending its gas system northwards though Jordan to Syria, so that it would easily be able to affect deliveries to southern Turkey by building a few hundred kilometres of extra pipeline, whether there is a market has yet to be ascertained. The pipeline could obviously supply gas to the industrial and petrochemical markets of Iskenderun and southern Turkey, but Turkish officials remain uncertain as to whether local demand justifies such an extension to the Egypt-Jordan-Syria line. What does seem clear is that in due course this line will reach the northern Syrian city of Aleppo, for which Iskenderun was long the traditional port. There is therefore a real prospect that a relatively small-scale local trans-border connection between Aleppo and Iskenderun might eventually form the basis of a more substantial connection. In considering whether this might happen, several factors have to be borne in mind. One is Egypt's own desire for new export markets. A small-scale entry into the Turkish market could prove the precursor of greater export sales – so long as these are competitive with Egypt's obvious alternatives: pipeline deliveries to Europe via a proposed connection to Libya and the Libya-Italy "Green Stream" line, and development of LNG export facilities.

In addition, it is worth noting that Syria itself possesses significant gas reserves. But the most important factor of all is the fact that Saudi Arabia possesses major gas reserves in the northeast of the Kingdom, which could easily be connected to the Egypt-Jordan-Syria-Turkey line. Saudi Arabia is not publicly contemplating raw gas exports but the existence of

<sup>8</sup> Azerbaijan's Kerimov, speaking in Istanbul in January 2004, said Shakh Deniz has a large capacity "so we must set up more pipelines to reach northern Europe and the Balkan countries." He added: "I'm sure the gas reserve will yield 20 bcm/y."

<sup>9</sup> "Turkish companies are ready to realise gas projects in Iraq which will help substantially the reconstruction efforts in that country." Hakki Akil, Istanbul, February 2004.

a proven export route, albeit one which would need considerable expansion to serve Saudi interests, could prove highly advantageous as and when the Saudi authorities decide to revisit the gas export issue.

As for Turkmenistan, Turkey continues to consider that it has an effective sale and purchase agreement with Ashgabat (it signed a framework agreement for gas deliveries in October 1998) under which Turkmenistan would ultimately deliver as much as 20 bcm/y to the Turkish market. But since the Turkmen effectively decided in 2001 to reject a serious pipeline project that would have brought this gas to Turkey via Azerbaijan, the concept of large-scale Turkmen gas sales to Europe has, *de facto*, been in abeyance. Essentially, Turkmenistan President Saparmurat Niyazov does not wish to see his gas pass through the terrain of a neighbouring state, Azerbaijan, which is both a rival gas producer in its own right and with which he has a serious maritime border dispute concerning a cluster of oilfields in the south-central Caspian. Although at least one Turkish official argues that, in time, the South Caucasus Pipeline from Baku to Erzurum “may also constitute the first part of the Turkmenistan-European route,” accomplishment of such a goal will almost certainly have to await the post-Niyazov era in Turkmenistan.<sup>10</sup>

### Outgoing Pipelines from Turkey

Turkish Energy Minister Hilmi Guler, recently declared that Turkey’s objective “is to make sure that the oil and gas resources of the region are transferred to the European market via this country.”

Such thinking underpins both the 285-km Turkey-Greece pipeline, through which the Azeri or Turkmen gas should start to flow in late 2006, and the much larger Nabucco project, by which gas from a variety of sources could start flowing to the Balkans as early as 2009, and eventually to Austria and the EU’s main consumer markets in central, northern and western Europe.<sup>11</sup>

<sup>10</sup> Direct communication to the author, Ankara, February 2004.

<sup>11</sup> “In 2006, the Shakh Deniz project will start into life and the Shakh Deniz gas will start flowing to Turkey, Greece, Europe and the Southern Ring.” Alev Kilic, deputy undersecretary at the Turkish

### The Nabucco Project

The extent of detailed planning and, in particular, its development by prospective gas importers makes it look increasingly probable that the next few years will see the development of at least one major pipeline system for delivery of Eurasian gas to Europe via Turkey: the Nabucco project. As much as 20-30 bcm/y would flow northwards to markets in central, northern and western Europe by means of this project, currently being developed by Austria’s OMV in partnership with Turkey’s state pipeline company, Botas, Hungary’s MOL Transmission plc, Bulgaria’s Bulgargaz and Romania’s Transgaz.

Johann Gallistl, manager for international affairs at Austria’s OMV Erdgas, argues that the 3,400 km line, €4.4 bn, Nabucco project offers a serious prospect for delivering Middle Eastern and Caspian gas to major European markets. The line is planned to have a capacity of 25-30 bcm/y as it crosses Turkey. The transit countries would themselves take around 8-10 bcm/y, so deliveries to Baumgarten would be around 17-22 bcm/y. The partners in the project have all agreed to meet at least part of their own domestic demand by means of Nabucco.<sup>12</sup>

In mid-2004, a new Vienna-based venture set up to coordinate the project, the Nabucco Company Pipeline Study GMBH, was incorporated, with gas companies in Austria, Turkey, Hungary, Romania and Bulgaria each holding a 20% stake – and with France’s Gassunie showing interest in becoming a member. The new venture, he added, began on 5 May the technical process for choosing a financial adviser. By the end of the year it would receive the final drafts of both a full feasibility study and a financial assessment by the end of 2004 or around the start of 2005. These studies, Gallistl said, will present the group with “a complete basis for decision of our management to go ahead with this project

Foreign Ministry, Istanbul February 2004. Kilic also said the SCP will constitute the first leg of the Caspian-Turkish-European pipeline system.

<sup>12</sup> Johan Gallistl, comments made to Istanbul seminar May 2004 and interview with the author.

– and we are very confident that this will happen.”<sup>13</sup>

Nabucco’s principals said in May that preliminary talks had been held “with Iran and some other interested parties” with a view to supplying gas for the system, but that formal negotiations with shippers would not start until the new joint venture had elaborated a general transportation contract. They added that work on formulating such a contract had already begun.

As of early May, the joint venture and its backers were awaiting an interim study on possible usage of existing grids along the pipeline route, part of an overall feasibility study being conducted by the Boston Consulting Group. The current timeframe for the project is for a detailed technical design and an environmental assessment study to be started in 2005 and ready by mid-2006. The construction phase would last from mid-2006 to end-2009. The start of operations would be in 2009.

Contractual conditions between suppliers and buyers will be crucial. The International Energy Agency (IEA) and the Energy Charter Secretariat (ECS) noted that what they termed non-price differentiation may be a key element in developing competition with existing sources. By this they meant structuring contracts in new ways that are more attractive to buyers, such as short- to medium-term contracts and the introduction of price indexation systems that are not dependent on oil prices. Non-price differentiation, the IEA and ECS said in their summary of their recent seminar on Natural Gas in South East Europe: Investment, Transit, Trade in Istanbul, “may be a determinant in attracting and securing gas importers which are increasingly evolving in volatile and competitive gas markets.”<sup>14</sup>

At the Istanbul seminar, it was clear that the IEA’s estimates for prospective EU gas import requirements served as an encouraging background for presentations concerning lines involving Greece and the major project to carry gas to the heart of Europe, the Nabucco pro-

ject.<sup>15</sup> Moreover, there was no feeling that proponents of the Turkey-Greece-Italy Interconnector were in competition with backers of the Nabucco project to carry gas from Turkey through Bulgaria, Romania and Hungary to Austria’s major gas terminal at Baumgarten. The two projects target quite different regional markets: Italy for the interconnector from Greece and Central and Western Europe for Nabucco. There was a widespread view at the seminar that not only were producer countries providing an obvious push factor for such lines, but that the pull factor from consumers in Europe was becoming increasingly apparent. Since the development of pipelines from Turkey to the EU is overwhelmingly demand driven and since the costs of such pipelines have to be spread between several potential purchasers, the development of gas importer consortia becomes crucial. In their own summary of the Istanbul seminar, the IEA and ECS clearly look forward to the creation of such consortia:

As the development of gas routes is demand driven and requires significant investment and financial capacities, the involvement of major European gas companies and new operators in buying and distributing the gas is essential. The transformation of isolated national markets operated by public monopolies toward an internal EU gas market with multiple operators will have a major impact on the gas import scene. Gas distribution companies, which will have to face increasing competition, will most probably create consortium(s) to secure import supplies and share the costs and the risks. All these elements combined will impact on the development and the implementation calendar of transit routes across South East Europe, at the earliest from 2006-2007.

### **The Turkey-Greece-Italy Interconnector**

On 23 December, 2003, Turkey’s state pipeline company Botas, currently still in possession of monopoly gas import powers, signed an agreement with its Greek counterpart, DEPA, concerning the commercial terms for a planned new 286-km gas pipeline between the two countries. Construction of the 36-inch line from Karacabey to Komotimi, costed at Euros

<sup>13</sup> Interview with Johan Gallistl, Istanbul 5 May 2004. See Platts International Gas Report, forthcoming.

<sup>14</sup>Proceedings on <http://www.iea.org/Textbase/subjectqueries/nmc/europe.asp>. See Para 51.

<sup>15</sup>Proceedings on <http://www.iea.org/Textbase/subjectqueries/nmc/europe.asp>. See Para 57.

250m and including 17kms under water, is due to start later this year, with the line itself due to open at the end of 2006. The line will initially deliver 0.75 bcm/y but will then climb to 3 bcm/y. As and when further pipelines to carry gas beyond Greece become available, it will be able to carry up to 11 bcm/y.<sup>16</sup>

A feasibility study concerning a further interconnector, a 280-km line (with 224 kms offshore) between the southern Italian port of Otranto and a Greek terminal at Stavrilimenas, was due to be ready in September 2004. The study should disclose the investment cost (within a range of plus or minus 20%); the investment requirements for the Turkish grid; a preliminary survey of the route; and the engineering of selected pipeline configurations. This project has long enjoyed EU backing, with the then EU External Relations Commissioner Chris Patten providing early vocal support and the Commission itself financing initial studies. The very concept of an interconnector is strategic, in that the line, as envisaged, would be able to carry gas from Italy to Greece and Turkey, or from Turkey to Greece and Italy. In other words, it would serve as a link between two main supply systems, increasing flexibility of supply.

The Karacabey-Komotimi line's capacity is also being designed so that it will eventually be capable of transporting a potential 8 bcm/y onwards to Italy, via the extension to Otranto, or northwards to the western Balkans. To this end, according to Nadir Biyikoglu, Deputy General Manager of Turkey's Botas pipeline company, 6 compressor stations will be in place on the Komotimi line by 2010.

Hakki Akil, deputy director general of the Turkish Foreign Ministry, described the Karacabey-Komotimi line as "the first step in reaching European markets". He also called the project "an important building block of the East-West Energy Corridor" saying it "will likely turn into the Interconnector Turkey-Greece-Italy in the near future."

<sup>16</sup> "This project will be ready in 2006 when the first phase of Shakh Deniz will be completed," Vassilios Tsombopoulos, director for strategy and planning at DEPA, the Greek gas authority, told the IEA/ECS Istanbul seminar in May.

### The West Balkans Pipeline Proposal

In considering the Turkey-Greece-Italy interconnector in Istanbul, DEPA also said that a plan for a West Balkans line was "under consideration but is not mature yet." An agreement to study such the evolution and implementation of such a line was signed on 8 April 2003 between DEPA and Botas and the gas authorities of the Former Yugoslav Republic of Macedonia, Albania, Yugoslavia, Bosnia-Herzegovina, Croatia and Slovenia. A study by the Observatoire Méditerranéen de l'Énergie (OME), carried out for the European Commission's Synergy Programme and presented in Istanbul, compared the Nabucco and West Balkans options with the Greece-Italy interconnector. It concluded that "projects to connect Turkey to Austria either through Bulgaria, Romania and Hungary, or through Macedonia, Bosnia-Herzegovina, Croatia, Serbia and Slovenia (or possibly both) are more likely to see the light, but would still require substantial political backing."<sup>17</sup> However, these countries – with the notable exceptions of Romania and Croatia – have small gas markets. Moreover, they suffer from political and regulatory uncertainties and are mountainous. This proposal has therefore not attracted a real commercial interest and looks more like a long-term project. In terms of regional gas supply, such a line would play a significant role. But it is not of major concern with regard to overall European gas security unless it is specifically developed as a complementary system to the Nabucco project, linking Turkey not only with the Balkans, but with a major European hub, such as Baumgarten.

### Turkey's Pipeline Infrastructure

None of the various plans for Turkey to serve as a new major transit system for European gas deliveries can work unless Turkey's own pipeline network can handle the relevant volumes. Turkish officials appear bullish on the subject. Botas chief Biyikoglu has said: "Our East-West line is capable of carrying from Iran back to the West around 22 bcm/y. This may

<sup>17</sup> Observatoire Méditerranéen de l'Énergie (OME), *Medsupply: Development of energy supplies to Europe from the Southern and Eastern Mediterranean Countries*, Chapter 2, "Transit role of the Mediterranean region for hydrocarbons coming from the Gulf and Caspian regions", Final Report, June 2003.

be increased by looping.”<sup>18</sup> However, there is as yet no concrete proposal for constructing a new parallel pipe to the existing line and little indication as to how such a project might be financed. Turkish officials have noted that, under Law 4646, anyone can construct transmission pipelines in Turkey. One official said: “The Iranians are thinking of constructing a pipeline to Europe themselves. EMRA (the Energy Markets Regulatory Authority) has told them anyone who wants to construct a pipeline, after getting a license from EMRA, can do so.” However, the official added, there might be question marks concerning Iran’s ability to raise the capital for such a project.

There may well be a role for the EU in general, and the European Investment Bank in particular, in financing construction of such a key element of the infrastructure required if Turkey is indeed to become Europe’s fourth gas artery.

### **The Commercial Environment and Implications: The Role of Gazprom**

The EU, Turkey and potential suppliers of gas to Europe by way of Turkey are not the only elements whose actions have to be taken into account.

Looming over the whole debate of European energy supply and security is Gazprom. It has been suggested that, should it so choose, “on a purely commercial basis, Gazprom is in a position to saturate the Balkans market and shut off any potential competitor.”<sup>19</sup> In a technical sense, this is true. But it is a move with consequences that even Gazprom would have to consider.

There are two main background elements to be considered in this regard: the overall state of the EU-Russian energy dialogue and Russia’s own requirements for foreign investment, particularly in gas.

### **The EU Energy Dialogue**

The fact that the European Union, the world’s second biggest gas consumer, is located next door to Russia, the world’s biggest gas producer, makes it eminently sensible for the two

parties to determine how they can best serve each other’s requirements. On 30 October 2000, following a summit meeting between the EU and Russia in Paris, the Putin-Prodi initiative was launched. The EU said it had started work on developing an energy partnership, noting Russia’s statement at the end of the summit that “it was prepared to work towards improving the Union’s long term security of energy supply and, as President Putin stated, to put the emphasis on balance in relation to prices and quantities.”<sup>20</sup> The EU added that, in turn, it was prepared to mobilise European technical assistance to facilitate European investments in transport and energy sector production. “Specific measures should be carefully studied whether they concern a precise legal framework for investments in the energy sector, questions relating to taxation or a guarantee mechanism for investments. These measures should be finalised within the framework of a cooperation and partnership agreement between the European Union and Russia,” the Green Paper said.<sup>21</sup>

Such an agreement has yet to be concluded. One reason for the delay would appear to be the failure by Russia to sign the Energy Charter’s projected Transit Protocol, an agreement intended to ensure the smooth transit of oil and gas both between and across countries, essentially in accordance with open access principles. The protocol, if signed and implemented by Russia, would have helped considerably to open up access for Caspian producers to the Gazprom-controlled Russian pipeline system. Russia’s reluctance – refusal might be a better word – to sign the agreement despite years of prolonged negotiation, means that the environment within which EU-Russian negotiations on cooperation in energy in general and gas in particular have changed.

In terms of where Turkey fits into this equation, it should be noted that Gazprom has not merely pursued a policy of eschewing involvement in the Energy Charter Transit protocol, but has actively developed a broad strategy which appears to be aimed at reducing the EU’s ability to import gas from third countries without securing Gazprom’s approval.

<sup>18</sup> Guler & Biyikoglu: Interviews with the author, Istanbul, February 2004.

<sup>19</sup> OME, Medsupply. Chapter 2, op. cit.

<sup>20</sup> Green Paper, Towards a European Strategy for the Security of Energy Supply. The European Commission. Brussels, November 2000. p. 74.

<sup>21</sup> Ibid.

Gazprom has, in practise, developed a broad control strategy along the gas chain which directly conflicts with diversification routes in four main ways:

- **Construction or control of cut-off routes.** The most notable example of this is the Blue Stream project, which opened in 2003 and is due to deliver 16 bcm/y of gas to Turkey in around 2008. The West Balkans line to Turkey can also be viewed in this light as can Gazprom's proposal for a gas export system to Bulgaria and Italy.
- **Trading.** There are concerns at the way in which Russian companies, such as Itera and Eural Trans Gas, established offshore schemes in Hungary, Poland and Slovakia ahead of their accession to the EU. Transparency in gas sales is jeopardised. Both Itera and Eural Trans Gas, the latter a somewhat obscure company trading offshore, are scarcely renowned for their transparency, whether in terms of their ownership or their activities.
- **Acquisitions.** Gazprom has purchased transit lines in various European countries, notably in Poland, Belarus, Ukraine and Slovakia.
- **Distribution.** Gazprom and other Russian companies have purchased distribution companies in Georgia, Turkey and Bulgaria.

The net impact is that Gazprom and other Russian gas trading companies (such as Itera, whose relationship to Gazprom still remains unclear) is already well-placed to use existing infrastructure to thwart deliveries by non-Russian suppliers, or to direct gas supplies from Caspian suppliers to European markets on terms essentially set out by Gazprom and/or Itera or Eural Trans Gas.

### Russia's investment requirements

The International Energy Agency, in its *World Energy Investment Outlook*, considers that "cumulative investment needs in the Russian gas sector are projected to total just over \$330 billion, or \$11 billion per year, over the period 2001-2030."<sup>22</sup> Of this, the IEA adds, "one

<sup>22</sup> World Energy Investment Outlook: 2003 Insights, International Energy Agency, Paris, November 2003.

third of cumulative investment will be in projects for export to OECD countries." The IEA report also notes that Russia's own national energy strategy postulates an investment requirement of between \$170 billion and \$200 billion for the period 2003 to 2020, with specific investment levels ranging from \$9.4 billion to \$11.1 billion a year.<sup>23</sup> The UK Government, in its 2003 White Paper, *Our Energy Future*, appears to have been drawing on such figures when it cited estimates that "investments of US\$170 billion may be required to develop gas production in Russia alone to 2020" – in effect, around \$10bn a year.<sup>24</sup>

Yet Russia is currently securing much less than this. Total foreign direct investment (FDI) in Russia between 1995 and 2003 amounted to just \$26.13bn, while total investment in the country over this period amounted to just \$57bn. And although actual FDI has grown steadily on an annual basis throughout this period, so that it totalled \$6.781bn in 2003, the overall levels of investment fall well below Russian requirements.<sup>25</sup> Moreover, other core sectors, notably oil and a range of potential non-energy industries and projects, are also looking to secure both local and foreign investment. Thus Gazprom looks to face an uphill task in securing the investment in requires if it is to meet expectations in full concerning its own expansion and increased supplies to foreign markets. In strictly financial terms, this may help explain why Gazprom is seeking to lock up long term contracts for the import of Central Asian gas at relatively low prices whilst simultaneously holding out for much higher prices with regard to its own sales to European customers (see Issues concerning Caspian producers below).

Indeed, while Gazprom itself enjoyed increased revenues from high oil prices in the first half of 2004, it was still suffering from major structural problems.

From an EU perspective, this means that one cannot assume that Gazprom will seek to jeopardise the flow of external investment in order

<sup>23</sup> Ibid.

<sup>24</sup> UK Energy White Paper: Our Energy Future – Creating a Low Carbon Economy. From Chapter 6: "Energy Reliability", London, HMSO, 2003.

<sup>25</sup> The source for Russian investment figures is Boyko Nitzov, Senior Expert with the Energy Charter Secretariat.

to pre-empt non-Russian access to the Balkan market. Indeed, it can be argued that the risk of otherwise jeopardising external investment may yet play a significant role in inducing Gazprom to understand that it may have to operate in an increasingly competitive commercial environment inasmuch as its exports to the EU are concerned.

### The Cost Issue

Supply costs to Europe vary considerably. The International Energy Agency, assessing likely import costs in around 2010-15, includes a range that starts at around one dollar per million Btu for Algerian gas deliveries to Spain to just over \$3 per million Btu for projected Russian gas supplies from the Barents Sea via a projected new Baltic and North Sea pipeline to Germany and Britain.

In between come a variety of potential supplies to Turkey, with gas from Turkmenistan, Iran and Azerbaijan all costing at just over \$1.50/Mbtu and gas from Iraq at about \$1.10/Mbtu. In this context, however, it should be noted that these are costs to Turkey's de facto gas hub in Ankara. By this stage (2010-2015), Turkey may or may not be en route to becoming a member of the EU, but it will by then be a part of the EU's own South East Europe energy market and thus observing EU regulations (see Table 6).

### Issues Concerning Caspian Producers

For one Caspian, producer, Azerbaijan, the issue is simply whether Statoil, currently in charge of securing export markets for gas produced from the Shakh Deniz gas field, can successfully utilise transit deliveries through Turkey to access new markets in southern and Central Europe. The supplies are there, the infrastructure to get its gas market is being developed as construction of the South Caucasus Gas pipeline linking Baku, Tbilisi and Erzurum unfolds (see previous section).

However, for the three gas producers on the eastern side of the Caspian – Turkmenistan, Kazakhstan and Uzbekistan – the issues are very different. All three remain dependent on existing Soviet-era pipelines which convey their gas to markets in or beyond Russia under terms controlled by Russia (which, effectively, means Gazprom). Turkmenistan does possess

additional pipelines so that it can export gas to Iran, but at present these play only a limited role in reducing the country's reliance on Russian routes. The biggest line, a 200-km, 12 bcm/y capacity line from Korpedzhe to Kurt-Kui, only serves the smaller gas fields on the Caspian in western Turkmenistan, rather than the main gas basins on central and south-central Turkmenistan. Some smaller direct connections to Iran have also been declared, but these appear to be purely local connections with no substantial export potential.

Most of the region remains fundamentally reliant on the Soviet-era network of pipelines that tie its exports to Russian control of export prices. For both the Caspian and the European Union, one key question is whether the EU will help the Caspian countries as a group by using its near-monopsonist position to secure a better deal for Caspian gas transiting the Russian system. For example, at present Turkmenistan supposedly receives \$44 per thousand cubic metres (\$44/tcm) for gas delivered into the Gazprom-controlled pipeline stem at the Turkmen-Uzbek border. This is gas destined for Ukraine, to be paid for half in hard cash and half in barter. US sources estimate that the barter component being so poor, in practice Turkmenistan is receiving the equivalent of just \$29/tcm in real terms. Moreover, the use by Gazprom of the somewhat obscure Eural Trans Gas has raised concerns of overcharge for customers as well as transparency issues.

Contrast this with Russian earnings at point of delivery. Turkish officials acknowledge that the country's state pipeline company, Botas, has routinely paid some \$130/tcm for Russian gas supplied via the western, Balkan route while one prominent Turkish analyst, Necdet Pamir, has calculated the true figure for this gas as totalling \$133/tcm in 2001.<sup>26</sup> In an age in which Europe can be expected to receive gas from a variety of sources, such a striking disparity in prices shows both the strengths and consequences of Russia's virtual monopoly in terms of export pipelines from the countries on or near the Caspian's eastern shore – and the advantages that Azerbaijan should be able to reap by virtue of its direct gas connection to Turkey. This logic underpinned the PSG/Shell venture to construct a TransCaspian

<sup>26</sup> "Blue Stream and the Economic Dimension", Private paper circulated by Mr Pamir in August 2003.

Pipeline from Turkmenistan and across Azerbaijan and Georgia to Turkey. Turkey still has a valid 1999 sale and purchase agreement to take delivery of up to 14 bcm/y of gas for its own use and to transport 16 bcm/y of gas to European markets by virtue of such a line. But Turkmenistan President Saparmurat Turkmenbashi effectively scuttled the project by demanding an upfront payment, variously put at \$300m and \$500m.<sup>27</sup>

### Turkey's Own Energy Balance

Turkey's drive to promote its role as a transit corridor dates back to the early 1990s. But in terms of gas it received a great boost as a result of the country's own over-eagerness to sign import contracts that in the opening years of the Century have caused Turkey to be significantly over committed.

Although Turkey has signed agreements under which it might be expected to import considerably more gas than it is currently expected to consume, Turkish officials appear to be taking a surprisingly relaxed attitude to the problem. They argue that Turkey is no longer facing a significant over supply problem since the volume of gas imports actually covered by take-or-pay agreements is lower than the agreed delivery volumes.<sup>28</sup> Indeed, the official focus is still on ensuring that Turkey does not face a supply shortage, with the government looking to assure itself of both the gas supplies required to feed a burgeoning power market and of the power stations required to provide the electricity. This is a problem that has bedevilled the Turkish energy sector for at least a decade, particularly as Turkey has sought to secure an almost exponential increase in gas supplies by signing contracts with Russia, Algeria, Nigeria, Iran and Azerbaijan for deliveries set to reach 58 bcm by 2009, against actual consumption in 2003 of just under 22.5 bcm and projected demand this year of at least 24.0 bcm. Botas is currently preparing revised figures for Turkish demand, but its existing projections, on which various government statements are based, argue that whereas Turkey consumed some 15.6 bcm in 2002, by 2020

consumption is expected to rise to no less than 82.8 bcm/y.

"To end of 2009, we face no surplus that would disturb us," says one of Turkey's most senior energy officials. "After 2011, we'll be in a minus position – we'll need gas."<sup>29</sup> This is because in that year the first of Turkey's major gas import contracts, by which it imports some 6 bcm/y from Russia's GazExport, comes to an end. In this context, the official added, Turkey was working on the theoretical assumption that the GazExport contract would not be renewed and that Turkey would turn to Azerbaijan instead to make up the 6.0 bcm. But in practice, the official added, he would be looking to renew the existing GazExport contract – and that Turkey would then sell the gas from Azerbaijan on to other European customers.

### The 'Onselling' Issue

This comment reflects a key issue in the debate over Turkish reactions to possible over supply. The Azerbaijani gas purchase agreement allows for onward resale of Azeri gas to other markets; whereas agreements for the purchase of Russian and Iranian gas lack resale clauses.

This might not prove too much of a problem with regard to eventual onward selling of Iranian gas, since Tehran is eager to see its gas enter European markets via Turkey. But Russia has its own direct gas export routes to Europe and would be expected to object vociferously to the idea that Turkey might resell Russian gas into markets that GazExport, TurusGaz and Gazprom, the three companies that currently supply Russian gas to Turkey via the western lines and Blue Stream, could access directly.

In the summer of 2004, Turkey's Botas held negotiations with Gazprom on consolidating the various prices paid for Russian gas through the western and Blue Stream pipelines into a single tariff and in these discussions Turkey also raised the onselling issue. As of August 2004, there were some indications that Gazprom was showing a greater interest in the potential onselling of Russian gas to other countries in Europe via Turkey, but the terms and conditions for such transit trade remain very much in doubt.

<sup>27</sup> Both figures have been cited by corporate sources in private discussion with the author.

<sup>28</sup> "Contract values are higher than take-or-pay limits; that's usual," one senior Turkish energy official told the author.

<sup>29</sup> Interview with the author; Ankara, April 2004.

Much will depend on whether negotiations on prospective Turkish entry into the EU are initiated in the near future, and on how quickly any such negotiations might lead to Turkey's *de facto* adoption of the EU gas directive. Should Turkey become incorporated in a common gas market with the EU – even if it has not attained full EU membership by then – Gazprom would have to live with the prospect that some of the Russian gas supplied to Turkey might be passed through to other European countries. In such a case, Gazprom might seek to change its strategy and opt to make deliberate use of Turkey as a transit state.

Regardless, if Gazprom dreams of supplying gas to Israel via Turkey ever come to fruition, there may come a day when, the Russians might be happy to ease the terms on which they sell gas to Turkey. But for the moment, Turkey is thinking more about a pipeline that would bring Egyptian gas north to Turkey than the occasionally floated Russian ideas for a gas line that would head in the opposite direction to Israel.

### EU energy security

The EU's own Green Paper on Energy Security, published in 2000, anticipates a 45% increase in gas demand for the EU's current 15 member states between 1998 and 2030. With 1998 gas demand touching 349 bcm in 1998, this would indicate a surge to around 506 bcm in 2030. Turkish officials, citing the Green Paper and their own discussions with Brussels, routinely talk of the EU requiring an additional 100 bcm of gas by 2020 in justification of proposals for their country to serve as a transit route for EU gas imports.

The Green Paper specifically anticipates that the current 15 members of the EU will be importing some 71% of their gas by 2030. And even if Norway were factored into the equation – as the EU does by postulating an "EU-30" group to include all the current confirmed new members, together with all the current applicant states and Norway and Switzerland as well – Europe would still remain dependent on external supplies for some 60% of its gas.

The EU is clearly looking for multiple supply sources and routes, and both EU and Turkish officials see an obvious synergy between them in this regard. Commenting on the Turkey-Greece pipeline, the then European Commis-

sion Vice President Loyola de Palacio said in January 2004 that the Commission was particularly pleased at the outcome of the Turkish Greek commercial negotiations, saying these "will not only bolster peace and stability in the region but will also make it possible to supply new gas resources from the Caspian Basin and Iran to the internal gas market of the enlarged European Union, and to the Balkans, thus improving security of supply for all stakeholders concerned by this infrastructure."

### Conclusion: What can the EU do?

In considering whether to open entry negotiations with Turkey, the issue of EU gas security is clearly relevant. A Turkey that lies within the EU (and from early on is effectively a member of a common European gas market) brings with it a variety of means by which fresh sources of gas can be tapped and brought to market within the heart of the EU.

The EU's Green Paper, with its emphasis on diversity of supply, is relevant in this context. So is the question as to whether Gazprom itself might require diversity of competition in order to improve its own competitiveness in a non-monopolistic manner. The Energy Charter process and the efforts to develop a transit protocol in particular, have the same goal as the EU, namely diversity of supply, but although the EU was a participant in the early stages of the Charter process, its support for Charter activities appears to have waned in recent years.

At least one major gas analyst, Jonathan Stern, Director of Gas Research at the Oxford Institute of Energy Studies, argues that there may yet come a time when monopolistic activities by Russian gas suppliers or traders with access to monopoly supplies and transit systems might come into conflict with the EU, and the EU seeks to establish an effective, regulated gas market in a 27-, 28- or 30-nation Europe. At such a point, Stern believes, the EU might feel compelled to turn to the Energy Charter process and the Transit protocol in particular as the basis for resolving outstanding issues – even though Russia has continued to oppose signing the transit protocol.<sup>30</sup>

<sup>30</sup> Jonathan Stern, address to the Third Annual Conference on the Geopolitics of Energy, Florence, 8-9

At the same time, it should be noted that while Gazprom accounts for well over 95% of Russian gas exports because of its monopoly of the Russian pipeline system, it only accounts for around 70% of Russian gas production. Actions that would serve to put Gazprom into a more competitive environment would also help to improve prospects for other Russian gas producers, most of whom are found in the country's main oil companies.

The development of transit lines through Turkey represents the obvious way by which Gazprom could face at least a degree of competitive challenge. There would be no idea of wholesale replacement of Russian gas imports with those via Turkey, merely of complementing them – and of presenting Gazprom with a more competitive environment.

In this context the EU should certainly look at the various Turkish-transit related pipeline projects under development and consider which of them might serve its energy security purposes and whether it might even wish to help fund infrastructure development. For such pipelines constitute strategic, as well as commercial, infrastructure. As mentioned earlier, this may well offer opportunities for the EU in general, and the European Investment Bank in particular. This is particularly relevant in considering the proposed West Balkans Pipeline. For while its immediate market, the states of the southern Balkans, are in a gas context of only limited concern with regard to overall European gas security, were they to be connected not only to Turkey but to a major European hub, such as Baumgarten, then the line would be able to function as a complementary system to the Nabucco pipeline.

Turkey very much wants to be at the centre of European efforts to develop alternative ways of accessing Caspian and Middle Eastern gas supplies. The sheer scale of Europe's drive for increased and diversified suppliers drives it on, even if Turkish officials are not quite sure how far their country can go in meeting European expectations.

Several factors favour attainment of such a goal:

- In geographical terms, Turkey is clearly increasingly well placed to serve as a central transit supplier for the anticipated major increases in European demand.
- A range of gas companies in central, southern and southeastern Europe are actively working on ways to bring gas from the Caspian and the Middle East to European markets through fully commercial pipeline systems transiting Turkey and the Balkans.
- For the EU, development of Turkey as a transit route helps promote energy security through diversification of gas supply routes.
- As Turkey's importance as a gateway grows, so it further increases European energy security by ensuring increased access to Caspian reserves on a commercial basis, as well as offering Middle East producers the option of transporting gas to Europe by pipeline as well as by LNG.
- The greater the volume of gas supplies delivered to Europe via Turkey, the greater the pressure on Russia's Gazprom to operate on a commercial basis, rather than as a monopoly, in its dealings with the European Union. Indeed, by offering a competitive challenge to Gazprom, the promotion of increased flows of gas through Turkey may yet prove to be one of the most effective ways of promoting gas market reform in Russia. In this context, with Russia always likely to prove a very major supplier indeed of gas to the European Union, the placement of Russian gas development on a sound basis that is both commercial and competitive would go a long way to ensuring European energy security.

Overall, however, whether Turkey will actually become Europe's fourth artery will depend on a number of factors, both economic – since demand pulls gas lines; and political – in view of the importance of government and donor support in developing commercially supported projects. As the EU ponders the issues of its own energy security and of opening entry negotiations with Turkey, it has a window of opportunity. The next several months will see detailed financial and economic assessments of such projects as the Nabucco line and the Turkey-Greece-Italy interconnector. These may prove financial viable in their own

right, but, at the very least, the EU would do well to scrutinise these projects carefully in the event that a strategic investment in infrastruc-

ture is required to ensure overall project commerciality.

## TURKISH BUSINESS PERSPECTIVES

by  
TÜSIAD  
TURKISH INDUSTRY & BUSINESS  
ASSOCIATION

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### DECEMBER 17<sup>TH</sup>, A TEST FOR THE EU TO INVIGORATE ITS POLITICAL CREDIBILITY

The forces of progress in Turkey have spent several decades in struggling for democracy, human rights, a constructive foreign policy also regarding Cyprus, radical economic reforms and social development. Recently, Turkey has been very successful in achieving these challenges and in integrating itself to the EU.

On its own side, the European Union took clear commitments vis-à-vis Turkey:

1. The Commission's Progress Report and recommendations are clear enough to show the sequel of the process. Thus, the negotiations should start without delay during the first months of 2005 as it is promised by the EU Copenhagen summit in 2002. A delay for the purposes of the referendums on the EU Constitution is a wrong and insincere argument.
2. As emphasised by the Helsinki Summit in 1999, Turkey should be treated equally with the other candidate countries. Therefore, no mention of any outcome of negotiations other than the full membership of Turkey is acceptable.

The EU is a unique example of integration between sovereign member states going far beyond intergovernmental cooperation. Turkey aspires to join this community of common values. Turkey also strongly supports the adoption of a Constitutional Treaty which is a unique opportunity for the common future of people believing in human dignity, democracy, liberty, justice, equality, the rule of law, respect for human rights and peace.

In reality the European Union's *enlargement* should be perceived as its expansion to a new land. This should also be seen as a *triumph* of the European values, ideals, law, policies and economy. When Turkey joins the EU, this would mean that it is in compliance with these values, ideals, law, policies and economy.

The main tasks towards membership are to transform Turkey's potential into political, economic, social and cultural assets for Europe's future. Turkey's accession will contribute to Europe's global competitiveness. Full integration of Turkey will bring a fresh impetus to the internal market with its dynamism, large market demand, entrepreneurial culture and trade creation potential. As Turkey engaged in the accession process, the human capital will be upgraded to meet Europe's standards and needs. Young, dynamic and qualified human resource of Turkey will be the social insurance of Europe.

Today, the historical responsibility for both the EU and Turkey is to launch, as soon as possible, the accession negotiations. And an avoidable responsibility for the EU leaders is to communicate better with their respective public opinion on the realities and challenges about Turkey.

Turkish business community has firmly supported Turkey's EU membership perspective and never regrets to articulate its credence that Turkey is ready to start the accession negotiations. We, the Turkish business community believe that *democracy* will be shaping the Europe's future; not the *demagogy*.

Now, it is time for the EU to prove its sincerity regarding Turkey's membership and act as a credible international player: *pacta sunt servanda*.



# CEPS

## *Turkey in Europe Monitor*

No. 12, December 2004

### **Introductory Note from CEPS**

*This issue of CEPS Turkey in Europe Monitor presents a long extract of the Working Paper titled “Growth and Immigration Scenarios for Turkey and the EU”, prepared by Refik Erzan, Umut Kuzubaş and Nilüfer Yıldız from Bogazici University, Istanbul.*

*The paper argues that the current debates about Turkish EU membership and free movement of labour often overlook that the EU cannot exercise a zero migration policy even if permanent safeguards were used, since even under the currently prevailing strict regime, there is an annual net migration from Turkey to the EU-15 in the order of 35 000 people. The authors highlight that any slowdown or suspension in Turkey’s accession process; resulting in lower growth, higher unemployment and a possible slowdown in or a reversal of the reform process would mean drastically higher number of potential migrants as a considerable proportion of them would be finding their way into the EU, despite the legal barriers.*

*It is thus found that if Turkey loses the membership perspective, the EU may end up having more immigrants than under a free movement of labour regime with a prosperous EU member Turkey. Moreover, the composition of this migration is expected to be less conducive for the EU labour markets – and – for integration into host societies. The experiences of Spain, Greece and Portugal are seen as indicators of the strong relationship between a successful accession period and the gradual elimination of migration pressures. The full text of the Working Paper is accessible at [www.ceps.be](http://www.ceps.be).*

*This issue of the Monitor also provides the sections of the Presidency Conclusions of the Brussels European Council, 16-17 December 2004, on Turkey and the Framework for Negotiations. The full text of the Presidency Conclusions is accessible at [http://www.europa.eu.int/comm/councils/bx20041216/index\\_en.htm](http://www.europa.eu.int/comm/councils/bx20041216/index_en.htm).*

Michael Emerson and Senem Aydın

### **GROWTH AND IMMIGRATION SCENARIOS: TURKEY - EU<sup>1</sup>**

***Refik Erzan, Umut Kuzubaş, Nilüfer Yıldız  
Bogazici University, Istanbul***

The purpose of the study is to estimate the eventual immigration from Turkey to the EU when Turkey becomes a full member and restrictions on labour mobility are removed. Alternative methods and scenarios are scrutinized in forecasting probable magnitudes for the period 2004 to 2030. The analyses are essentially based on the experience of countries that joined the EU. The estimation methods are those used in recent studies that analyze the membership consequences of the Central and East European countries. Special attention was paid to the experience of the southern “cohesion” countries – Greece, Portugal and Spain. Finally, forecasts were also made based primarily on the Turkish emigration record.

<sup>1</sup> This study has been presented at the conference “Immigration Issues in EU-Turkish Relations: Determinants of Immigration and Integration” held at Bogazici University, 8-9 October 2004. It is based on the findings of the “twin projects” - employment and immigration, at Bogazici University, Center for Economics and Econometrics ([www.cee.boun.edu.tr](http://www.cee.boun.edu.tr)) and Center for European Studies ([www.ces.boun.edu.tr](http://www.ces.boun.edu.tr)), sponsored by Open Society Institute Assistance Foundation (OSIAF). The authors are grateful to Nalan Basturk, Gunes Erturk and Engin Evrenos for important contributions in the research.

Occasionally, sensational news articles on the scary magnitude of potential migrants from Turkey take the headlines in EU media. Careless interpretation of casual opinion polls can put the number up to 25% of a population of about 70 million. Magnitudes that emerge from serious research work are a fraction of that. The survey of this literature undertaken by the 2004 “Impact Study” of the EU Commission has reported that forecasts of immigration from Turkey to the EU-15 until 2030 range between 0.5 and 4.4 million, assuming free mobility of labour in about a dozen years from now. The Impact Study also underlines that to arrive at the higher end estimates (about 4 million), the studies have to torture the data and the methodology.

As a result of the literature survey that we have undertaken in the framework of this study and our contacts with the relevant research centres in the EU (see the references), we have not come across any net migration forecasts from Turkey to the EU that exceeds the probable magnitudes reported in the Impact Study.

Analytical studies follow two alternative methods in making immigration forecasts. The first one is statistical inferences based on scientifically designed surveys. The second one is econometric methods. The latter draws on the pre and post EU membership experiences of emigration countries. Quantifiable determinants of immigration - pull and push factors - are identified and their joint impact on immigration is estimated. These estimates are then used to forecast eventual migration from “to be” members.

Our simulation results for net migration from Turkey to EU-15 in the period 2004-2030 is between 1 and 2.1 million, foreseeing a successful accession period with high growth and free labour mobility starting 2015 - a rather optimistic assumption to explore the upper bound of the immigration potential. On the other hand, if Turkey’s membership process is endangered and high growth cannot be sustained, 2.7 million people may be penetrating the EU-15 despite the prevailing strict restrictions on labour mobility.

## REFERENCE GROUP: 1967-2001 IMMIGRATION FROM ALL EUROPE

At the first stage of analysis, we followed the method of the EU Commission report by Brücker, Alvarez-Plata and Siliverstovs (2003) used in estimating potential migration from Central and Eastern Europe. Using an econometric model, the study estimates migrant stocks in Germany originating from 19 source countries (Austria, Belgium, Denmark, Finland, France, Greece, Holland, Iceland, Ireland, Italy, Luxembourg, Norway, Portugal, Sweden, Switzerland, Spain, Turkey, UK, and (former) Yugoslavia). Germany was chosen as the host country because of the size of the migrant communities in this country and the availability of robust time series data dating back to 1967.

We used the specification that yielded the best overall result in the EU Commission study.<sup>1</sup> As explanatory variables; income level in the country of origin ( $w_{ht}$ ) captures the cost of migration, employment rates ( $e_{ft}$ ), ( $e_{ht}$ ), the probability of finding jobs, and, income differences between the home and host countries ( $w_{ft}/w_{ht}$ ), the material return to migration. To these, the lagged migrant stocks ( $m_{fh,t-1}$ ), ( $m_{fh,t-2}$ ) were added to measure the impact of “networking” among immigrants.

Introduction of free labour mobility in EU members was captured by the FREE dummy variable while GUEST denoted the 1967-1973 period when “guest worker” agreements were

$$^1 m_{fht} = \alpha_h + \beta_1 m_{fh,t-1} + \beta_2 m_{fh,t-2} + \beta_3 \ln(w_{ft}/w_{ht}) + \beta_4 \ln(w_{ht}) + \beta_5 \ln(e_{ft}) + \beta_6 \ln(e_{ht}) + u_{fht}$$

$m_{fht}$ : The share of migrants from country  $h$  residing in country  $f$  (Germany) as a percent of home population

$w$ : Wage (income, proxied by GDP-PPP per capita)

$e$ : Employment rate (1-unemployment rate)

$h, f, t$ : Home, foreign country and year, respectively.

Population data from World Development Indicators (2003), migrant stock data from the Federal German Statistical Office, per capita GDP from Maddison (2002) and Groningen Growth and Development Centre, employment rates, from OECD Economic Outlook.

operational. To correct for the jumps in immigration due to refugees and asylum seekers, WAR in (former) Yugoslavia and INTERVENTION (1980 military) and INSURGENCY (1990-94 terror) in Turkey were used. Table 1 gives the estimation results for the 1967-2001 period indicating the coefficients of the explanatory factors and their significance levels.<sup>2</sup>

It was observed that all the estimated coefficients were significant and the overall explanatory power of the model (the fit) was very high. However, the small values of the coefficients indicated that income and employment rate differences did not have powerful effects in determining inter-European migration during the period under consideration.<sup>3</sup>

*Table 1. Regression Results - "All Europe" Sample, 1967-2001*

| <u>Independent Variables</u>   | <u>Coefficients</u> | <u>S.E</u> | <u>P-value</u> |
|--------------------------------|---------------------|------------|----------------|
| M(-1)                          | 1.23                | 0.019      | 0.000          |
| M(-2)                          | -0.37               | 0.018      | 0.000          |
| Ln( $W_f/W_h$ )                | 0.05                | 0.006      | 0.000          |
| Ln( $W_h$ )                    | 0.07                | 0.006      | 0.000          |
| Ln( $e_f$ )                    | 0.34                | 0.033      | 0.000          |
| Ln( $e_h$ )                    | -0.10               | 0.008      | 0.000          |
| FREE                           | 0.01                | 0.001      | 0.000          |
| GUEST                          | 0.11                | 0.003      | 0.000          |
| INTERVENTION                   | 0.15                | 0.033      | 0.000          |
| INSURGENCY                     | 0.10                | 0.019      | 0.000          |
| Adjusted R <sup>2</sup> = 0.99 |                     |            |                |

<sup>2</sup> The model is estimated using SUR. This method was chosen because of its superior performance with large databases in the EU Commission study. Common slopes were assumed for all countries but intercepts were allowed to be country specific.

<sup>3</sup> As the estimation is semi-logarithmic, a coefficient with an absolute value of 1 implies that a change in this variable would affect the dependent variable at the same rate of change. Values smaller than 1 imply smaller impacts.

## MIGRATION FORECASTS FOR TURKEY: 2004-2030

The coefficients obtained from the estimations for migration into Germany from the "all Europe" sample of 19 source countries (including Turkey) for the 1967-2001 period were used to make simulations for emigration from Turkey. Following similar studies, German per capita GDP was assumed to grow 2% annually and the employment rate stay at the 1991-2001 average level. Income and employment projections for Turkey were adopted from our ongoing study scrutinizing alternative growth scenarios for Turkey, analysing demographic developments, urban and rural growth and productivity, internal migration (urbanization) and unemployment.<sup>4</sup>

The main scenario used here foresees a successful EU accession with sustained high growth and gradually declining unemployment (Table 2). UN population projections were adopted in all computations.

*Table 2. High Growth Scenario for Turkey, 2005-2030 (annual values)*

|                           |                            |
|---------------------------|----------------------------|
| Urban GDP Growth          | 0.065                      |
| Urban Productivity Growth | 0.03                       |
| Rural GDP Growth          | 0.02                       |
| Unemployment – 2015       | Urban 0.13<br>Average 0.09 |
| Unemployment – 2030       | Urban 0.05<br>Average 0.04 |

Under these assumptions, projections were made for immigration from Turkey to Germany.<sup>5</sup> According to latest available data covering the EU-15 area, Germany hosted 76% of all immigrants in the EU originating from Turkey.<sup>6</sup> Using this share as a benchmark,

<sup>4</sup> See, "Growth, Employment and Active Policies", Bogazici University, June 2004, www.cee.boun.edu.tr.

<sup>5</sup> The iterations include the decline in unemployment in Turkey (about 1 percentage point) resulting from migration to the EU.

<sup>6</sup> The migrant stock data used in the simulations do not cover those who were naturalized in Germany. Data on naturalization of EU citizens were not available for Germany. Therefore naturalized immigrants could not be included in the estimations covering all European source countries. Data on

immigration estimates for Germany were inflated to represent the total for the EU-15 area.<sup>7</sup>

**Two scenarios** were simulated with these parameters. Both assumed that restrictions on labour mobility would be largely abolished in 2015. This rather optimistic assumption was adopted to arrive at an upper bound for immigration numbers.

**The first** simulation emulates for Turkey the actual experience of EU countries with free movement of labour (using the **FREE** dummy). This involves a considerable integration of these economies during the accession periods.

**The second** simulation emulates – repeats Turkey the experience of these countries (including Turkey) with guest worker agreements until 1973 (using the GUEST dummy). The purpose of simulating this *inferior* scenario is, again, to explore an upper bound for the migration potential.

When the actual membership cum free labour mobility experience of the EU countries - an experience that Turkey has yet to live through - was taken as the benchmark, immigration forecasts from Turkey exhibited a rather smooth curve (Figure 1). The small hike of 2015 transformed into a declining flow. Total

net migration barely reached 1.1 million by 2030 (Table 3).

Instead of relying on the actual experience of the EU members with free labour mobility, when we emulated (and repeated) the guest worker episodes for Turkey in 2015, we observed a jump in migration, reaching moderate levels around 2020 (figure 2). Even under this *inferior* scenario, the total immigration projection to EU-15 from Turkey until 2030 was not drastic, about 1.8 million (Table 3). This inferior scenario depicts an accession process not properly utilized for structural adjustment and integration.

The authentic free movement of labour scenario (the first scenario) incorporated the *socioeconomic* improvements in the accession countries. These improvements relieved the migration pressures. Restrictions on labour became much less binding, hence, as they were removed, there was no major rush.

It should be emphasized that socioeconomic improvements were not simply higher incomes and more jobs. Otherwise the coefficients for these basic economic variables would have been much larger in the estimations. The improvements in accession countries covered dimensions such as social security, health, education and regional disparities.

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naturalized immigrants originating from Turkey were available. This factor could be incorporated in forecasts based solely on the Turkish experience - reported further on in this study. Although naturalization entailed considerable numbers in the last decade, it did not affect the immigration projections significantly.

<sup>7</sup> This assumes that all other EU-15 countries that host immigrants have the same “pull” effects as Germany.

Figure 1. Simulation of Free Movement of Labour

**Migrant Stock (in millions) and Net Change Stock (in thousands)**

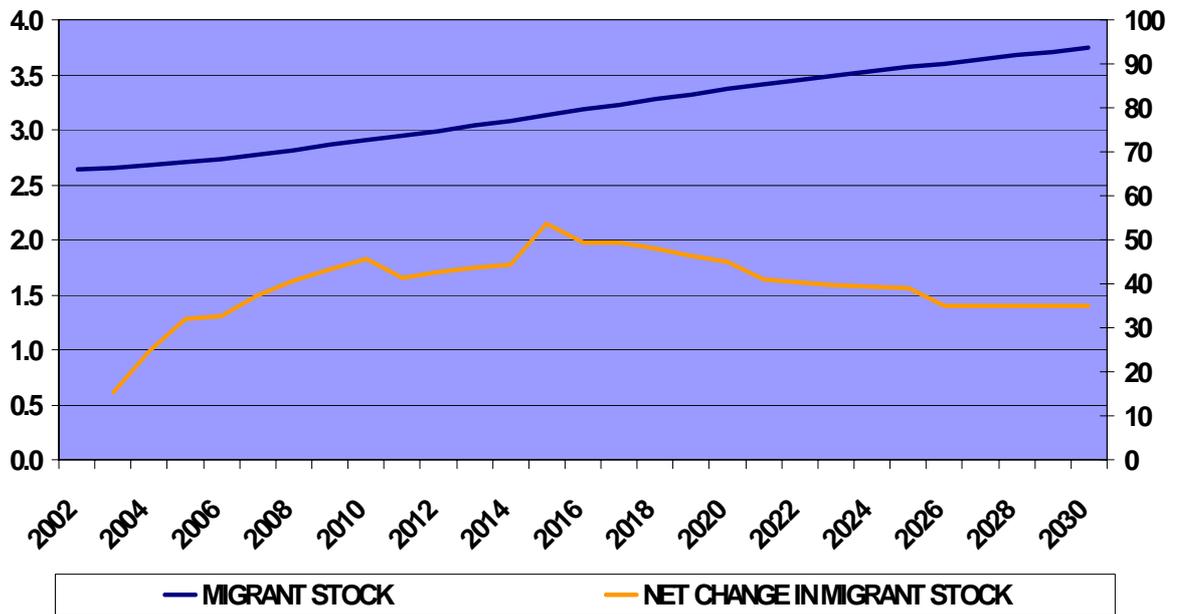


Figure 2. Simulation of Guest Worker Scenario

**Migrant Stock (in millions) and Net Change Stock (in thousands)**

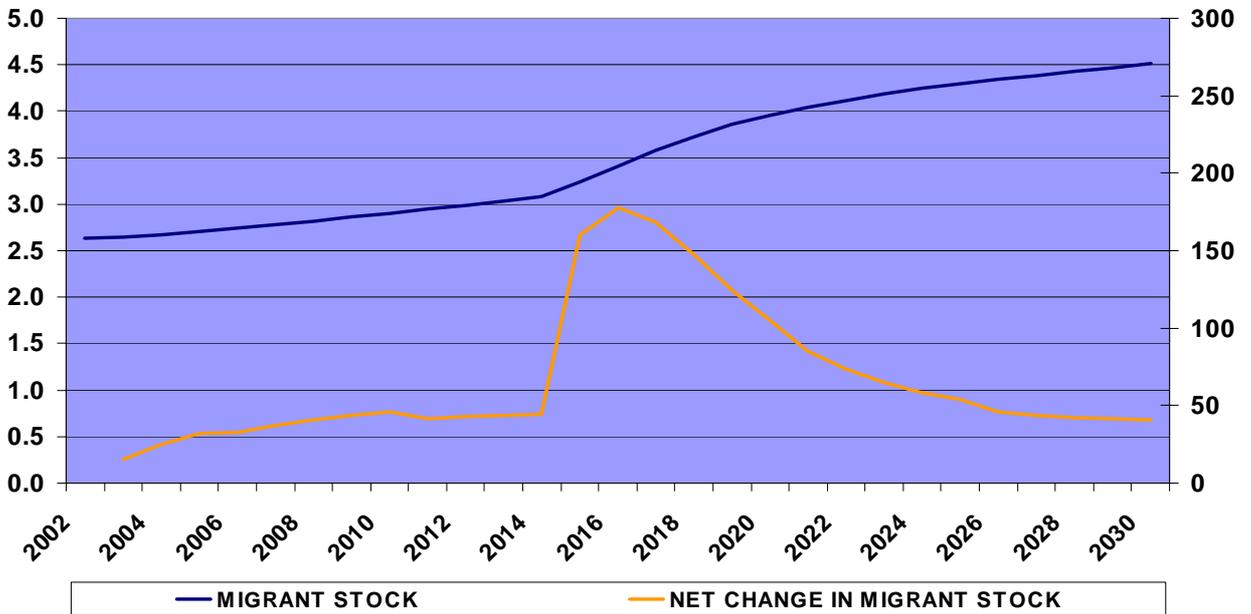


Table 3. Comparison of the Two Scenarios

| Net Change in the Turkish Migrant Stock | <u>2004-2015</u> | <u>2015-2030</u> | <u>Total</u> |
|---|------------------|------------------|--------------|
| Scenario FREE                           | 460.000          | 613.000          | 1.073.000    |
| Scenario GUEST                          | 564.000          | 1.274.000        | 1.838.000    |
| Turkish Migrant Stock                   | <u>2004</u>      | <u>2015</u>      | <u>2030</u>  |
| Scenario FREE                           | 2.675.000        | 3.140.000        | 3.750.000    |
| Scenario GUEST                          | 2.700.000        | 3.250.000        | 4.500.000    |

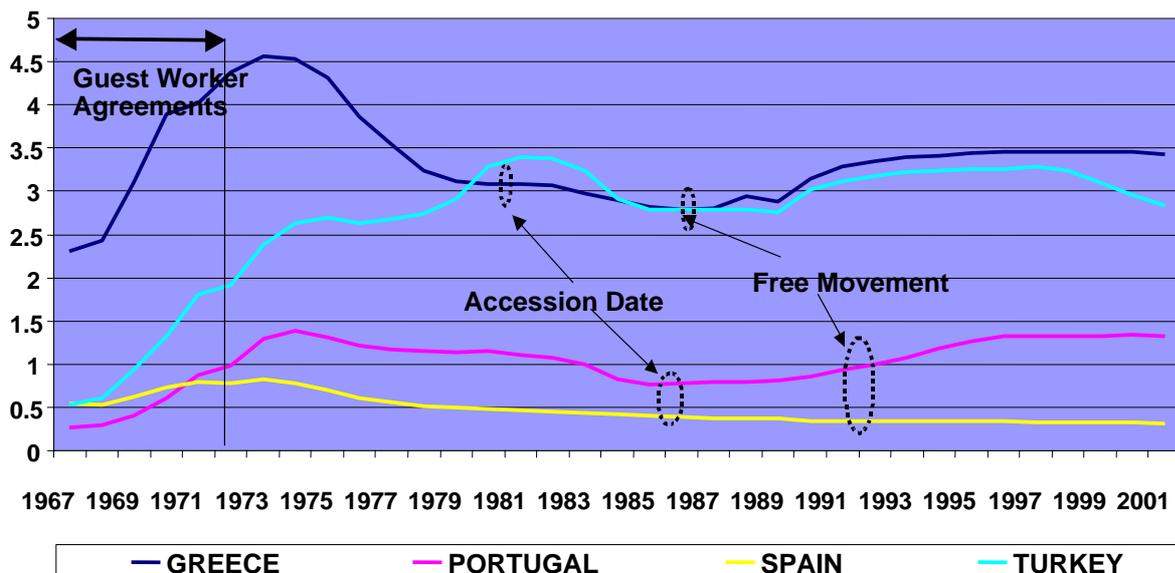
**REFERENCE GROUP: 1967-2001 SPAIN, PORTUGAL AND GREECE**

We have verified the methodological accuracy of our estimations reported above (Tables 1 and 3) by comparing them with the findings of research conducted for the EU Commission on Central and Eastern Europe. We have also exchanged notes with these researchers at the October 2004 Istanbul conference where this paper was originally presented. Nevertheless, to test for sensitivity of sample selection, we repeated our parameter estimations by excluding rich countries such as Austria and Denmark. We confined our sample to the southern “cohesion” countries - Greece, Portugal and Spain (and Turkey) - that had characteristics

resembling Turkey at the time of their accession.

Figure 3 depicts the immigration episodes from these countries and Turkey to Germany. To adjust for differences in country sizes, the net immigration figures were given as percentage of their respective populations. There were major flows from all these countries during the guest worker agreements. As restrictions on labour mobility were lifted, the decreasing Spanish migrant stock continued its tendency. In Greece and Portugal there was a modest hike in the number of migrants but it smoothed shortly after. In the more recent years, the stock was declining, indicating reverse net migration.

Figure 3. Migrants in Germany as % of Source Country Population



**Note:** The apparent decline in the Turkish migrant stock stemmed from naturalization. Number of migrants from Turkey who were naturalized in Germany was less than a thousand per year until 1984. 1984-1990 this annual figure reached 2 thousand. There was a steep climb during the 1990s. For 1990-2003, the annual figures were, respectively, 2, 4, 7, 13, 20, 32, 46, 42, 60, 104, 83, 77, 65, 56 (000).

## **MIGRATION FORECASTS FOR TURKEY BASED ON SOUTHERN EUROPE: 2004-2030**

Estimates for the “determinants” of migration were obtained using similar specification as with “all Europe” for the period 1967-2001. Using these parameters, again the **two simulation** exercises were repeated - the **FREE** and **GUEST** scenarios. In both simulations, Turkey was assumed to be on its baseline high growth path (Table 2). 2015 was retained as the regime switching date. Computations for Germany were adjusted for EU-15 in the same way as in the previous exercises.

The picture that emerged (Figure 4) closely resembled that with “all Europe” sample. When the free labour mobility experience of Greece, Portugal and Spain was emulated for Turkey, a small hike occurred in migration that stabilized promptly at a low level. In this scenario, total net migration forecast until 2030 was not exceeding 1 million (Table 4).

The experiment using the Southern Europe sample but mimicking the guest worker syndrome led to a major jump that normalized in due course (Figure 5). The total net migration estimate approached 2 million, doubling the previous forecast based on the actual membership experience of these countries. Nevertheless, even this inflated figure was considerably below sensational projections.

### **TURKEY’S OWN EXPERIENCE 1967-2001 AS THE ONLY REFERENCE**

How to inflate further the migration forecasts? “Turkey is not any other South European Country”, “unlike Greece, Portugal and Spain, Turkey has a nomadic tradition”. If these prejudices are taken for granted, Turkey’s own experience would be the only benchmark.

The model was estimated for the period 1967-2001 for immigration from only Turkey to Germany. The coefficients of the explanatory

variables denoting income and employment differences were again significant. So were the **INTERVENTION** and **INSURGENCY** dummies. The absolute values of the income and employment parameters were considerably greater than those obtained in estimations with the “all Europe” and “Southern Europe” samples. This was expected since Turkey has not had yet the socioeconomic transition that the current EU members have accomplished during their accession periods.

Using the parameters obtained from these estimations, migration projections were made for the 2004-2030 period, and they were adjusted upward for EU-15. Obviously, these parameter estimates and projections, unlike the previous ones, did not contain any information on actual EU membership or free labour mobility experience. The only labour mobility Turkey had in accordance with an agreement was the guest worker episode of the 1960s until 1973.

### **HIGH GROWTH, EU MEMBERSHIP AND FREE MOVEMENT OF LABOUR: FORECAST 2004-2030**

In our first simulation with the Turkish record as the only benchmark, we retained our baseline high growth scenario as depicted in Table 2. Following a successful accession period, Turkey becomes an EU member and free labour mobility is introduced in 2015. Given that Turkey’s only experience with a labour arrangement was the guest worker episode, free movement of labour could only be introduced in the forecast as the repetition of this experience.

The resulting projection exhibited a major jump in migration that moderated gradually (Figure 6). The forecast for total net migration until 2030 reached 2.1 millions. This somewhat exceeded the higher scenario based on the South European experience (Table 5).

Figure 4. Simulation of Free Movement of Labour

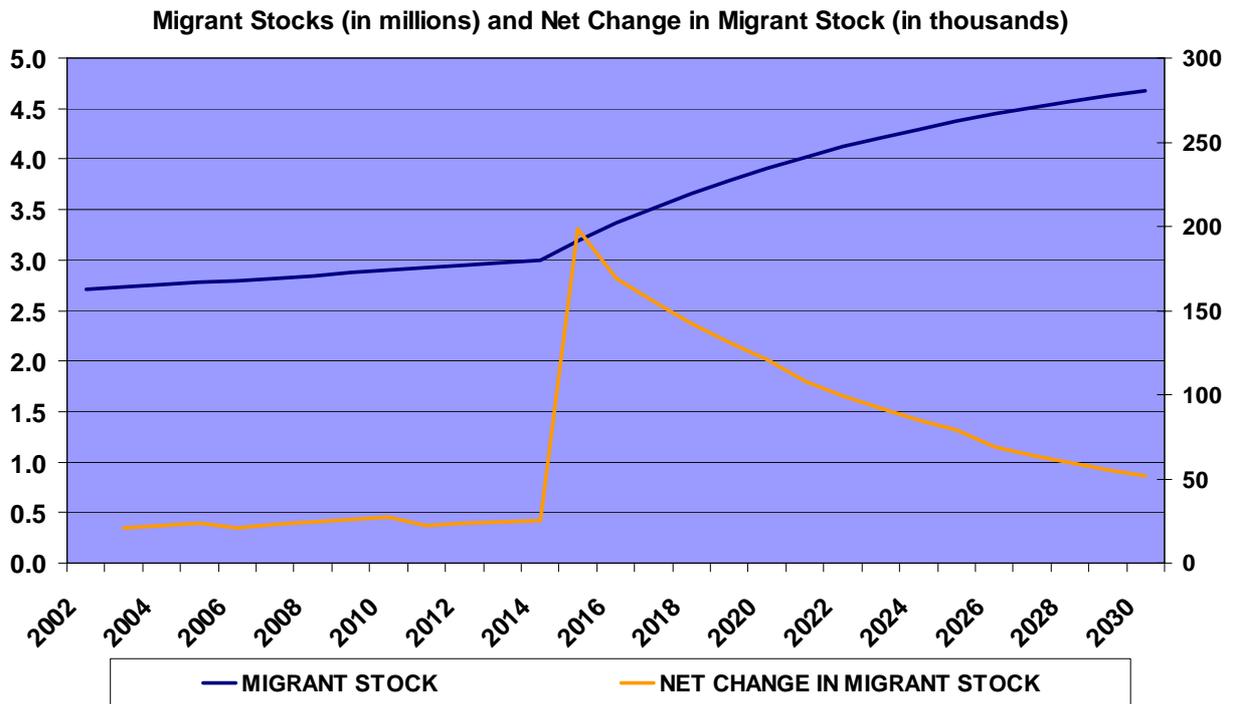


Figure 5. Simulation of Guest Worker Scenario

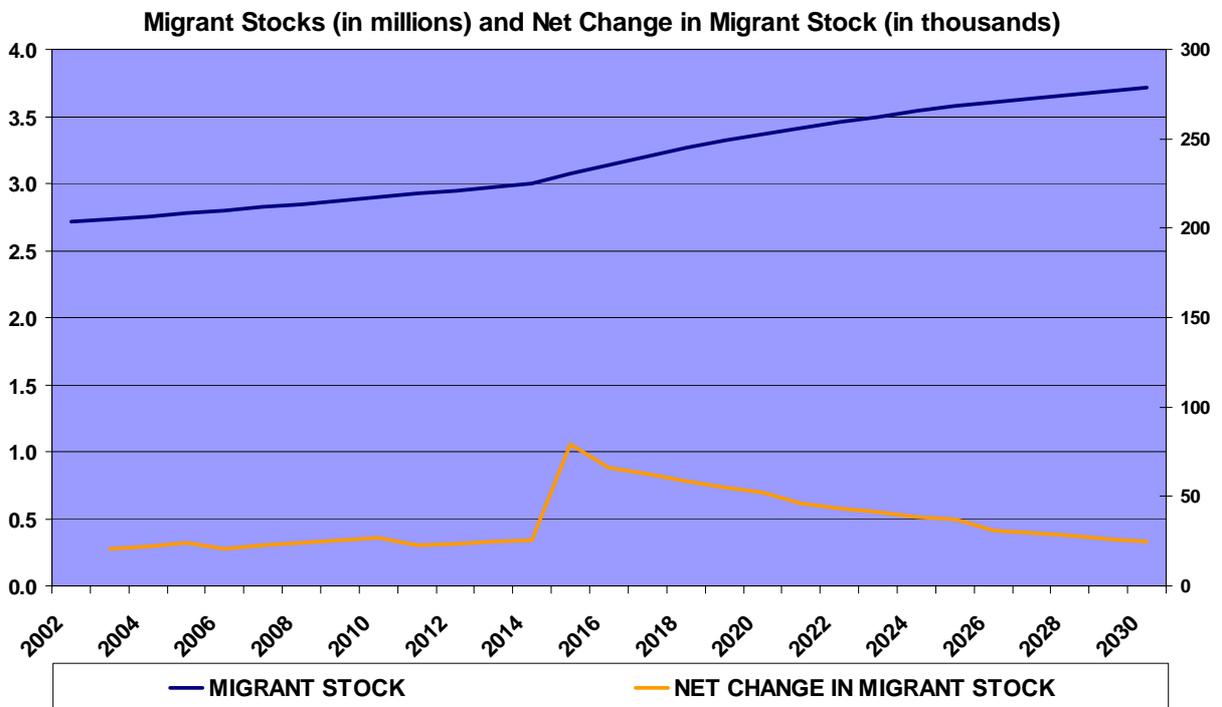


Table 4. Comparison of the Two Scenarios

| Net Change in the Turkish Migrant Stock | <u>2004-2015</u> | <u>2015-2030</u> | <u>Total</u> |
|---|------------------|------------------|--------------|
| Scenario FREE                           | 320.000          | 640.000          | 960.000      |
| Scenario GUEST                          | 440.000          | 1.480.000        | 1.920.000    |

| Turkish Migrant Stock | <u>2004</u> | <u>2015</u> | <u>2030</u> |
|-----------------------|-------------|-------------|-------------|
| Scenario FREE         | 2.755.000   | 3.075.000   | 3.715.000   |
| Scenario GUEST        | 2.755.000   | 3.195.000   | 4.677.000   |

Table 5. Comparison of the Two Scenarios

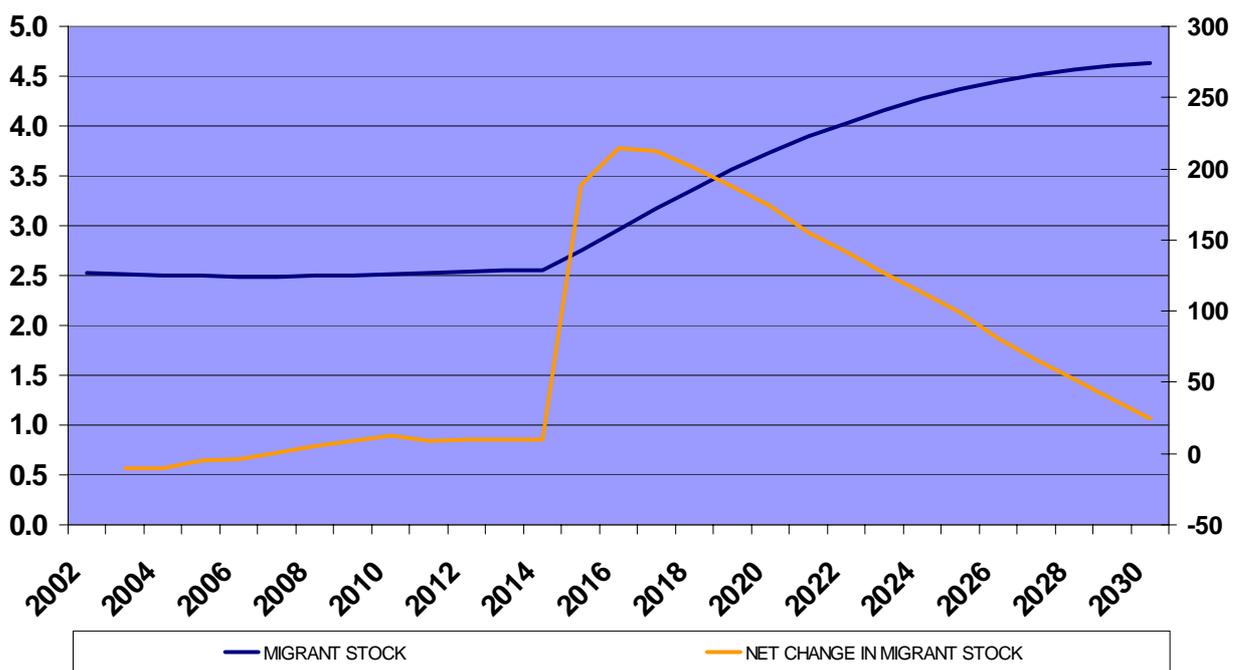
| Net Change in the Turkish Migrant Stock                   | <u>2004-2015</u> | <u>2015-2030</u> | <u>Total</u> |
|---|------------------|------------------|--------------|
| High Growth – Membership – Free Movement of Labour        | 246.000          | 1.888.000        | 2.134.000    |
| Lower Growth - No Membership – No Free Movement of Labour | 760.000          | 1.974.000        | 2.734.000    |

| Turkish Migrant Stock                                     | <u>2004</u> | <u>2015</u> | <u>2030</u> |
|---|-------------|-------------|-------------|
| High Growth – Membership – Free Movement of Labour        | 2.499.000   | 2.745.000   | 4.633.000   |
| Lower Growth - No Membership – No Free Movement of Labour | 2.506.000   | 3.267.000   | 5.241.000   |

Figure 6. EU Membership Emulating the Turkish Guest Worker Episode

Turkish Migrant Stock (In million) and Net Change Stock (In thousand)



## SUSPENDED EU ACCESSION, LOWER GROWTH AND NO FREE MOBILITY OF LABOUR: FORECAST 2004-2030

Our last simulation depicts a scenario where Turkey's EU accession is suspended. High growth cannot be sustained and unemployment climbs. More specifically, the urban GDP grows at 4% annually with 1.5% productivity increase and rural GDP stagnates. Unemployment approaches to 20%.<sup>81</sup>

In this scenario, the prevailing EU visa regulations are retained. This obviously curtails major jumps in migration. However, the slow pace in income growth and the deterioration in the labour market increase migration pressures considerably. An increasing number of the potential migrants penetrate the EU (Figure 7). The forecast for total net migration until 2030 in this scenario exceeded 2.7 million. The result is a warning that if the membership perspective is lost, EU may end up having more immigrants from Turkey despite strict restrictions on labour mobility. This paradoxical scenario is indeed realistic for three reasons.

Firstly, Turkey's growth record clearly shows very high rates can be achieved but cannot be sustained without political stability and inflow of foreign savings. Without the EU anchor provided by the membership perspective, a growth performance that will cope with unemployment is not feasible.

Secondly, unlike successful accession scenarios, not only growth in Turkey would be slower and unemployment higher, but also sensitivity of migration to income and unemployment differences would be greater.<sup>82</sup>

Thirdly, the prevailing restrictive visa system of the EU and the absence of labour mobility provisions cannot stop immigration. EU currently receives about 70,000 (gross) migrants from Turkey, annually. (Because of return migration, net migration is about half of this

<sup>81</sup> In this lower growth scenario, average (urban + rural) unemployment reaches 17 % in 2015 and 22 % in 2030. Migration to the EU reduces these figures to 16 % and 19 %, respectively.

<sup>82</sup> Coefficients for income and employment differences have considerably higher values in the estimations with the "Turkish experience only" compared with that of the "all Europe" and "South European" samples. The reason is lesser convergence of the Turkish socioeconomic system.

gross inflow figure.<sup>83</sup>) Most of them come with family unification and family formation. In the presence of a very large Turkish migrant community in the EU of about 3 million (with major trade, investment, tourism and educational links), all conceivable tight door policies short of totalitarian rules would be porous. A relative deterioration in Turkey would certainly increase this inflow considerably and reduce return migration.

Finally, it should be noted that the eventuality of political turmoil was not incorporated in the projections. With the lost EU perspective and climbing unemployment, this is more than a slim possibility. Estimations based on past record show that political and security problems lead to waves of migration.<sup>84</sup> Add that on top of the 2.7 million forecast!

## IMPACT OF THE AGING OF TURKISH POPULATION ON MIGRATION

In the current study, as the estimations were based on past population structures, the impact of the changes in the age composition of Turkish population was not specifically taken into consideration.<sup>85</sup> However, the propensity to migrate differs among age groups considerably and the very young Turkish population is bound to age.

A regional survey conducted in Turkey by Hacettepe University, Ankara, jointly with the Netherlands Interdisciplinary Demographic Institute (NIDI) and Eurostat (2000) revealed that the migration tendency of people aged 55 and above was extremely low.<sup>86</sup>

<sup>83</sup> We have crosschecked stock and flow data (OECD, SOPEMI) for current Turkish migrant inflow to EU-15. Due to missing data, we do not have exact figures. We infer that the gross inflow can be 60,000 to 90,000 and the gross outflow 30,000 to 40,000.

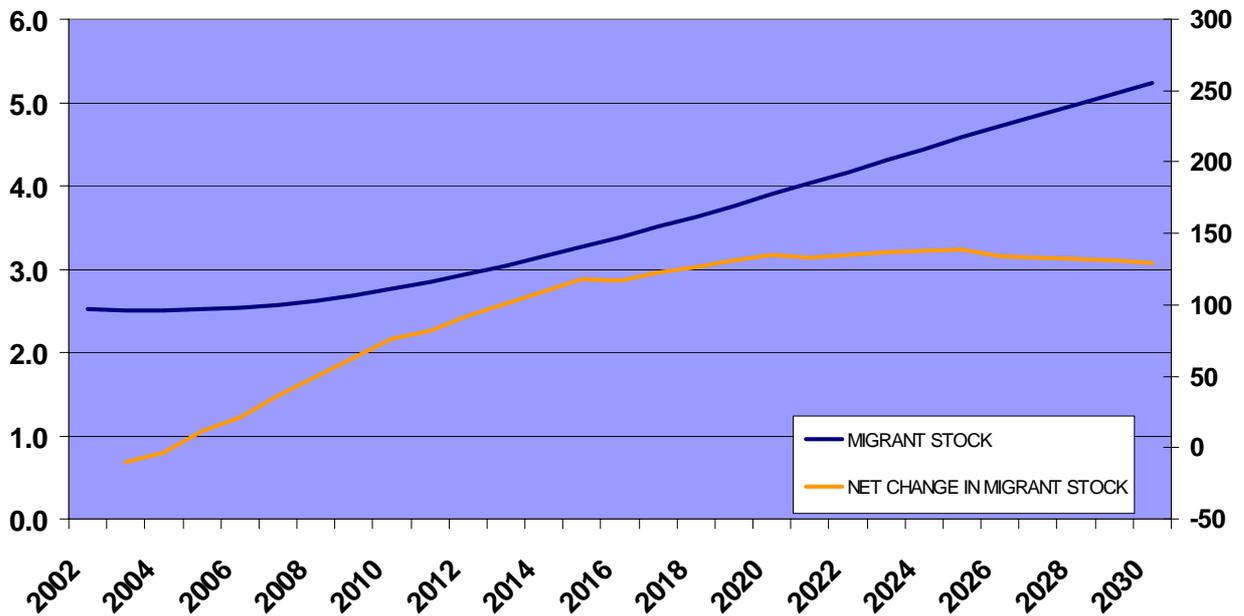
<sup>84</sup> As reported in the first section of the study, in the estimations covering 1967-2001, dummy variables INTERVENTION (1980) and INSURGENCY (1990-94) were highly significant and improved the fit considerably.

<sup>85</sup> The estimations based on 1967-2001 data do implicitly incorporate the aging experienced in the sample countries. However, the projections implicitly assume the same average population structure as in the past.

<sup>86</sup> The regional coverage of this study was not representative for Turkey as a whole. Therefore, the age configuration of propensity to migrate was not formally incorporated in our projections.

Figure 7. No Membership and No Free Movement of Labour

### Turkish Migrant Stock (In million) and Net Change Stock (In thousand)



Hubert Krieger's (2004) study based on Eurobarometer surveys corroborated these results. Turkish population is aging. According to the UN projections, the share of people aged 55 and above in Turkey will nearly double by 2030 (Figure 8). When this demographic development was crudely incorporated in our projections, it was found that total migration forecasts until 2030 had to be scaled down by about 300,000.

#### CONCLUSION

As Turkey becomes an EU member and enjoys free movement of labour, the net inflow of migrants will most likely be in the direction to the EU-15 in the foreseeable future. The projections for potential Turkish migration based on the experiences of various groups of countries differed. However, the magnitudes involved were by no means sensational, despite the fact that we wishfully assumed that free movement of labour would be introduced as early as 2015.

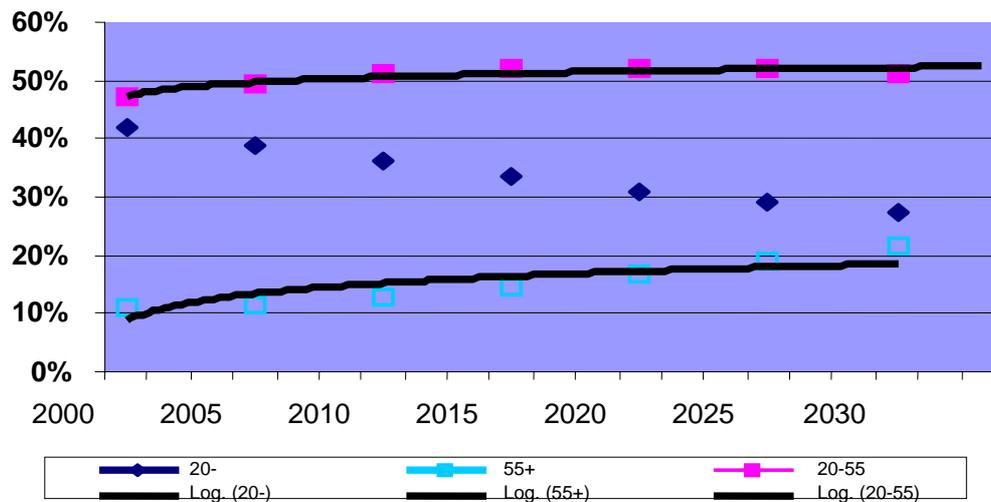
It should be emphasized that the EU cannot exercise a zero migration policy. Even under the currently prevailing strict regime, there is an annual net migration from Turkey to the EU-15 in the order of 35,000 people. What should be scared of are the consequences of a

slowdown or suspension in Turkey's accession process. The economic impact of such an eventuality is lower growth and climbing unemployment in Turkey.

The political impact would be a slowdown or reversal of the reform process. The outcome of the two would yield a drastically higher number of potential migrants. A considerable proportion of them would be finding their way into the EU. If Turkey loses the membership perspective, the EU may end up having more immigrants than a free movement of labour regime with Turkey. And the composition of this migration would be less conducive for the EU labour markets - and - for integration in the host societies.

The experiences of Greece, Portugal and Spain indicate that a successful accession period with high growth and effective implementation of the reforms reduces and gradually eliminates the migration pressures. There is no *a priori* reason why Turkey would not go through a similar experience.

Figure 8. Share of Age Groups in Total Population



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## BRUSSELS EUROPEAN COUNCIL

16/17 DECEMBER 2004

### PRESIDENCY CONCLUSIONS

#### I. ENLARGEMENT

##### General

4. The European Council welcomed the findings and recommendations presented by the Commission on 6 October 2004 to the Council and the European Parliament in its Regular Reports on Bulgaria, Romania and Turkey, Strategy Paper on Bulgaria, Romania and

Croatia, Recommendation on Turkey and document on Issues Arising from Turkey's Membership Perspective.

5. With the accession of ten new Member States to the European Union successfully accomplished, the European Council expressed its determination to continue the process it has engaged in with the candidate countries, thus contributing to Europe's prosperity, stability, security and unity. In this connection, it recalled that the Union's capacity to absorb new members, while maintaining the momentum of European integration, is an important consideration in the general interest of both the Union and the candidate countries.

## Turkey

17. The European Council recalled its previous conclusions regarding Turkey, in which, at Helsinki, it agreed that Turkey was a candidate state destined to join the Union on the basis of the same criteria as applied to the other candidate states and, subsequently, concluded that, if it were to decide at its December 2004 meeting, on the basis of a report and recommendation from the Commission, that Turkey fulfils the Copenhagen political criteria, the European Union will open accession negotiations with Turkey without delay.

18. The European Council welcomed the decisive progress made by Turkey in its far-reaching reform process and expressed its confidence that Turkey will sustain that process of reform. Furthermore, it expects Turkey to actively pursue its efforts to bring into force the six specific items of legislation identified by the Commission. To ensure the irreversibility of the political reform process and its full, effective and comprehensive implementation, notably with regard to fundamental freedoms and to full respect of human rights, that process will continue to be closely monitored by the Commission, which is invited to continue to report regularly on it to the Council, addressing all points of concern identified in the Commission's 2004 report and recommendation, including the implementation of the zero-tolerance policy relating to torture and ill-treatment. The European Union will continue to monitor closely progress of the political reforms on the basis of an Accession Partnership setting out priorities for the reform process.

19. The European Council welcomed Turkey's decision to sign the Protocol regarding the adaptation of the Ankara Agreement, taking account of the accession of the ten new Member States. In this light, it welcomed the declaration of Turkey that "the Turkish Government confirms that it is ready to sign the Protocol on the adaptation of the Ankara Agreement prior to the actual start of accession negotiations and after reaching agreement on and finalising the adaptations which are necessary in view of the current membership of the European Union".

20. The European Council, while underlining the need for unequivocal commitment to good neighbourly relations welcomed the improvement in Turkey's relations with its neighbours and its readiness to continue to work with the concerned Member States towards resolution of outstanding border disputes in conformity with the principle of peaceful settlement of disputes in accordance with the United Nations Charter. In accordance with its previous conclusions, notably those of Helsinki on this matter, the European Council reviewed the situation relating to outstanding disputes and welcomed the exploratory contacts to this end. In this connection it reaffirmed its view that unresolved disputes having repercussions on the accession process, should if necessary be brought to the International Court of Justice for settlement. The European Council will be kept informed of progress achieved which it will review as appropriate.

21. The European Council noted the resolution adopted by the European Parliament on 15 December 2004.

22. The European Council welcomed the adoption of the six pieces of legislation identified by the Commission. It decided that, in the light of the above and of the Commission report and recommendation, Turkey sufficiently fulfils the Copenhagen political criteria to open accession negotiations provided that it brings into force these specific pieces of legislation. It invited the Commission to present to the Council a proposal for a framework for negotiations with Turkey, on the basis set out in paragraph 23. It requested the Council to agree on that framework with a view to opening negotiations on 3 October 2005.

### Framework for negotiations

23. The European Council agreed that accession negotiations with individual candidate states will be based on a framework for negotiations. Each framework, which will be established by the Council on a proposal by the Commission, taking account of the experience of the fifth

enlargement process and of the evolving *acquis*, will address the following elements, according to own merits and specific situations and characteristics of each candidate state:

- As in previous negotiations, the substance of the negotiations, which will be conducted in an Intergovernmental Conference with the participation of all Member States on the one hand and the candidate State concerned on the other, where decisions require unanimity, will be broken down into a number of chapters, each covering a specific policy area. The Council, acting by unanimity on a proposal by the Commission, will lay down benchmarks for the provisional closure and, where appropriate, for the opening of each chapter; depending on the chapter concerned, these benchmarks will refer to legislative alignment and a satisfactory track record of implementation of the *acquis* as well as obligations deriving from contractual relations with the European Union.
- Long transition periods, derogations, specific arrangements or permanent safeguard clauses, i.e. clauses which are permanently available as a basis for safeguard measures, may be considered. The Commission will include these, as appropriate, in its proposals for each framework, for areas such as freedom of movement of persons, structural policies or agriculture. Furthermore, the decision-taking process regarding the eventual establishment of freedom of movement of persons should allow for a maximum role of individual Member States. Transitional arrangements or safeguards should be reviewed regarding their impact on competition or the functioning of the internal market.
- The financial aspects of accession of a candidate state must be allowed for in the applicable Financial Framework. Hence, accession negotiations yet to be opened with candidates whose accession could have substantial financial consequences can only be concluded after the establishment of the Financial Framework for the period from 2014 together with possible consequential financial reforms.
- The shared objective of the negotiations is accession. These negotiations are an open-ended process, the outcome of which cannot be guaranteed beforehand. While taking account of all Copenhagen criteria, if the Candidate State is not in a position to assume in full all the obligations of membership it must be ensured that the Candidate State concerned is fully anchored in the European structures through the strongest possible bond.
- In the case of a serious and persistent breach in a candidate state of the principles of liberty, democracy, respect for human rights and fundamental freedoms and the rule of law on which the Union is founded, the Commission will, on its own initiative or on the request of one third of the Member States, recommend the suspension of negotiations and propose the conditions for eventual resumption. The Council will decide by qualified majority on such a recommendation, after having heard the candidate state, whether to suspend the negotiations and on the conditions for their resumption. The Member States will act in the IGC in accordance with the Council decision, without prejudice to the general requirement for unanimity in the IGC. The European Parliament will be informed.
- Parallel to accession negotiations, the Union will engage with every candidate state in an intensive political and cultural dialogue. With the aim of enhancing mutual understanding by bringing people together, this inclusive dialogue also will involve civil society.

## **TURKISH BUSINESS PERSPECTIVES**

by

**TÜSIAD**

**TURKISH INDUSTRY & BUSINESS ASSOCIATION**

[www.tusiad.org](http://www.tusiad.org)

### **TURKEY HAS STEPPED INTO A HISTORICAL DECADE**

With the conclusion of the EU Council Summit on December 17, 2004 a historical era has opened before Turkey. As a consequence of Turkish government's successfully accomplished reform agenda and vigorously conducted diplomacy, EU has decided to launch the accession negotiations with Turkey on October 3, 2005. TÜSIAD as a civil society organization has attained one of the main milestones of its mission. From now on it is crucially important that Turkey pursues the accession negotiation process with a realistic and rationalistic approach.

In the forthcoming period, the main issues that could influence the EU accession negotiations process are as follows:

1. Turkey's approach to the accession negotiation process should embody comprehensive reforms and reconciliatory bureaucratic culture;
2. It is necessary to launch capacity building efforts in terms of human resources with the aim of educating the staff required to analyze the EU acquis and policies as well as the political balances among the Member States;
3. Turkey should take into consideration the EU's global economic competitiveness targets (Lisbon Strategy) and political efforts to deepen its integration. (EU Constitution).

TÜSIAD considers that the outcome of the European Summit on December 16-17, 2004 will have a valuable contribution to the endeavours to obtain a comprehensive solution regarding the Cyprus issue.

To this end, the EU established a more balanced stance by discarding the Southern Cyprus government's condition to be recognised by Turkey in order to give a green light to the launch of accession negotiations and by agreeing that the declaration of Turkey stating its readiness to sign the protocol which adapts the Ankara Agreement for new member states would be sufficient. TÜSIAD believes that the European Council's decision to end the isolation of Turkish Cypriots should be put into force and consequently, the related regulations on "Direct Trade" and "Financial Aid" should be adopted without further delay with the aim of compelling the Southern Cyprus government to come to the negotiation table.

Cyprus issue is a source of instability in the context of Turkey –EU relations. At this stage TÜSIAD expects the Turkish government to initiate a new diplomatic effort to bring the two sides back to the negotiation table to achieve a breakthrough for a final settlement based on the "Annan Plan". However, it is equally important that Turkey's efforts are accompanied with the goodwill and support of the EU by mastering the political resources and pressure needed to bring the Greek Cypriots back to negotiations, despite the fact that they clearly rejected the U.N. Plan in April 2004

In the coming period it is crucial to deal with the difficult issues, both the ones that are stated in the Presidency Conclusions of the EU Council and others which are not included in the Conclusions but may be brought into discussion in the future, with a reconciliatory and constructive approach. It is important to have the political will that struggles to solve problems instead of living with them. In addition, the accession negotiations should be pursued within a structural discipline by the setting of intermediary targets to avoid possible progress fatigue.



# CEPS

## *Turkey in Europe*

### Monitor

No. 13, January 2005

#### ***Introductory Note from CEPS***

*This issue of CEPS Turkey in Europe Monitor presents a Working Paper titled “The Impact of Turkey’s EU Membership on EU Voting”, prepared by Richard Baldwin from the Graduate Institute of International Studies, Switzerland and Mika Widgren from the Turku School of Economics, Finland.*

*The paper evaluates the impact of Turkey’s membership on EU voting structures. The aspects that are discussed are decision making efficiency and the distribution of power in the EU’s leading decision making body, the Council of Ministers, under two alternative voting rules: those accepted in the Treaty of Nice and implemented by the Accession Treaty of the 10 entrants in 2004 and the rules that are laid down in the Constitutional Treaty.*

*The paper concludes that if Constitutional Treaty voting rules come into effect, Turkey’s membership will only have a negligible effect on EU’s capacity to act. As far as power concerned, it is found that Turkey will have a big impact. Under either the Nice or Constitutional Treaty rules, Turkey will be the second most powerful member of the EU29. Under the Constitutional Treaty Rules, Turkey will be substantially more powerful than France, Italy and Britain, while under the Nice rules the power differences among the 50 – million – plus members will be small. This is expected to have impacts on the acceptability of the Constitutional Treaty and/or Turkey’s EU membership.*

*The Working Paper will also be available on the CEPS website, [www.ceps.be](http://www.ceps.be).*

*Michael Emerson and Senem Aydın*

#### **THE IMPACT OF TURKEY’S MEMBERSHIP ON EU VOTING**

***Richard Baldwin, Mika Widgren<sup>1</sup>***

##### **1. Introduction**

The Treaty of Nice in 2001 and the Constitutional Treaty in 2004 radically reformed the Council of Ministers’ voting rules.<sup>2</sup> Political

<sup>1</sup> Richard Baldwin is from the Graduate Institute of International Studies, Geneva, Switzerland, and CEPR. Mika Widgren is from Turku School of Economics, Turku, Finland, and CEPR.

<sup>2</sup> Legally, the Accession Treaty of 10 new member states in 2004 implemented the voting system agreed politically in the Nice Treaty. The voting

acceptance of the Constitutional Treaty rules was achieved in Brussels summit in June 2004. Soon after in November 2004 the Nice rules came into effect in November 2004. The changes made in the Constitutional Treaty were postponed by five years and even that requires that the Constitution is ratified in all 25 member states. The next enlargement is scheduled for 2007 when Bulgaria and Romania are expected to enter. Thus, they will enter under the current Nice rules but the next new members are likely to join under the rules of the Constitutional Treaty.

rules of the Constitutional Treaty come into force on 1 November 2009 if the Constitution is ratified in all member states

In this paper, we evaluate the impact of Turkey's membership on EU voting. The aspects that we discuss are decision making efficiency and the distribution of power in the EU's leading decision making body, the Council of Ministers. We compare two alternative Council voting rules: those accepted in the Treaty of Nice and implemented by the Accession Treaty of ten 2004 entrants and the rules that are laid down in the Constitutional Treaty.

## 2. Council of Minister voting reforms

The Constitutional Treaty explicitly sets out two sets of Council's voting procedure and implicitly recognises the current system set up by the Accession Treaty (Article 24):

### *Up to 31 October 2004*

The pre-Treaty of Nice rules apply, i.e. qualified majority voting with weighted votes and the old majority threshold of 71% to win. The numbers of votes for the incumbent 15 are unchanged; those for the 10 newcomers are a simple interpolation of EU - 15 votes as specified in the Accession Treaty.

### *From 1 November 2004 to 31 October 2009*

The Nice Treaty rules apply (as per the "Draft Council Decision relating to the implementation of Article I-24"). The Nice rules maintain the basic 'qualified majority voting' framework, but add two extra criteria concerning the number of yes-voters and the population they represent. Specifically, the vote threshold is 72.2% of the Council votes (232 of the 321 votes), the member threshold is 50% of members (13 members), and the population threshold is 62% of the EU population.<sup>3</sup>

### *From 1 November 2009 onwards*

The Constitutional Treaty (CT) rules apply, so weighted voting is out and double majority is in. A winning coalition must represent at least

55% EU members and 65% of the EU population. A last-minute Summit compromise inserted the requirement at least 15 members vote 'yes', but this is irrelevant; 15 members of 25 is 60% and thus greater than 55%, but by the time these rules take effect, the EU should have 27 members and 55% of 27 is 15 (Bulgaria and Romania are pencilled in for membership in 2007). The 15 member rule will be redundant when it takes effect. Turkey's and Croatia's membership will, in any case, materialise after that date.

To come into force, the CT rules need the ratification of all member states. The fall-back position is the Nice-rules, which makes it possible that Turkey and Croatia enter under the Nice rules. Therefore, in the following we evaluate these two rules in the EU-25 and EU-29 and compare especially the impact of Turkey's membership on the countries of EU-25 who have the most substantial say in the ratification process of the Constitution.

## 3. Our tools of assessment

### *Capacity to act*

'Capacity to act' and 'decision-making efficiency' are slippery concepts. There is, however, a quantitative tool in voting game theory that helps make things more precise. The so-called 'passage probability' gauges how likely it is that the Council would approve a randomly selected issue – random in the sense that each EU member would be equally likely to vote for or against it. The best way to describe this measure is to explain how it is calculated.

First, the computer calculates all possible coalitions among EU members, namely every possible combination of yes- and no-votes by EU members (there are 134 million possible coalitions in the EU27). Then the computer checks each coalition to see if it is a winning coalition under the Nice voting system; this is done using each member's actual weight on the three criteria (votes, members, population) and the three thresholds. The passage probability tells us what fraction of these coalitions are winning coalitions. It is called the passage probability because it is the likelihood that a random proposal would attract a winning coalition, assuming all coalitions are equally likely (random in the sense that member states

<sup>3</sup> The rules that take effect in November 2004 are not those agreed at the Nice Summit, December 2000. The deal struck at 4 a.m. at the end of the longest EU Summit in history was a political commitment. The legally binding changes are in the Accession Treaty. Since EU leaders eventually realised how inefficient the Nice rules were, they improved efficiency by lowering the vote threshold from the 74% mentioned in the Nice Treaty.

do not know what their stance would be). Admittedly, this is a crude measure, but it is objective, precise and its strengths and shortcomings are clear.

Even if the exact passage probability is meaningless (the Commission does not put forth random proposals), Figure 1 shows that the Nice Treaty fails on efficiency grounds since it implies a level of efficiency that is far, far below that of the EU15. Indeed, the Nice reforms actually made matters worse. Admitting 12 new members without any reform would have cut the passage probability to a third of its already low level, namely to 2.5%. With the Nice reforms, the figure drops even further to 2.1%. We note that the main source of the lower efficiency is the high threshold of the Nice rules for Council votes. A second, cruder but more transparent efficiency-measuring tool – i.e. blocking-minority analysis – confirms these efficiency findings.

As with the ability to act, there can be no perfect measure of power, but even imperfect measures are useful when considering complex voting rules since a voting scheme's political acceptability turns almost completely on its power implications.

The measures we use are called the Normalised Banzhaf Index (NBI) and the Shapley-Shubik index (SSI). In plain English, they gauge how likely it is that a nation finds itself in a position to “break” a winning coalition<sup>4</sup> on a randomly selected issue. Thus, the NBI and SSI tell us how influential a country is likely to be on a randomly chosen issue. More concretely, the NBI assumes that each possible coalition has the same probability of occurrence. This makes all winning coalitions equally likely too and the measurement of power is simply counting the score of breaking positions for each player. To get a relative measure of power this is then divided by the total number of scores. Of course, on particular issues various countries may be much more or much less powerful – especially if they are part of a like-minded group (see Baldwin, Berglof, Giavazzi and Widgren 2001 for details and simple numerical examples), but the NBI has recently proved its worth especially as an un-bribeable tool in assessing and designing voting rules.

<sup>4</sup> In the literature, the term ‘swing’ is quite often used instead of ‘break’.

To make our way to approach political power more transparent let us illustrate how it works with the following simple example. Consider a simple three person voting body, like the Council of Ministers, with voters labelled with A, B and C. Suppose that A has four votes, B has 2 votes and C has one vote. The total number of votes is seven. Let us assume that five votes are needed to pass proposals. Here, we have three winning coalitions:

AB, AC, ABC

where the actors that are able to “break” a winning coalition are underlined. Now, A has three breaking positions, B has 2 and C only one. The number of breaking positions is six, which means that the NBI of A is 1/2, whereas the NBIs of B and C are 1/3 and 1/6 respectively.

The SSI tries to capture a different abstract voting model. It assumes that voters have different intensities to accept or reject a proposal. Suppose that these intensities can be expressed on a line having the extremes of more spending and less spending. For instance when the issue is the support for hillside farmers it may be that A is the most reluctant to increase spending, then B leaving C as the most favourable to increase support for this purpose. On the other day, the issue might be the inclusion of reindeer meat in the CAP's price support mechanism, This time we might get a different order of preferences.

In general, one can think that after considering a big enough number of issues all preference orders of A, B and C are equally likely. In our numerical example we get six orderings as follows:

ABC ACB BAC BCA CAB CBA

where the critical voter is underlined. A critical voter exerts power as (s)he is able to break a winning coalition. In the first order ABC, B can do that by breaking a winning coalition AB. Voter A favours more spending on this issue than B. Therefore A is not critical. Should voter A try to break the winning coalition AB by voting against spending, voter B would have already broken that as (s)he is less eagerly in favour of spending. In the example, voter A has four pivotal positions, voters B and C one each. In relative terms we get 2/3 for A and 1/6 for both B and C. If SSI is a meaningful estimate for power and if power politics is able to explain EU budget these

should be A's, B's and C's budget shares respectively.

Clearly, these measures of power do not provide a detailed description of real-world voting procedures. For instance they lack all strategic aspects, like who makes the proposal to be voted on or the sequence of moves. They both contain, however, some information of voters' preferences understood as intensities of holding a favourable position. On the other hand, the measures consider all possible orderings of intensities (SSI) or presume equal likelihood of all coalitions (NBI), which makes them a very long-term concept. For a general evaluation of voting rules this is a desirable property.

The example above demonstrates that the NBI and SSI can have very different values. Which one we should then choose? There is no clear answer to that but as a rough distinction if one is interested in voting rules as such, the NBI is more advantageous; but if one is more interested in decision-making and bargaining under certain rules knowing that actors communicate, then the SSI is far more suitable tool.<sup>5</sup>

## 4. Turkey's impact

### 4.1 Implications on EU's capacity to act

Turkey's membership would have only moderate implications for the passage probabilities as Figure 1 shows. This is not surprising since moving from 27 members to 29 does not change much. Although Croatia increases the number of small nations in the EU Turkey's large population means that there is little damage in efficiency. (Efficiency, if not legitimacy, tends to be higher when a large share of power is in the hands of just a few nations.)

As usual, the Nice rules – which are essentially unworkable even in the EU27 – become even less viable in an EU29. The vote thresholds that are used in calculations are extrapolations of the current Nice/Accession Treaty threshold. In EU-29, it is 276 out of total 381 votes plus the two additional criteria: at least 15 member states and 62 per cent of population. In EU-27, it is 250 out of total 345 votes plus the two additional criteria: at least 14 member states and 62 per cent of population.

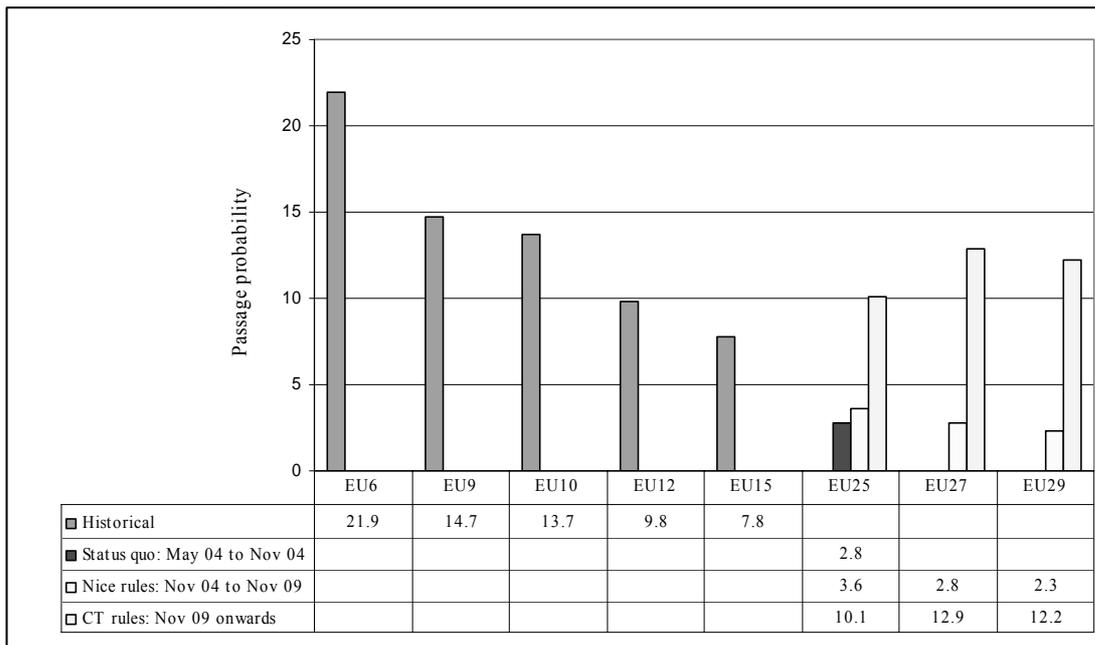
As usual, the Nice rules – which are essentially unworkable even in the EU27 – become even less viable in an EU29. The same does not hold for the Constitutional Treaty's voting rules. The passage probability jumps drastically from the Nice rules low levels up to the level of EU-12 and even higher. Surprisingly, under the Constitutional Treaty's rules the EU's ability to act is improving when its membership expands from 25 to 27 or 29. There is only a slight drop from EU-27 to EU-29 from 12.9 to 12.2 per cent.<sup>6</sup>

In sum, the passage probability calculations demonstrate that Turkey's membership does not deteriorate EU's ability to act. Under the Constitutional Treaty's rules, the effect of Croatia and Turkey together is significantly smaller – one percentage point – than Turkey's alone. The most important impact on EU's capacity to act is due to the switch from the Nice rules to the Constitutional Treaty's rules.

<sup>5</sup> See e.g. Laruelle and Widgrén (1998), Widgrén (1994) and Laruelle and Valenciano (2004). A recent empirical application of the SSI is Kauppi and Widgrén (2004).

<sup>6</sup> Note that in EU-28 (EU-27 + Turkey), the passage probability is 11.2 per cent, hence lower than it is in EU-29 (see Baldwin and Widgrén 2003b). That is because the membership quota - 55 per cent of membership – is 16 in both EU-28 and EU-29. It is thus closer to 55 per cent in EU-29 than in EU-28 the exact numbers being 55.2 and 57.1 per cent respectively.

Figure 1. Passage probabilities in the EU Council 1957-2004 and after the entry of Bulgaria, Romania Croatia and Turkey



Notes: The figure shows the passage probability which measures the likelihood of that randomly selected issue would pass in the Council of Ministers. Source: Authors' calculations.

#### 4.2 The impact on the distribution of power

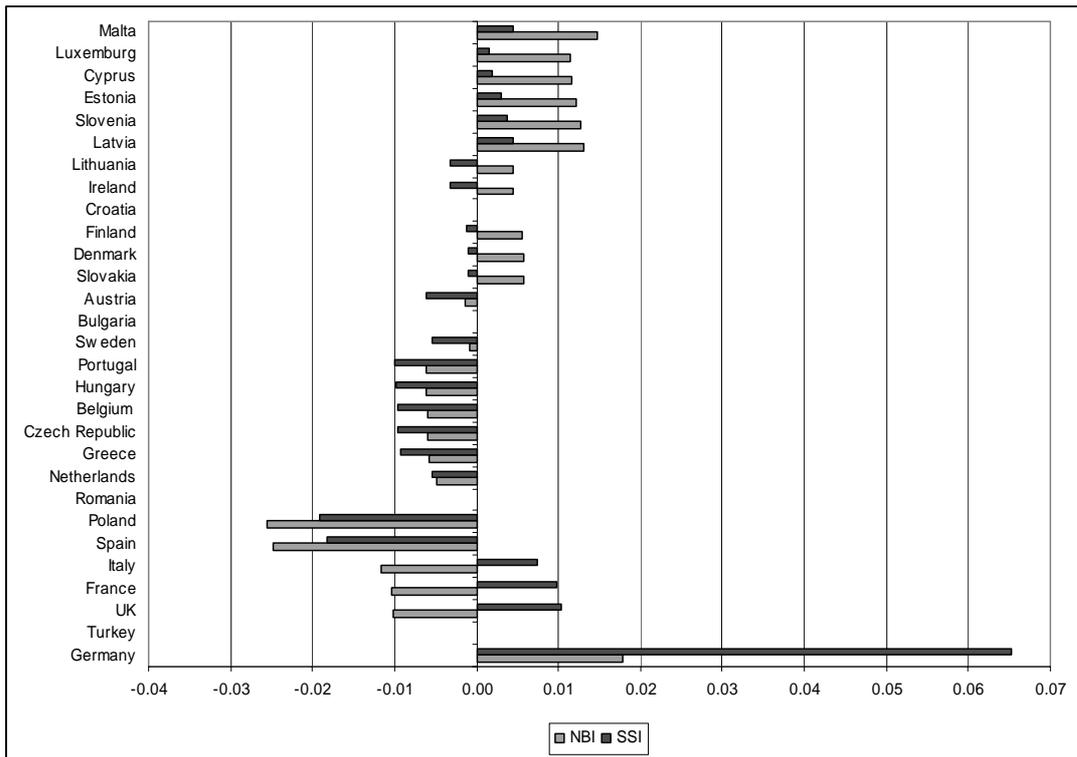
The Constitutional Treaty and the Nice rules have substantial differences in power evaluation as well. Figure 2 shows the difference of these rules in terms of the NBI and SSI in EU-25 and Figure 3 the respective numbers in EU-29. The difference is measured in percentage points.

Figure 2 shows that before Turkey's entry the CT rules favour the four biggest nations and the six smallest, i.e. Latvia and smaller, if the comparison is made using the SSI. Based on the NBI the conclusion is somewhat different: then Germany and Slovakia and smaller countries would gain from the CT rules compared to the Nice rules. Note that this result differs from what was obtained in Baldwin and Widgrén (2004b) for EU-27 where the NBI showed exactly the same pattern as the SSI here.

After Turkey's entry the biggest nations gain more from the CT rules than in EU-25. This holds for both power measures. For the smallest countries the effect is ambiguous: the NBI shows gains for Latvia and smaller nations whereas the SSI shows small losses. Otherwise both indices show consistent results.

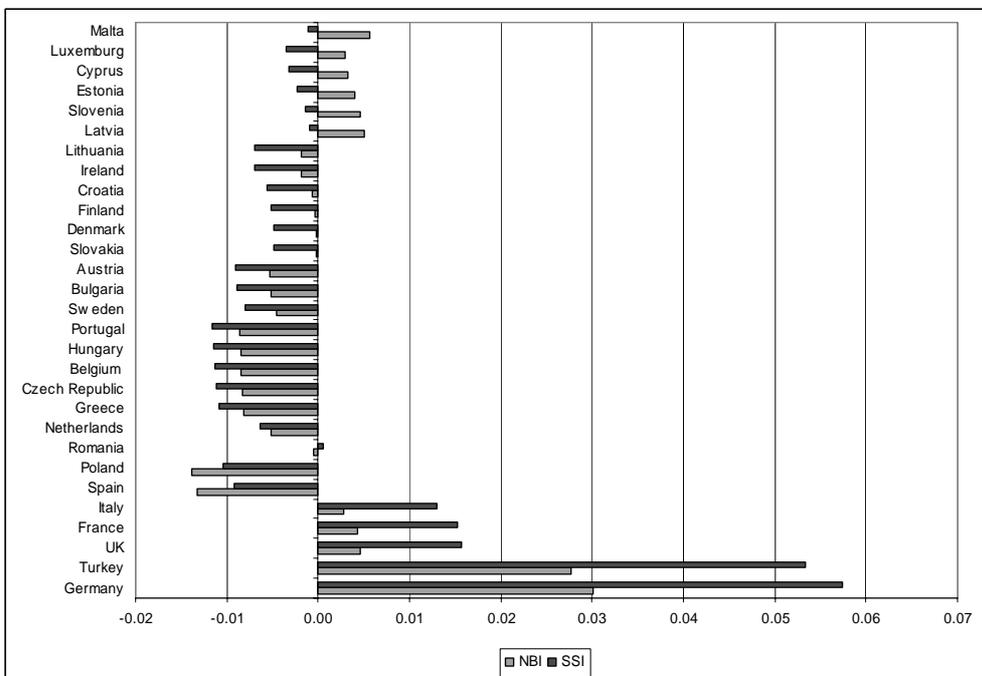
Figure 4 makes an explicit comparison of the Nice and CT rules. The figure shows the NBI-values under both rules. The message of the figure is very clear. The countries that gain the most from the CT rules are the biggest nations Germany and Turkey. The biggest losers are Spain and Poland but also the medium-sized countries from the Netherlands to Austria. That might affect these countries' attitude either towards the ratification of Constitution or Turkey's membership. An interested reader can find both index-values in EU-25 and EU-29 in Appendix.

Figure 2. Change in power in EU-25, Nice to CT rules, %-points



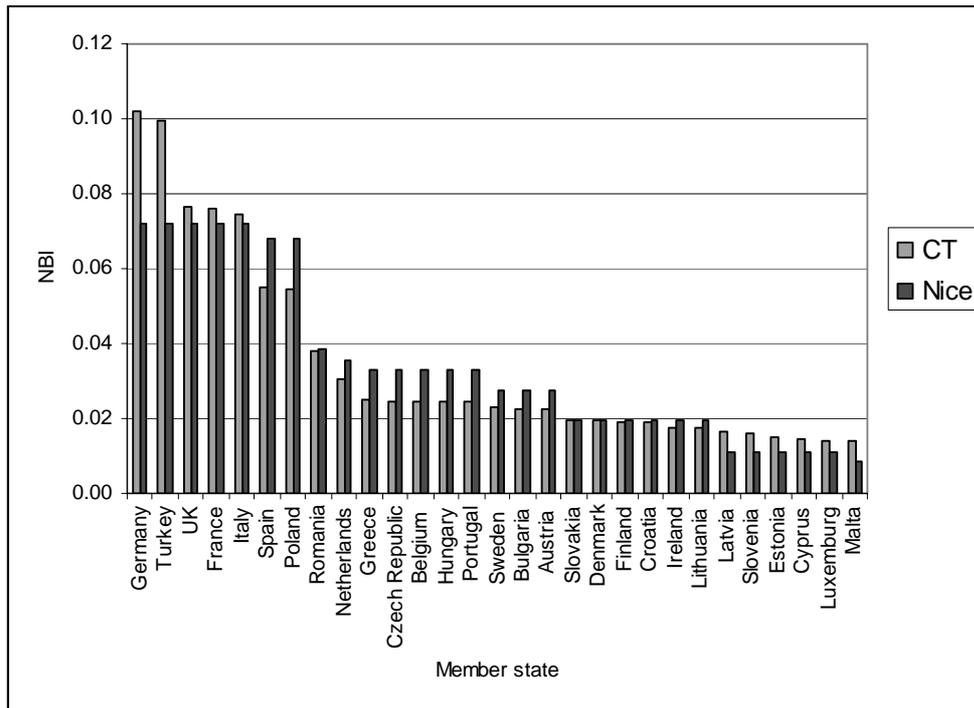
Source: Authors' calculations.

Figure 3. The power difference between the CT and Nice rules in EU-29, %-points



Source: Authors' calculations.

Figure 4. The NBI-values under the Nice and CT voting rules in EU-29



Source: Authors' calculations.

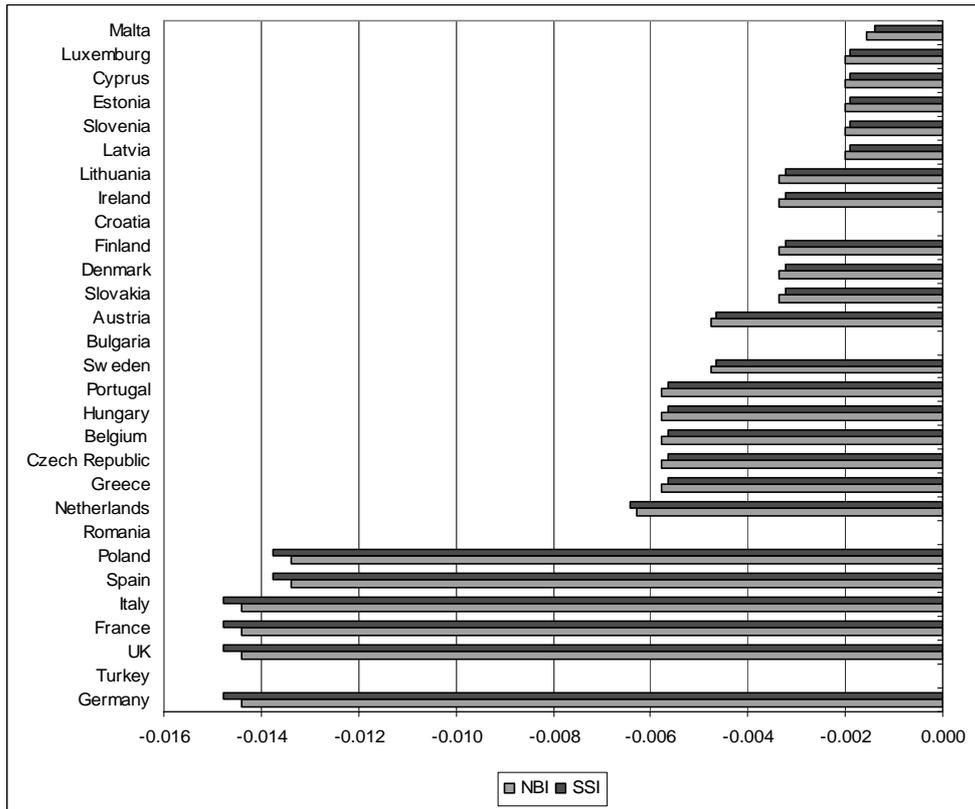
### Enlargement's impact on incumbent's power

Figures 5 and 6 evaluate the impact of the enlargement from EU-25 to EU-29 in terms of both power indices. In Nice, the countries' power losses are proportional to their sizes. Germany, the biggest country, loses most while the smaller nations lose less. The relative losses are of the same magnitude. This reflects the fact that in weighted voting power indices tend to converge to voting weights if the number of actors increases and if the voting weights have relatively small variance.

In Figure 6, the result is more interesting. When evaluated by the NBI, the expansion from EU-25 to EU-29 benefits France and the UK.<sup>93</sup> The losses of other big countries are very small (the Netherlands and larger nations). For the countries smaller than Romania, the losses are slightly increasing towards the smallest nations. The SSI gives, however, a somewhat different picture. The most notable exceptions are the biggest countries, especially Germany. The power loss of the Netherlands remains small.

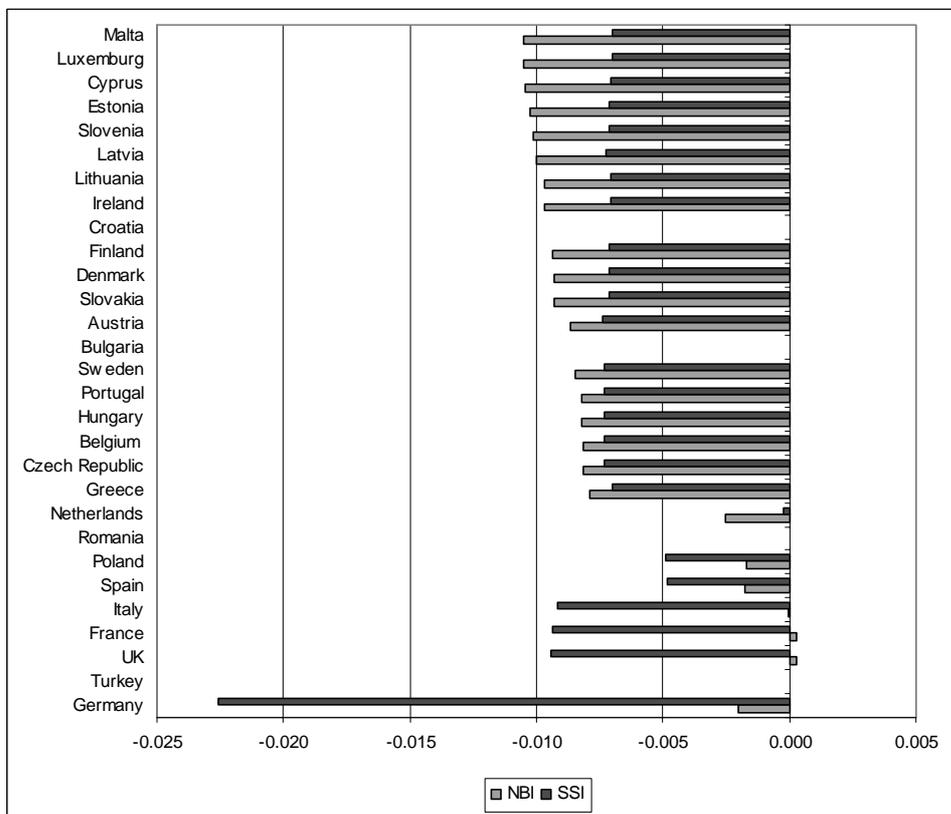
<sup>93</sup> This phenomenon is often referred to as the paradox of new members.

Figure 5. Enlargement's impact on EU25 power, %-points, Nice rules



Source: Authors' calculations.

Figure 6. Enlargement's impact on EU25 power, %-points, CT rules



Source: Authors' calculations

## 5. Conclusions

This paper investigates the decision-making impact of expanding the EU from 25 to 29 via new memberships for Bulgaria, Romania, Turkey and Croatia. We focus on a measure of the EU's capacity to act – the passage probability – and the power distribution among members.

As far as the capacity to act is concerned, the enlargement is projected to have relatively little impact, as long as the CT voting rules come into effect. In particular, Turkey's membership has only a negligible effect on EU's capacity to act. The answer, however, is quite different if the CT is rejected and the Nice Treaty rules remain in place. Under the Nice voting rules, the 25-to-29 enlargement would substantially lower the EU25's ability to act. Thus, our findings confirm that the enlarged EU cannot function well under the Nice Treaty rules. It also suggests that if the CT is rejected, the Nice voting rules must be reformed before further enlargement.

As far as power is concerned, we find that Turkey will have a big impact. Under either the Nice or CT rules, Turkey would be the second most powerful member of the EU29. Under the CT rules, Turkey would be substantially more powerful than France, Italy and Britain, while under the Nice rules the power differences among the 50-million-plus members would be small. Plainly, this might decrease the acceptability of the Constitutional Treaty and/or Turkey's membership.

The 25-to-29 enlargement's impact on the voting power of EU incumbents depends heavily upon the rules. Under the CT rules, the enlargement lowers the power of all incumbents on a fairly even basis with the marked exception of Germany; Germany loses more than twice as much as any other member. Under the Nice rules, the power loss is more heavily skewed towards big incumbents. Again, all incumbents are projected to lose power, but power loss increases progressively with member size. For example, the power loss to France under the Nice rules is something like 7 times larger than the power loss to Malta.

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## Appendix

Table A1. Power indices under CT rules

| <i>Member state</i> | <i>NBI EU29</i> | <i>NBI EU25</i> | <i>SSI EU29</i> | <i>SSI EU25</i> |
|---------------------|-----------------|-----------------|-----------------|-----------------|
| Germany             | 0.10203         | 0.10407         | 0.13556         | 0.15816         |
| Turkey              | 0.09960         |                 | 0.13152         |                 |
| UK                  | 0.07644         | 0.07614         | 0.09389         | 0.10332         |
| France              | 0.07611         | 0.07587         | 0.09339         | 0.10278         |
| Italy               | 0.07469         | 0.07475         | 0.09121         | 0.10041         |
| Spain               | 0.05491         | 0.05670         | 0.06313         | 0.06798         |
| Poland              | 0.05429         | 0.05602         | 0.06203         | 0.06694         |
| Romania             | 0.03786         |                 | 0.03664         |                 |
| Netherlands         | 0.03052         | 0.03715         | 0.02701         | 0.03440         |
| Greece              | 0.02495         | 0.03304         | 0.01991         | 0.02721         |
| Czech Republic      | 0.02474         | 0.03287         | 0.01964         | 0.02693         |
| Belgium             | 0.02463         | 0.03279         | 0.01950         | 0.02680         |
| Hungary             | 0.02453         | 0.03271         | 0.01936         | 0.02666         |
| Portugal            | 0.02442         | 0.03262         | 0.01922         | 0.02651         |
| Sweden              | 0.02314         | 0.03162         | 0.01758         | 0.02489         |
| Bulgaria            | 0.02250         |                 | 0.01676         |                 |
| Austria             | 0.02239         | 0.03103         | 0.01663         | 0.02403         |
| Slovakia            | 0.01940         | 0.02870         | 0.01288         | 0.02000         |
| Denmark             | 0.01940         | 0.02870         | 0.01288         | 0.02000         |
| Finland             | 0.01918         | 0.02854         | 0.01261         | 0.01975         |
| Croatia             | 0.01886         |                 | 0.01221         |                 |
| Ireland             | 0.01768         | 0.02737         | 0.01077         | 0.01785         |
| Lithuania           | 0.01768         | 0.02737         | 0.01077         | 0.01785         |
| Latvia              | 0.01628         | 0.02630         | 0.00905         | 0.01631         |
| Slovenia            | 0.01585         | 0.02598         | 0.00853         | 0.01568         |
| Estonia             | 0.01521         | 0.02547         | 0.00774         | 0.01487         |
| Cyprus              | 0.01445         | 0.02490         | 0.00680         | 0.01384         |
| Luxemburg           | 0.01413         | 0.02465         | 0.00641         | 0.01342         |
| Malta               | 0.01413         | 0.02465         | 0.00641         | 0.01342         |

Source: Authors' calculations

Table A2. Power indices under Nice rules

| <i>Member state</i> | <i>NBI EU29</i> | <i>NBI EU25</i> | <i>SSI EU29</i> | <i>SSI EU25</i> |
|---------------------|-----------------|-----------------|-----------------|-----------------|
| Germany             | 0.07189         | 0.08630         | 0.07814         | 0.09292         |
| Turkey              | 0.07189         |                 | 0.07814         |                 |
| UK                  | 0.07189         | 0.08630         | 0.07814         | 0.09292         |
| France              | 0.07189         | 0.08630         | 0.07814         | 0.09292         |
| Italy               | 0.07189         | 0.08630         | 0.07814         | 0.09292         |
| Spain               | 0.06821         | 0.08159         | 0.07237         | 0.08613         |
| Poland              | 0.06821         | 0.08159         | 0.07237         | 0.08613         |
| Romania             | 0.03832         |                 | 0.03615         |                 |
| Netherlands         | 0.03565         | 0.04195         | 0.03340         | 0.03983         |
| Greece              | 0.03305         | 0.03881         | 0.03082         | 0.03648         |
| Czech Republic      | 0.03305         | 0.03881         | 0.03082         | 0.03648         |
| Belgium             | 0.03305         | 0.03881         | 0.03082         | 0.03648         |
| Hungary             | 0.03305         | 0.03881         | 0.03082         | 0.03648         |
| Portugal            | 0.03305         | 0.03881         | 0.03082         | 0.03648         |
| Sweden              | 0.02771         | 0.03246         | 0.02560         | 0.03024         |
| Bulgaria            | 0.02771         |                 | 0.02560         |                 |
| Austria             | 0.02771         | 0.03246         | 0.02560         | 0.03024         |
| Slovakia            | 0.01954         | 0.02291         | 0.01777         | 0.02099         |
| Denmark             | 0.01954         | 0.02291         | 0.01777         | 0.02099         |
| Finland             | 0.01954         | 0.02291         | 0.01777         | 0.02099         |
| Croatia             | 0.01954         |                 | 0.01777         |                 |
| Ireland             | 0.01954         | 0.02291         | 0.01777         | 0.02099         |
| Lithuania           | 0.01954         | 0.02291         | 0.01777         | 0.02099         |
| Latvia              | 0.01124         | 0.01324         | 0.00999         | 0.01190         |
| Slovenia            | 0.01124         | 0.01324         | 0.00999         | 0.01190         |
| Estonia             | 0.01124         | 0.01324         | 0.00999         | 0.01190         |
| Cyprus              | 0.01124         | 0.01324         | 0.00999         | 0.01190         |
| Luxemburg           | 0.01124         | 0.01324         | 0.00999         | 0.01190         |
| Malta               | 0.00841         | 0.00998         | 0.00755         | 0.00895         |

Source: Authors' calculations

## **TURKISH BUSINESS PERSPECTIVES**

by  
**TÜSIAD**  
**TURKISH INDUSTRY & BUSINESS**  
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### **TURKEY HAS STEPPED INTO A HISTORICAL DECADE**

With the conclusion of the EU Council Summit on December 17, 2004 a historical era has opened before Turkey. As a consequence of Turkish government's successfully accomplished reform agenda and vigorously conducted diplomacy, EU has decided to launch the accession negotiations with Turkey on October 3, 2005. TÜSIAD as a civil society organization has attained one of the main milestones of its mission. From now on it is crucially important that Turkey pursues the accession negotiation process with a realistic and rationalistic approach.

In the forthcoming period, the main issues that could influence the EU accession negotiations process are as follows:

1. Turkey's approach to the accession negotiation process should embody comprehensive reforms and reconciliatory bureaucratic culture;
2. It is necessary to launch capacity building efforts in terms of human resources with the aim of educating the staff required to analyze the EU acquis and policies as well as the political balances among the Member States;
3. Turkey should take into consideration the EU's global economic competitiveness targets (Lisbon Strategy) and political efforts to deepen its integration. (EU Constitution).

TÜSIAD considers that the outcome of the European Summit on December 16-17, 2004 will have a valuable contribution to the endeavours to obtain a comprehensive solution regarding the Cyprus issue.

To this end, the EU established a more balanced stance by discarding the Southern Cyprus government's condition to be recognised by Turkey in order to give a green light to the launch of accession negotiations and by agreeing that the declaration of Turkey stating its readiness to sign the protocol which adapts the Ankara Agreement for new member states would be sufficient. TÜSIAD believes that the European Council's decision to end the isolation of Turkish Cypriots should be put into force and consequently, the related regulations on "Direct Trade" and "Financial Aid" should be adopted without further delay with the aim of compelling the Southern Cyprus government to come to the negotiation table.

Cyprus issue is a source of instability in the context of Turkey –EU relations. At this stage TÜSIAD expects the Turkish government to initiate a new diplomatic effort to bring the two sides back to the negotiation table to achieve a breakthrough for a final settlement based on the "Annan Plan". However, it is equally important that Turkey's efforts are accompanied with the goodwill and support of the EU by mastering the political resources and pressure needed to bring the Greek Cypriots back to negotiations, despite the fact that they clearly rejected the U.N. Plan in April 2004

In the coming period it is crucial to deal with the difficult issues, both the ones that are stated in the Presidency Conclusions of the EU Council and others which are not included in the Conclusions but may be brought into discussion in the future, with a reconciliatory and constructive approach. It is important to have the political will that struggles to solve problems instead of living with them. In addition, the accession negotiations should be pursued within a structural discipline by the setting of intermediary targets to avoid possible progress fatigue.



# CEPS

## *Turkey in Europe*

### Monitor

No. 14, February 2005

#### **Introductory Note from CEPS**

*This issue of CEPS Turkey in Europe Monitor presents the executive summary of the Research Report titled 'Turkey in the EU: Consequences for Agriculture, Food, Rural Areas and Structural Policy', prepared by Arie Oskam and Alison Burrell from Wageningen University, Siemen van Berkum from the Agricultural Economics and Research Institute (LEI), and Tuğrul Temel, Natasha Longworth and Irene Molina Vilchez from the Agricultural Economics and Rural Policy Group (AEP).*

*The report aims to provide a comprehensible overview of Turkey's agriculture and food sectors, and the situation in its rural areas, which is then used to examine potential consequences of Turkey's EU accession.*

*The report first describes recent and current trends in agricultural production and resource use, the structure and performance of the agri-food chain, foreign trade in agricultural and food products, the environmental impacts of agriculture, and veterinary and plant health conditions.*

*Second, taking Turkey's accession to the Union in 2015 as a working hypothesis, the consequences of accession for both Turkey and the EU are explored on the basis of the information assembled and discussed in the overview.*

*The main focus of the overview is on the economic and policy issues relating to agriculture, food and rural areas. In evaluating these issues and discussing future perspectives, long-term processes and institutional developments are emphasised.*

*The full text of the Report is accessible at <http://www.socialsciences.wur.nl/aae/projects/Turkey/totaal-including%20cover.pdf> for a limited period. A revised version will shortly be published by CABI entitled **Turkey in the European Union: Implications for Agriculture, Food and Structural Policy**, edited by Burrell and Oskam.*

*Michael Emerson and Senem Aydin*

#### **Turkey in the European Union: Consequences for Agriculture, Food, Rural Areas and Structural Policy** by

**Arie Oskam, Alison Burrell, Tuğrul Temel, Siemen van Berkum, Natasha Longworth  
and Irene Molina Vilchez<sup>94</sup>**

#### **Overview of the Turkish Agricultural Sector**

Turkey's economy is about half the size of the total for all the new member states of the EU, but per capita GDP is much lower and, after correcting for purchasing power differences, is just 25 per cent of the average for EU-15. Turkey's long-term economic growth rate is relatively low and has been heavily influenced by negative growth in years of economic crisis.

<sup>94</sup> This report was commissioned by the Dutch Ministry of Agriculture, Nature and Food Quality.

The distribution of income is very unequal between Turkish households. In addition, Turkey has much higher regional income inequality compared to other large EU countries. Reducing these regional income gaps will be very difficult because of the dependence of low-income regions on agriculture, which we argue will come under increased economic pressure within the single market of the EU.

The foundations of Turkey's formal institutions derive from the guiding principles of Atatürk's ideology, as enshrined in the Constitution of 1923. Turkey is a secular sovereign state, whose economy (except for agriculture) is largely open to foreign competition. However, some key economic organisations are still partly state-owned or state controlled. Moreover, various important institutions that affect economic performance and social outcomes are weak relative to EU standards.

For example, the benefits of the social security and pension system are mainly limited to those working in the 'formal' economy, which covers about 50 per cent of economic activity. The education system offers 8 years of compulsory schooling. However, quality is variable, and enrolment rates are well below 100 per cent, particularly for girls. Spending on education

and levels of educational attainment in Turkey are low, relative to virtually all OECD and EU-25 countries. With respect to agriculture, the national farm extension system has performed inadequately for several decades.

In recent years, there has been rapid progress in aligning key economic legislation more closely with that of the EU.

However, many important differences remain, and our research has found recurrent concerns about the current administrative capacity and resolve to enforce the existing legislation effectively. For example, competition legislation dating from the late 1990s is partly compatible with that of the EU, but needs to be applied with more rigour. Land property rights are well recognised in principle but are not always well defined in practice. Land surveys and land registration are incomplete, although they now cover over 75 per cent of agricultural land. Institutional arrangements concerning labour and farming contracts, water use rights, land purchase/sale rules and environmental

impact regulations are still weak and not adequately enforced.

In Turkey's food safety and quality legislation, 93 per cent of Turkish standards are now based on European and international standards, while over 90 per cent of EU standards have been adopted as Turkish standards. Here too, however, enforcement constitutes a challenge, not least because of the fragmented and dual nature of the whole Turkish agrifood system.

The duality of the primary production sector means that commercial farms and export-oriented chains for individual products co-exist with subsistence or semi-subsistence farming. Similar duality is observed in the processing and retail sectors, with modern production facilities and supermarket outlets accounting for a considerable share of activity whilst many small-scale facilities and informal market outlets characterise the remainder.

Agriculture accounts for 12 per cent of Turkey's GDP, 34 per cent of employment and 11 per cent of merchandise exports. About 7 million people work in Turkish agriculture, roughly the same number of agricultural workers as in the entire EU-15. Total agricultural area was somewhere between 35 and 41 million hectares in 2001, of which about 27 million hectares was cultivated or fallow, the rest being pasture land.

The value of Turkey's agricultural production in 2002 was EUR 29 billion (one tenth of EU-15 output value). The crop sector in Turkey accounts for a much larger share of output value (77 per cent) than in the EU (55 per cent). Fruit and vegetables together account for 43 per cent of total output value in Turkey, but only 15 per cent in the EU. Field crops have the largest share (35 per cent) of Turkey's agricultural output. Livestock products are less than 25 per cent, although livestock output may be under-recorded in the official statistics by up to 30 per cent.

Cereals account for 60 per cent of field crop area, with rain fed yields constant at around 2 tons per hectare for some years. Fruit production has increased by 55 per cent since 1980 while grazing livestock numbers have been falling for two decades, and red meat produc-

tion has remained constant. Poultry numbers have increased by over 300 per cent in the same period.

Turkey has little agro-ecological potential for increasing total cultivated land area, but there is scope for extending irrigation and for increasing the productivity of existing farming systems.

Producer prices for most commodities in Turkey are higher than in the EU, with the exception of sheep meat, milk, sugar, tobacco and cotton. However, wholesale prices for dairy products are higher than in the EU, indicating an inefficient dairy processing sector.

Average income per employed household member in Turkish agriculture is less than 40 per cent of the level for non-agricultural workers. Labour productivity in agriculture is low. Gross Value Added (GVA) in agriculture per person is one eighth of the average EU-15 level, lower than the averages for the NMS and Bulgaria, but higher than in Romania. Because of the more land-intensive nature of the fruit and vegetable sectors, land productivity is relatively better than labour productivity. GVA per hectare is 45 per cent below the EU-15 average, but higher than in the NMS, Bulgaria and Romania.

In 2003, Turkey exported EUR 4.3 billion of agricultural and food products and imported EUR 3.7 billion. Turkey regularly has a trade surplus in agricultural products. Fruit and vegetables are the major export categories. EU-15 member states are the destination for about 45 per cent of Turkey's agricultural exports.

About 40 per cent (27.3 million persons) of Turkey's civilian population is classified as rural (living outside larger towns and cities). Agricultural workers live mainly in areas classified as rural, and represent 34 per cent of the total work force.

Relative to urban areas, rural areas have a high labour force participation rate, low unemployment levels, and high rates of unpaid family labour, particularly amongst females. These urban-rural contrasts are partly due to the way employment is measured, whereby part-time work of even a few hours per week

(which is more common in agriculture) counts as employment.

The 15-24-year-old age group comprises 20 per cent of the population. Unemployment among well educated individuals in this age group is much higher than for the adult labour force as a whole, although it tends to be lower in rural areas. This probably indicates an out-migration of well educated young people from rural areas, rather than better job provision for this category of worker.

The rate of illiteracy is 18 per cent among agricultural workers (28 per cent for female agricultural workers). Beyond primary school (which ends at age 11), school enrolment rates are lower in rural areas (particularly for girls) than in urban areas. A number of disincentives for rural children to obtain education have been identified.

There are large differences in quality of life indicators between urban and rural areas, and between 'west' and 'east'. Poverty is inversely correlated with education level. Even *within* each level of education, however, rates of poverty are much higher in rural areas. Most agricultural workers have no social security coverage.

The industries upstream of farming are either dominated by a few large enterprises, or characterised by many smaller firms, or public sector-dominated with an increasing private sector involvement. The Agricultural Bank of Turkey, although still publicly owned, now operates according to commercial banking guidelines. Agricultural credit subsidies have ceased, and credit to agriculture has declined since 2001. The government had a dominant role in the agricultural cooperatives, which purchase, process and sell major agricultural commodities. The co-operatives are now being transformed into fully independent organisations that have to compete with private traders in the marketing of agricultural commodities.

The wholesale market system for fresh products is still dominated by government-appointed commissioners and its efficiency seems low. The system hinders the development of quality standards and low economic transparency limits opportunities for tracing products in the food chain.

The Turkish food industry contributes 5 per cent of GNP, and accounts for 20 per cent of total manufacturing output. Its share in manufacturing industry export is 5-6 per cent and is in slight decline. There are over 100 thousand registered workers in the food sector, whereas the number of unregistered workers is unknown.

In general, the food industry suffers from over-capacity. Although generally fragmented, there is marked concentration in a number of branches. Market power does not seem to exist but hard evidence to verify this is not available.

Food retailers offer relatively low quality standards, given low consumer demand for quality. As the economy grows and more consumers become quality aware, the agrifood sector will face the challenge of meeting demand for higher quality standards all along the chain. Failure to meet consumer requirements may result in further import penetration. The share of supermarkets in the food retail sector is growing rapidly, at the expense of traditional stores. Modern food stores had a market share of 42 per cent in 2003. Foreign investment in the retail sector is rather limited. The new law on foreign direct investment, ratified in 2003, may encourage more investment from abroad in the food sector. Processors purchase most agricultural commodities on the wholesale market. Supermarkets, on the other hand, are moving towards the use of more integrated channels in order to purchase guaranteed quantities and quality against competitive prices.

For many years, agricultural policy formation has been dominated by political vote-seeking, at the expense of longer-term aims such as improving efficiency and adjusting to social needs and expectations. The main players have been the government, state-owned purchasing, processing and/or trading companies, the many government-influenced product-specific agricultural sales co-operatives and, more recently and indirectly, external organisations such as the World Bank and IMF.

Farmers' representation by semi-public 'Chambers of Agriculture' is weak, although there are also a few genuine farmer-controlled

organisations and other independent NGOs. The countervailing power of consumers and taxpayers in the agricultural policy process has been very limited.

The Agriculture Reform Implementation Project (ARIP) of 2001-2005 is a radical change of direction for agricultural policy, and brings Turkey more in line with the EU. Price support has been reduced, subsidies have been removed and direct income support for farmers, in the form of a system of flat-rate payments per hectare of area (capped at 50 hectares), has been introduced. Many products, however, still enjoy high levels of trade protection. Since these changes, a short term production fall of 4 per cent has been observed.

The institutional reform of State Economic Enterprises and state-controlled Agricultural Sales Co-operatives, however, is proving more difficult. Steps are being taken, but up to now there is no clear indication that a competitive private sector has emerged.

Food policy in Turkey mainly consists of measures to impose international food safety standards. Domestic demand for higher standards of food safety and quality is low. The private sector in Turkey has just begun its involvement in the food safety standards of EUREPGAP in the fruit and vegetable sector.

Rural development policy in Turkey is more focused on large-scale investments in areas such as irrigation. Structural policy would be a new concept for Turkey.

With the exception of agriculture, the Turkish economy is relatively open to foreign trade. In 2003, total imports and exports of goods were 29 and 20 per cent of GNP, respectively. The EU is Turkey's main trade partner. Agricultural products accounted for 11 per cent of Turkey's merchandise exports in 2002, and 4 per cent of imports. Since 1989, agricultural trade volumes have fluctuated around a constant level; the agricultural terms of trade improved in the later 1990s, but are now close to the level of the early 1990s.

Fruit and vegetables represent over half of Turkey's agricultural exports, whereas the composition of agricultural imports is more diverse. One third of agricultural imports are

intermediate goods (textile fibres, hides/skins, tobacco, animal feed ingredients).

A customs union between the European Union and Turkey came into force in January 1996. Agricultural products have remained outside the customs union, although (asymmetric) trade preferences operate for agricultural product flows in each direction. Since the EU had already accorded trade preference to many of Turkey's agricultural exports, the customs union had no discernible impact on Turkey's exports to the EU. Turkey has a strong positive balance on agricultural trade with the EU.

Turkey also has developing country status in the WTO. It is a party to various regional trade co-operation agreements. Turkey retains some very high tariff bindings for agricultural and food products. The tariff structure for these categories exhibits tariff escalation. Turkey has no allowance for domestic support expenditure under the Uruguay Round Agreement, all domestic support having been declared as *de minimis* support (i.e. not exceeding 5% of the value of each relevant output). Currently, export subsidies are used for a number of products.

At the WTO, Turkey has faced three formal complaints about using sanitary and phytosanitary (SPS) regulations for protectionist purposes and with insufficient scientific justification, two of which appear to be unresolved. In particular, Turkey's 8-year ban on imports of red meat has been repeatedly challenged as an illegal use of SPS measures for protectionist purposes. Other complaints about the lack of transparency in Turkey's import regulations for agricultural products concern frequent unnotified changes in import regulations, and cumbersome bureaucracy.

In the Doha Development Round, Turkey follows the EU negotiating position as regards non-agricultural products, whereas for agriculture, its position is close to that of the "G-20" developing countries, who insist on large reductions in export subsidies and support by developed countries as a condition for further tariff reductions.

With full harmonisation of agricultural trade between Turkey and the EU, livestock prices in Turkey would fall significantly and domes-

tic animal production would shrink. Consumers' welfare gain would be greater than producers' welfare loss. Turkey could do much to improve its net trade position in agriculture and food products even without trade harmonisation with the EU, by internal restructuring and raising the efficiency of supply chains.

Turkey's current pattern of self-sufficiency levels is the result of trade and market distortions, and in particular an over-protected livestock sector, to the possible detriment of human nutrition.

The main environmental impacts of agriculture in Turkey are water and soil degradation, due to the overuse of water and chemicals. Fertiliser and pesticide use has decreased slightly in the last few years. However, the expansion of irrigated areas may stimulate excessive use of water, leading to more nutrient run-off and salination.

In the last 10 years, Turkey has adopted much new environmental legislation. The implementation of global and regional conventions, participation in international environmental fora and the goal of joining the EU have been major driving forces behind these reforms. However, institutions dealing with agri-environmental issues are still poorly coordinated and there is a lack of effective implementation at local level. Regulations are the main policy tool and there are few economic instruments. There are few incentives for farmers to use environmentally friendly practices. Turkey has only just started to include environmental concerns in its agriculture and rural development policies, and there is still ample scope for further regulation and improvements to existing regulations. Although public opinion gives low priority to the environment, civil society in Turkey is becoming more involved in environmental policy making. Non-governmental organisations have an important role to play in increasing environmental awareness and public participation, and in advancing governmental policy. Recent changes facilitate registration and financing of non-governmental organisations and their projects in the field of the environment.

Typically, environmental investment is financed by government out of scarce budget resources. Bank lending for environmental

projects is limited. Funding for these projects is mostly provided by international development agencies and other international donors. Most of these projects are scattered and of small scale.

Organic farming has developed rapidly since the mid-1980s, but still covers less than 0.5 per cent of the cultivated area. Production is export-driven and the sector offers potential for further growth. Both the government and nongovernmental actors are making efforts to develop the domestic market for organic products. Turkey is very rich in biodiversity. Many species and habitats are, however, at risk due to factors such as agricultural intensification, agricultural land abandonment and the construction of large infrastructure projects.

Turkey's plant health situation gives relatively little cause for concern. Export quality fruit and vegetable products are already accepted on the EU market and around the world without difficulty. For livestock, however, where the most infectious diseases are more destructive physiologically and economically, it is likely to take years to achieve standards that permit Turkey's participation in a single market for all animal products.

Turkey faces major challenges with respect to animal health. Some highly infectious animal diseases that have been virtually eradicated in western and northern Europe remain endemic in Turkey. The situation is complicated by the fragmentation of the livestock sector, Turkey's geographical location and its porous borders to the south and east. Other relevant factors include operational shortcomings that limit the efficiency of the veterinary services, the extent of political commitment to pursue effective control and eradication, and the availability of resources to do so.

Three highly infectious diseases (foot and mouth disease, *peste des petits ruminants* and sheep and goat pox) have occurred in virtually every year since 1996. Turkey is also prone to outbreaks of anthrax and brucellosis. Turkey has had no registered case of BSE, but the BSE risk has been classified as not negligible. The most important zoonoses recorded in humans are anthrax, brucellosis, leishmaniasis and salmonellosis.

There has been progress towards harmonisation with EU veterinary legislation. However, enforcement capacity is still underdeveloped, as is bio-security awareness at every level of the livestock production chain. Even with effective implementation of the *acquis*, it will be many years before Turkey reaches full disease-free status for all the most infectious diseases. Until this is achieved, a single market in animal products with the rest of the EU will be problematic. Zoning might be used to allow the country to acquire disease-free status on a region by region basis.

The lower level of concern about plant health relative to animal health reflects the fact that the scope for catastrophic consequences following an outbreak of plant disease or infestation is much smaller and more easily contained, and not that the incidence of plant health problems is low. Many plant diseases, weeds and insects of an economically damaging nature have been reported in cultivated crops in Turkey. Typically, phytosanitary chemical use has been the main line of defence, but biological control programmes are now starting to be developed for various open field and greenhouse crops. New plant quarantine legislation to bring Turkey more in line with the EU has been adopted.

### **Consequences of Turkey's Hypothetical Accession to the EU**

Following this overview, the report focuses on the consequences of Turkey's hypothetical accession to the EU in 2015. In order to discuss the likely impacts, and especially in order to provide estimates of budget costs, assumptions are needed regarding economic growth rates in Turkey and in EU member countries, population growth, and the exchange rate between the euro and the Turkish lira at the moment of accession. In addition, assumptions about prevailing policies, both within the EU and as a result of the WTO Doha Development Round, are needed. These assumptions are summarised at the beginning of the analysis.

As an EU member, Turkey has to align its informal and formal institutions with EU norms and expectations. Informal institutions are more difficult to change and slower to adapt than formal institutions. The report acknowl-

edges Turkey's on-going progress in adapting the institutional framework for agriculture, and the various steps being taken, on a broad front, to bring Turkey's formal institutions and institutional bodies closer into line with the *acquis*.

Regarding economy wide institutions, tax collection, the functioning of the judicial system, and the credibility and time-consistency of public policies are identified as key areas still to be improved.

As regards the agricultural and food sectors, visible progress in adopting legislation and formal rules is typically accompanied by concerns expressed about implementation. Moreover, although some structural change is being driven by private sector developments upstream and downstream from agriculture, a stronger and more competitive food supply chain also requires restructuring of the farming sector, the pace of which will be too slow if it is left to market forces and economic pressures. The implementation of ARIP has been an important step towards alignment of agricultural policies with the CAP, but contains no direct incentives for structural change within the farm sector.

As an EU member, Turkey would adopt the common external tariff of the EU for agricultural products. Given current tariff structures, agricultural trade harmonisation between the EU and Turkey by 2015 will for the most part mean tariff reductions in Turkey. The largest downward tariff adjustments would be expected in the livestock sector.

The greatest challenge for Turkey on the external trade front does not, however, concern policies. It is in fact to develop the infrastructure, administrative capacity and commitment necessary for effective control of external borders by the time of accession. It is unlikely that by 2015 a single market in all animal products, without internal SPS border controls between Turkey and the rest of the Union, can be operated.

Limited progress has been recorded in the adoption of the environmental *acquis*. The Environmental Impact Assessment regulation has been adopted but so far implementation has been rare and poor, and there appears to be

considerable ground to cover if Turkey is to adopt fully the environmental *acquis* by 2015. On accession, Turkish farmers would also be subject to the cross compliance conditions linked to direct income payments. This would offer an opportunity to improve agriculture's environmental performance, but will require good quality extension services and monitoring expertise, which has to be in place by the time of accession.

In 2015, market and price support, and direct income payments to Turkish farmers, would amount to EUR 3.6 billion respectively (at the 2004 value of the euro). Rural development expenditure would be EUR 1.6 billion. Budget payments arising from structural and cohesion policy would be between EUR 9.5 and 16.6 billion (2004 values). Turkey's budget contribution would be EUR 5.4 billion. Net receipts by Turkey from the EU budget are estimated at EUR 11-18 billion (2004 values). An important challenge is to design programmes for structural and cohesion spending that address some of Turkey's specific weaknesses, such as low levels of human capital, poor opportunities for non-agricultural employment in rural areas, and low levels of health and quality of life in rural areas.

Improving the provision, quality, access and attainment levels in education must become a top priority for Turkey in the coming years, together with improved access to the labour market for educated young people. Increases in education spending should directly target the rural population in Turkey. The performance of Turkey as an EU member, and the success of its economy within a competitive single market, depend crucially on the human capital of young Turkish people. However, because the *acquis* focuses more on regulations to support the single market and to impose EU level policies, there is a danger that the attention of Turkey's policy makers in a pre-accession phase may be drawn away from national education policy as a top priority area.

The adjustment of the agricultural sector to the single market will put pressure on a large socio-economic group with little social protection. The creation of non-agricultural

jobs in both rural and urban areas is needed, accompanied by liberalisation of the labour market and extension of the social security system to act as a genuine safety net. Turkish accession could mean that EU budget spending cannot be re-oriented more towards measures to support and increase competition, or to enhance growth by stimulating knowledge-intensive industries, but instead remains dominated by redistributive transfers aimed at supporting agriculture and rural development.

At the same time, the evidence available in the literature suggests that the boost to macroeconomic growth in EU-27 from Turkish accession would be low and could be cancelled out by high budget transfers from EU-27 to Turkey.

Turkey's accession would add to the number of EU member countries that have difficulties in implementing EU requirements with respect to food safety, environmental, veterinary and phytosanitary standards, and would reduce average levels of governance and transparency. The accession of Turkey to the EU will lead to a large increase in the EU's external borders. The initial and permanent costs of controlling these borders are huge. It is not yet clear how feasible it is to establish correct and effective controls on these borders.

During and after accession, Turkey would be an interesting and growing market for the food industry and retailing companies of EU-27, for both exports and FDI.

Because of Turkey's low per capita income, Turkish accession would automatically produce a reduction in annual average EU per capita income by about EUR 2520 (at 2004 values). This would lower the threshold below which regions qualify for structural aids. With Turkish entry to the EU, new regions with a combined population of 79 million people will be eligible for structural funds at the top rate. However, regions in EU-27 with about 33 million inhabitants would no longer be eligible for this funding.

The total annual budget cost for the EU-27 of Turkey's accession in 2015 is likely to be EUR 11-18 billion (in 2004 prices). The uncertainty of these estimates comes mostly

from the structural fund component, and depends on the absorption rate of structural spending. The upper limit corresponds to an absorption capacity of 3.5 per cent of GDP. These estimates are somewhat lower than the numbers in other published studies.

From the perspective of the agricultural and food sectors, and rural areas, the main opportunities for the EU from Turkish accession are, first, an increase in profitable opportunities for companies in EU-27 to export products, technology and capital to Turkey, and second, the long-term benefits that the EU's environmental protection legislation would bring to the eastern Mediterranean area when implemented by Turkey. Although the Turkish government is currently very welcoming to foreign direct investment (FDI) in general, concerns about Turkey's economic stability continue to inhibit FDI. Moreover, the high level of trade protection for Turkey's agricultural markets, even within the EU-Turkey customs union, reduces opportunities for agrifood exports to Turkey. These conditions would change upon, or even before, the moment of accession. On the environmental front, Turkey has a lower level of rural environmental problems than a number of existing member states, and the opportunity to apply environmental legislation more in a preventive than a corrective capacity is attractive.

An additional, more general and long-term, opportunity is the geo-political strengthening of the Union in its southeastern corner. In the short term, however, the large increase in the EU's borders in this part of the world could bring particular problems for the agrifood sector in its attempts to impose sanitary and phytosanitary controls, and other border inspections required by the *acquis*, unless effective border controls can be implemented from the moment of accession.

The report identifies various potential threats to EU common interests in the areas of agriculture, food and rural development. These include the possibility that levels of food safety and quality are diluted or become more difficult to enforce, that average standards of governance are reduced by the incorporation of a country with very different institutions and a poor record in this respect, and that the risk of animal disease outbreaks in the EU as a

whole may increase – or may be *perceived* as having increased, which also has negative consequences in trade terms.

The possibility of increased migration from Turkey to other parts of the EU after accession is seen by some as a potential threat, by others as an opportunity. The report does not cover the migration issue *per se*. However, it documents the low incomes, poor living conditions and low levels of human capital that currently characterise many rural areas in Turkey. We conclude that agriculture and rural areas are likely to bear the main brunt of post-accession adjustment. Whether or not this results in increased migration within the country or across national frontiers, large pockets of poor, uneducated and unemployed people *anywhere* in the Union can be seen as a threat in both economic and social terms, and pose a problem for policy makers. Large-scale rural and structural development programmes will be needed in order to reduce these consequences.

In considering whether the large budget transfers that would go to Turkey represent a negative consequence for the EU as a whole, it is important to consider their opportunity cost in terms of other initiatives and benefits that would be foregone by the Union. Relevant questions are whether the size of the economic multiplier of this expenditure, in the countries that would forego it, is larger or smaller than its multiplier in Turkey, and whether under existing rules the transfers would be spent in a way most appropriate to Turkey's current needs, and with the best long-term benefit. From the evidence we have been able to gather, a definitive answer either way to these questions is not possible.

Amongst the many challenges that Turkey's accession would provide for the EU as a whole, our analysis of the agricultural and food sectors, and rural areas, leads us to single out three major issues. The first challenge concerns the need to adapt and strengthen the formal and informal institutions necessary for implementing the *acquis* and for allowing Turkey to perform within the EU on an equal footing with other member states. The second challenge relates to the large educational deficit that characterises the Turkish population in general, including younger age groups, and particularly in rural areas and in agriculture. In order to optimise the potential arising from

Turkey's accession whenever it occurs, these challenges should be given heavy weight in designing pre-accession and accession strategies. The third challenge is to harness the value-creating potential of Turkey's growing, active population. This challenge involves a whole set of inter-related issues, including the need for labour mobility, more job creation in the formal economy, and greater opportunities for female employment. Appropriate strategies for meeting these challenges would need to go beyond what has been done in previous enlargements and be tailored specifically to meet the particular case of Turkey.

## TURKISH BUSINESS PERSPECTIVES

by  
**TÜSIAD**  
**TURKISH INDUSTRY & BUSINESS**  
**ASSOCIATION**

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### **A Prelude to FDI to be a part of food and agriculture sectors of Turkey**

Food industry and agriculture are among the strategic sectors in the 21<sup>st</sup> century. Apart from being a vital necessity, contribution of these sectors to the economy is indispensable. In this respect, current conditions of food and agricultural sectors in Turkey need to be upgraded. In order to achieve such improvement, innovative, progressive programmes should be carried out, international technology and knowledge transfer should be available for these sectors to better tackle and overcome the actual structural problems.

Due to its share in total exports and industrial production capacity, food sector is known as one of the most important sectors in Turkey. 5% of GDP is derived from food sector in Turkey and it accounts for 20% of total manufacturing output. The amount of domestic investment is also high in this sector. It is also one of the most flexible sectors with its dynamic structure.

Turkey is the world's third largest exporter of fruit and vegetables. The share of fruits and vegetables in total agricultural production is 43% whereas in the EU it is amount to 15%. In the segment of the organic food production, Turkey has also the potential to be a world leader.

However, the food and agriculture sector in Turkey have not been successful in attracting foreign direct investment. It is expected that, EU membership process will accelerate the adaptation of the EU institutional framework for agriculture and environment. In a few years time Turkey will meeting the European standards. The momentum to invest in Turkey's food sector, both in the agricultural and industrial production, is strong.

With her mild climate conditions, fertile and unpolluted soils, Turkey is very suitable to raise different industrial crops and plants. With 70 million inhabitants, Turkey herself is a large market for food and agricultural products.

Besides, Turkey is at the crossroads of European, Asian, Caucasus and the Middle Eastern markets. Among all, it is worthwhile to mention that, fertile Turkish soils are very suitable for organic farming and there is a huge growth potential in that export oriented sector.

Between 2001-2005, the launch of the "Agricultural Reform Implementation Project" influenced the agricultural reform in Turkey in a positive way. Price support to farmers had been reduced, subsidies had been removed, and instead of these instruments direct income support to the farmers has been introduced.

As the EU process takes off, Turkey aims to reinforce social cohesion in the rural area by increasing the income level of the people in the area. Developing human resources, protecting the rural heritage and environment are also some other challenges before Turkey. Modernisation of agriculture and food processing facilities are essential to attain European standards. Within this clear perspective, the foreign direct investment would always be welcome to contribute to Turkey's success.

For more information: <http://www.tusiad.org> and  
<http://www.sls.wau.nl/ae/projects/Turkey/description.html>