

Turkey and the European Union

How to achieve a forward-looking and 'win-win' accession by 2015?



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Abstract:

Turkish accession to the European Union (EU) over the next decade or so is expected to change significantly both Turkey and the EU in economic, cultural and political terms. In order to make sure that this change will be for better, both sides need to develop a common vision aimed at a win-win and forward-looking outcome from the outset. Otherwise, the accession negotiations, due to commence on 3 October 2005, is likely to encounter a serious risk of failure if they were left to the normal negotiation procedures. A key message to emerge in this article is that the EU leaders should judge Turkey on the basis of its potential economic, cultural, demographic and geostrategic importance from today to 2023 and what the future holds for Europe by then - not on the narrow and short-term concerns and interests of today.

Turkey's accession to the European Union (EU), a historic process which was formally launched by the 17 December 2004 decision of the European Council in Brussels, will be one of the most controversial and ambitious ones in the Union's history of enlargement. It represents the culmination of an up-and-down process of interactions between Turkey and the EU underway since 1963; yet it is still not a "done" deal - there are long years of negotiations due to commence on 3 October this year² and plenty of pitfalls ahead.

As Turkey's opponents argue, it is true that the eventual accession will considerably change the future outlook of both Turkey and the EU. Turkish accession will affect the geopolitical and economic balance of power in the region, EU's demographic, security, foreign policy, financial and institutional capacities. It will also bring in a rich culture and diversity. Whether Turkish accession will be for better or worse in the final analysis depends very much on how both sides will agree to interact, from the outset, towards a commonly perceived vision.

The rapidity and substance of the measures of change adopted one after another over the past few years in preparation for the accession process have impressed even the most ardent

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² The date is later than Ankara had hoped. At the 2002 Copenhagen summit, EU leaders had promised opening talks "without delay", provided Turkey was deemed to have made sufficient progress on democracy, human rights and legal reforms. But with fears, especially in France, that the coming referendums on the European constitution could be overshadowed by widespread public opposition to Turkish membership, a later date was eventually proposed.

opponents of Turkey's accession. As a result of unprecedented reforms human rights, freedom of expression, women's rights, the military and the financial and banking system have all been subject to radical transformation. The power of the military has been curtailed, and the government has also implemented a subtle change of policy in Cyprus.

Undoubtedly, there is still some way to travel before meaningful progress can be achieved in other areas; yet for such efforts to be credible and bear fruit the EU accession process should not generate new "excuses" simply to delay Turkish accession as long as possible. As a matter of fact, the most severe and important critics of the situation in Turkey are the Turks themselves. Turkey has witnessed the beginnings of a civic society, an explosion of non-governmental organizations covering everything from birth control to human rights, from the arts to improving local government and environment. There is no longer denial about problems and no shortage of prescriptions to heal them, but some of EU politicians are too slow to recognize this development, and are still on "rewind instead of play"³.

In this process, one should also recognise that it is not only Turkey, which must reform, but also the EU, which needs to adapt to the requirements of changing times and an enlarged EU. Surely, the EU with Turkey in as a member will look quite different from anything its founding fathers ever envisaged⁴. The Union will face the challenge of fundamentally re-defining itself, progressively changing from an entity largely concerned with economic and social redistribution via its agricultural, cohesion and structural funds into a global actor that invests more on competitiveness, infrastructure, research and development, poverty reduction, military capability, and border protection. Admittedly, this process will not be easy politically, since there will be strong opposition from domestic sectors, adversely affected, in nearly every country including in Turkey.

What kind of Europe shall we live in by the time Turkey joins?

The Turkish accession is often framed in terms of what's good for Europe, with little attention paid to what of Europe is good for Turkey. Would Turkey be still interested in becoming a full member in the world of 2016 and beyond? How would the EU position itself internally and vis-à-vis the US, China, Japan and other major regions? Will it still be a pole of attraction for a dynamic country like Turkey with diversified interests? These questions beg some fortune-telling into the next decade or so, when Turkish accession could be possible at the earliest.

It is in the discretion of Turkey and the EU to hammer out a workable and flexible arrangement for the success of accession negotiations, but the end result may depend not only on their ability to manage such a complicated process. It will also depend on some other factors that can only be partially influenced and controlled by the EU or Turkey. The future

³ The case: Win-win prospect for Turkey and EU, Michael Lake, 23 July 2004, International Herald Tribune.

⁴ Europe's historic new step, Chris Morris, BBC Europe correspondent, 18 December 2004, <http://news.bbc.co.uk/1/hi/world/europe/4108463.stm>

development of the EU itself is equally important in view of actual European concerns about an “overstretch” of the Union through waves of enlargement. The better the EU would be in realizing its ambitious “Lisbon Goal,” i.e. to become the most internationally competitive knowledge-based economy, the less opposition could be invoked against the Turkish accession if Turkey too moves in the same direction.

Who can contest the impressive range of achievements of the EU since it came into being? It is, in many ways, an outstanding experiment in international politics and economics - not only as an enormous integrating economy, but also as an incentive for political stability and economic prosperity in a part of the world that generated two major wars within three decades in the last century. The recent wave of accession by ten new states, and more waiting to join is one measurement of success⁵. All the accession countries have benefited immeasurably from EU membership in terms of better democracy, increased wealth and enhanced security. The fact that millions of Europeans use the same currency now is another measure of success as they agreed to surrender sovereignty over one of the most important tools in the hands of national central banks. Added to these are the advances made in common foreign and security policy, and other new EU competences.

The EU can be viewed as a work in progress for the foreseeable future even if its new constitution is ratified and enters into force because neither its final political character nor its ultimate borders are yet in sight. It remains an evolving entity always about to change its structure in response to internal and external dynamics or to absorb another country. To stay relevant in the globalized world of the 21st century, this is a valuable asset to have⁶. The moment there is an attempt to define its characteristics and final aims in absolute terms, there will be a risk of confrontation because no firm agreement exists yet among Europe’s governments and citizens on what its future, or even its present, shape should be.

A crystal gazing skill is not needed to say that things are currently not going well in European construction. Institutions and member countries are at war about economic management. There is an ongoing tension in the transatlantic relations. The inability to resolve the problems created by the new wave of enlargement and the polarisation between the “old” and “new” Europe, as well as the uncertainty whether the new constitution would be endorsed by national parliaments and referenda are just few challenges to name.

The demographic crisis lurking just around the corner is yet another concern – particularly for the future survival of Europe. Europeans are having fewer children, while their death rate is also falling, and consequently their populations are shrinking. And with them shrinks the labour force. By 2050, Japan is expected to see its workforce—those aged between sixteen and sixty-four—shrink an extraordinary thirty-seven percent. Italy's workforce will fall by an

⁵ A Unified Vision - A Divided Union, **Dr. Jackson Janes**, <http://www.aicgs.org/at-issue/ai-jj06172004.shtml>

⁶ Europe Could Become the First “Post-Modern” Superpower, Ulrike Guérot, in *European Integration Fall 2004*, http://www.europeanaffairs.org/current_issue/2004_fall/2004_fall_36.php4

even greater thirty-nine percent, and Germany's by eighteen percent. France and Great Britain will experience drops of eleven and twelve percent respectively. Conversely, the United States' workforce is expected to grow by thirty-three percent.⁷ In most OECD countries today, the ratio of workers to pensioners is 4:1, but by 2050 that ratio may drop to just 2:1. A halving of the workers-to-retirees ratio will then put enormous strains on societies with aging populations, and Europe will likely face some critical readjustments as a result. If Europeans hope to maintain their living standards in retirement, more younger workers will have to be found.

As for Europe's competitiveness, the picture seems to be rather gloomy, with EU having lost its competitive edge in a number of sectors⁸. On all of the indicators of competitiveness Europe fares poorly compared with the United States and Japan. GDP per capita in the EU, measured at purchasing power parity prices, stands at 70 percent of GDP per capita in the United States and one-sixth below that of Japan⁹. The estimated growth in the euro area for 2005 is 1.9 percent this year¹⁰ – much lower than other key regions in the world.

European governments' goal adopted at the EU Lisbon conference in March 2000 to make the EU "the world's most dynamic and competitive economy within ten years" remains an illusion, seen today as largely empty and unattainable. Thus, the Lisbon strategy has been considerably revised to bring it down to earth¹¹ as it became clear that most European governments are increasingly unable to engage in fundamental reforms – their citizens are less interested in being better off than other nations and more concerned with simply living well. Protests against attempts to reform labour markets and health care systems in Germany and other European countries are illustrative of this situation. How then can we expect the agenda for "growth and employment" be effectively implemented? This is the really tricky question: most people in the old European countries would like to preserve the current level of social welfare and even to increase it. The painful truth is that in order to enjoy real welfare, at least some part of the present benefits should be sacrificed. Education, health care and social security are also key areas which Europe needs to consider carefully in its Lisbon strategy¹².

Last but not least, the enlarged Union is facing a key challenge of ensuring strategic

⁷ Muslim Europe and the Transatlantic Divide, Zachary Shore, AICGS Working Paper Series, <http://www.aicgs.org/Publications/PDF/shore2.pdf>

⁸ For a discussion of a pessimistic vision of France and its economic future, see the two economics books on the bestseller's list in France in 2003: "La France qui Tombe" (the Fall of France) (Baverez [2003]), and "Le Desarroi Français" (the French Disarray) (Duhamel [2003]).

⁹ Any evaluation of national competitiveness must begin with a consideration of two fundamental questions: 'how and in what dimensions do we measure the competitiveness of a national economy, and what standards do we use in determining adequacy?.'

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ECB warns of slower growth in euro zone, 2 December 2004, Richard Carter, EUOBSERVER.

¹¹ See for further details: The Lisbon Review 2004: an assessment of policies and reforms in Europe, World Economic Forum, http://www.weforum.org/pdf/Gcr/LisbonReview/Lisbon_Review_2004.pdf.

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No such thing as a free lunch, Guoda Steponaviciene, EUOBSERVER, 29 November 2004, <http://euobserver.com/?sid=19&aid=17860>

leadership and direction. It is clear that France and Germany alone cannot do this – but nor will strategic direction be achieved through a breakdown of the Franco-German relationship which some critics seem to wish for. Nor can leadership be provided by either a trilateral relationship including the UK or even by all six of the bigs. All the larger countries, and not only France and Germany but including them, have to recognise the need for alliances that work with the medium and smaller member states. But there is little sign for now as to where such a large-small alliance providing strategic direction rather than short run deals of convenience will come from.

Finding the middle ground

Turkey represents one of the most telling examples of how the prospect of joining one of the world's largest economic clubs - with the still fledging political and security wings - can motivate a country's leadership and society to better standards, liberalize sectors, reform public administration, upgrade democratic credentials¹³, resolve internal disputes, and improve relations with neighbours. Hence, whatever is said about its deeds and misdeeds the plain reality remains that the EU has one really effective "golden carrot": the attraction of its membership.

From the flurry of discussions prior to the 17 December decision, it appears that the real dividing line about Turkey in the EU is between those focusing on internal aspects of the EU and those giving greater priority to external issues, especially to the Union's role as a global actor. Those who want a more globally responsible EU to engage more actively in international relations, and especially in the Middle East peace process, argue in favour of Turkish membership¹⁴. Although Turkey is unlikely to join before 2016 at the earliest, supporters of Turkish entry believe that the Union would gain influence in the region once it had borders with Syria, Iraq and Iran. Turkey would dramatically increase the population of the EU, and over the longer term expand the European economy, the single market and ultimately the scope of the euro.

Turkey's case for serious consideration by the EU has often rested on broader strategic and political rather than civilizational factors. The real post-cold war strategic significance of Turkey to Europe lies in the problems that a less stable or more activist Turkey could create. Europe requires a stable, modernizing and democratic Turkey to (hopefully) keep radical Islam from Europe's borders. It needs a Turkey that is cautious in its regional policies towards the Caucasus, the Balkans, and the Middle East, and which seeks to avoid confrontation with Moscow and Tehran. The point is not so much what Turkey offers to Europe as what the 'loss'

¹³ Collectively, the reform measures adopted since February 2002 have vastly liberalized the country's political system, facilitating Kurdish broadcasting and education, abolishing the death penalty, and subjecting Turkish courts to the European Court of Human Rights. The main reason why these packages passed through the Turkish parliament rather smoothly -- with the public offering strong support and the military voicing only a few quiet reservations -- is that democratization has become a political avalanche in the country, driven by many powerful catalysts, including the prospect of EU accession.

¹⁴ Europe Could Become the First "Post-Modern" Superpower, Ulrike Guérot, in *European Integration* Fall 2004, http://www.europeanaffairs.org/current_issue/2004_fall/2004_fall_36.php4

of it could entail. In a certain sense, what Europe needs from Turkey is that it be contained, controlled, prudent¹⁵.

This might not be exactly where Turkey is heading, however. The opening up of Turkic-speaking Central Asia and Azerbaijan as a consequence of the break-up of the Soviet Union in early 1990s at first seemed to offer more than just new economic opportunities. It generated a vision of Turkey as the focal point of a new, dynamic, culturally integrated Turkic world. Economic and political opportunities seemed to beckon elsewhere in the former Soviet Union, not least in Russia and Ukraine, but also in a Balkan region freed from communist rule.

Another important asset Turkey offers is its strategic location with respect to Europe's future energy supplies¹⁶ from the Middle East and, more importantly, from the Caspian region. The EU, facing the gradual depletion of North Sea oil and gas resources, recognises the strong need for a long-term common energy policy¹⁷. Although the Caspian region could not substitute OPEC imports, it surely could provide an alternative. In respect of energy, the role of Turkey (linking the Union with the Middle East and Caspian regions)¹⁸, is bound to grow because of the increasing volumes of oil and gas that will transit through the country, from both Persian Gulf producers, the Caspian Sea and Russia¹⁹.

Ankara argues that Turkey's geography, history, cultural and religious links and security environment makes it both a European and a regional player, and that it can act as bridge between the two. There is something in this argument, at least in those areas where Turkey's local relationships are cooperative and multilateral. However, Turkey's region, and the interests Ankara has there, might differ from those of Europe. The EU seeks stability, regional friendships, a neutral role in local disputes, secure supplies of oil, trade even with awkward local states, and the like. Turkey's regional engagement is underpinned by historical legacies, cultural factors, economic interests, more immediate territorial and security concerns. It appears that this is an area where both Turkish and EU leaders should work harder to achieve

¹⁵ Turkey's European Union Candidacy: From Luxembourg to Helsinki - to Ankara?, Bill Park, International Studies Association Working Paper, July 2000, <http://www.ciaonet.org/isa/pab01/>

¹⁶ Are we heading towards a new energy crisis?, Mehmet Ögütçü, Dünya, 18 August 2004, <http://www.dunya.com> Turkey is a major player on a crowded Caspian chessboard, and, whatever current inadequacies are, the long-term prospects are promising for increased bilateral co-operation and a steady expansion of Turkish influence in its region. The goal is to make Turkey a regional hub for energy interconnections, trade, transportation, finance, and investment through increased interdependencies with its neighbours.

¹⁷ The EU imports about 90 percent of its total oil consumption, and 40 percent of gas consumption. Up to 40 percent of the EU's gas imports currently come and will continue to come from Russia. The EU candidate states have an oil dependence of 90–94 percent and a gas dependence of 60–90 percent. OPEC represents 45 percent of current EU oil imports. Both the launching of the EU-Russia strategic energy partnership on November 30th 2000 in Paris, as well as the vast energy potential of CEA have refocused the EU's attention on the necessity of diversifying its energy imports.

¹⁸ Turkey's strategic location makes it a natural "energy bridge" between major oil producing areas in the Middle East and Caspian Sea regions on the one hand, and consumer markets in Europe on the other. Turkey's port of Ceyhan is an important outlet both for current Iraqi oil exports as well as for potential future Caspian oil exports. Turkey's Bosphorus Straits are a major shipping "choke point" between the Black and Mediterranean Seas. Finally, Turkey is a rapidly growing energy consumer in its own right.

¹⁹ Study on Energy Supply Security and Geopolitics, Final Report, prepared by a consultant for the European Commission, January 2004, http://europa.eu.int/comm/energy_transport/doc/2004_lv_ciep_report_en.pdf

a mutually beneficial convergence of interests, particularly in the initial stages of the accession negotiations.

To that end, it would be useful to institutionalise a closer and more continuous Turkish participation in the EU's Common Foreign and Security Policy (CFSP) along the lines of its former status in the Western European Union, i.e. a kind of special associated membership. Such a framework would be more feasible and justified today than it might have been some years ago when EU relations with Turkey were unclear on the question of membership. In any case, it would be a great disadvantage if the EU would wait another decade, i.e. until the actual Turkish entry, in order to fully reap the expected positive results of membership.

The Turkish accession is also critical to the success of another element of EU's common foreign and security policy, namely the European Neighbourhood Policy. This policy aims to develop a ring of stability, of like-minded countries, from Belarus to Morocco, increasingly sharing its values and deeply integrated in the EU single market and Community programs. It also ties these countries to the EU through other assistance programs. The "silver carrot" would be to grant them access to European markets – including labour and agricultural markets – but with a status falling somewhat short of full membership. This extension of "soft" power - slow, long-term and by consensus - compares favourably with the exercise of "hard" power seen in the broader Middle East today. Having the largest economy, the military force and close links with the region, Turkey can play a catalyst role in implementing this policy.

For the last decade, Turkish foreign policy has sought a delicate balance between Europe and the U.S. To the extent that the U.S. and Europe drift apart in strategic terms, Turkey faces uncomfortable choices²⁰. As evidenced by its position vis-à-vis Iraq, Iran, Syria and Israeli-Palestinian dispute, the current Turkish foreign and security approach is firmly embedded in the European mainstream given that politically and economically, Turkish convergence and integration with Europe is conceived of high importance. The US think-tanks debate the question of "who lost Turkey".

Both Ankara and EU governments should work harder on preparing the European public for an eventual Turkish accession. They also need to work on the Turkish public. Although there is wide consensus among Turks that political liberalization toward EU membership can only be good, some see the accession negotiations as an historic opportunity while others consider the process as a national "sell out", particularly on Cyprus and Kurdish issues.

"It is economy, stupid" approach?

The chances of Turkish accession will be stronger if Turkey can continue its recent economic recovery and turn it into sustainable growth over the next decade. This will reduce or

²⁰ Turkey, the U.S. and Europe - A Troubled Triangle, Dr. Ian O. Lesser, <http://www.aicgs.org/c/lesser.shtml>

eliminate concerns on the side of the EU about accession being too costly and too destabilizing in economic and social terms.

Turkey - a country of 780,576 square km - is almost the size of Germany and France put together. The enormous amounts of minerals and raw materials, the world's 10th largest area of arable land, and key position as a transit country for crude oil and natural gas, and its water resources - all of these are precious assets to the resource base of a future Europe. What opponents of Turkey's accession complain most is that its population is too poor and too big (the world's 17th most populous nation). Critics argue that Turkey is economically unstable, that it has recently emerged from a deep economic crisis and that the EU should not import economic instability when it is economically weak itself²¹.

According to World Bank calculations, Turkey's nominal gross domestic product (GDP) per person in 2003 was \$2,790 making Turkey almost 14 times poorer than the most prosperous country in the current EU (Luxembourg's GDP per capita is \$38,830). The EU's poorest country at present is Latvia, whose GDP per capita is \$3,480, still richer than Turkey. And the average GDP per capita in the EU is \$19,775, meaning that the average European is over seven times greater than the average Turk. These comparisons are misleading and should be put in the right perspective. In terms of long term growth dynamics, various studies point out that the income gap with respect to EU average will diminish, which means that per capita income will rise from 25 percent currently to somewhere between 40 percent – 55 percent in ten years time. Thus, the income gap around Turkey's possible accession will be similar to the income gap of the 10 new members when they joined the EU in 2004²².

If calculated in terms of purchasing power parity (PPP) Turkey is the world's 19th largest economy with a 2004 GDP of around \$430 billion. With an average 5-6 percent growth up to 2015 and 80 millions of population by then, we are talking about an economy which will have \$10,000 per capita GDP and an overall GDP of \$800 billion. These figures imply an economic power that cannot be neglected by the EU. It is believed that Turkey can do better over the longer term, judging from the performance of dynamic Asian economies, if it can pursue a "high growth" (7-8 percent per annum)²³, "investment in people" and "leap to the highest levels in technology" strategy.

The discrepancy between the GDP average of the EU and Turkey has important implications for the Union's structural policy. Until today, the EU's philosophy with respect to its

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Turkey and the long road to prosperity, Richard Carter, 17 December 2004, EUOBSERVER

22 The speech by the chairman of the Board of TUSIAD, Mr; Omer Sabanci, at TUSIAD-BIAC CEPIL Conference "Turkey in the European Economy", December 10, 2004, <http://www.tusiad.org/english.nsf>

23 Turkey's economy grew at an average annual rate of 4 percent between 1965 and 2001, with its real per capita GDP growing at just under half that rate due to rapid population growth. This long-term growth performance makes Turkey less successful than many of its competitors among the dynamic, emerging market economies located mostly in East and Southeast Asia and Latin America. Korea, Thailand and Malaysia grew two to three times more rapidly in per capita terms over the same period, and Brazil, India and Chile also outperformed Turkey, with average annual per capita GDP growth rates well above 2 percent.

prospective members has been to bring the citizens of new member states to the same standard of living, i.e. to about the same GDP average, of the existing members through financial measures (mainly structural funds and long-term credits). This may no longer be the case as before because there are 10 new member states that just joined and three more soon to become Turkey – in any case before Turkey. They will all compete for the increasingly scarce resources.

In addition to Turkey's relative low GDP per capita income, the considerable percentage of the Turkish population active in the agricultural sector, namely 45 percent, emerges as another area of potential problem. Agriculture accounts for 16 percent of its GDP (industry for 24 percent, and services for 60 percent). The EU has long been subsidizing its farmers with the notorious Common Agricultural Policy (CAP), but budgetary constraints would prevent the EU from providing the same level of CAP funding to the Turkish farmers and the new WTO deal struck in August 2004 will also have important implications in this regard.

Another worrying case is Turkey's huge foreign and domestic debt. In the new member states of the EU, gross public debt is typically about 40 percent of gross domestic product, according to IMF. At about 80 percent of GDP, Turkey's gross debt is double that figure. Turkey's debts have largely arisen from its efforts to push through banking reform after a run on the banks in 2001 caused the country's devastating recession. Any return of Turkey's economy to the unsustainable, erratic growth of the 1990s would negatively impact the EU's perception of the feasibility of Turkish accession²⁴.

A key concern is whether Turkey's accession will trigger a flood of cheap Turkish labour, driving down labour costs or relocating European firms to Turkey to take advantage of cost advantage, resources, domestic market and access to the EU and neighbouring markets. Such a development, if it occurs, will not only boost Turkey's competitiveness but also allow current EU states to import the qualified Turkish workers it will desperately need as the population ages. Despite declining birth rates (since 1970 these have dropped from 3.5 to 2.5 children per woman), Turkey's population is expected to reach 80 million in 2015 – with one in four Turks - or about 18 million people - aged 14 or less. Fears of a "Turkish invasion" should be tempered in the knowledge that any lifting of restrictions for Turkish workers is probably a generation away.

There are several good news about the health of the Turkish economy which should not go unnoticed (and be disseminated to the Turco-sceptics). Inflation has stabilised, coming down from more than 70 percent at the beginning of 2002 to less than 10 percent within a time span of about two years, thanks in part to the IMF programme, and could be as low as four percent in 2007. The new Turkish lira was introduced as from 1 January 2005, dropping six digits. Growth in 2004 is projected to be around eight percent, according to the Economist

²⁴ This would, in more concrete terms, imply a continuation of the present restrictive budgetary policy, further reforms of Turkey's social security system, and little room for a policy of broad income redistribution. Turkey's masses could be faced with the real situation of considerable economic growth without new jobs for some years to come.

Intelligence Unit, a level the EU - and certainly the sluggish economies of France and Germany - can only dream of. The OECD has recently described Turkish growth performance as "stunning"²⁵. Even unemployment stood at 10.5 percent in 2003, a high figure, but not much higher than some of the core euro zone countries. The tourism industry is booming and revenues from visitors should more than double to \$21bn in three years. Moreover, government spending is set to be frozen and a burdensome social security deficit is being tackled.

Customs union, which introduced free circulation of industrial goods and processed agricultural products in 1995, has demonstrated Turkey's ability to cope with Europe's competitive environment. Despite dire predictions before customs barriers were lifted, Turkish companies rose to the challenge and proved their competitiveness. The agreement also forced Turkey to harmonize its economic legislation with the EU. Hence, it would not be an exaggeration to say that a fast-growing, dynamic Turkey with a positive macroeconomic environment would be just what the EU needs to boost sluggish growth and inject dynamism into its economy.

Turkey has a lot to offer European investors and the accession process is expected to increase the foreign direct investment (FDI) inflows from EU economies to Turkey. With more than 60 percent of the population under the age of 35, its domestic market has a great potential for growth; its labour force is hard-working and cost-effective; and its unique location gives it access to Europe, Central Asia and the Middle East. More than 6,000 foreign companies have invested in Turkey. Yet, its performance is far from satisfactory²⁶ in attracting large FDI inflows²⁷. If the government manages to create a more favourable bureaucratic and legal environment, these decisions could also lead to an influx of much-needed European investment that would help take the Turkish economy to the next level of development. The government has, among other measures, decided to cut income and corporate taxes in order to attract \$15bn of foreign investment over the next three years²⁸.

There are wildly differing estimates of what Turkish accession would cost the EU. In the initial stages of its accession, Turkey would weigh heavily on the EU budget, both in terms of regional aid and agricultural subsidies. But, none of the current members of the EU are willing to contribute more to the EU budget (particularly at these difficult times in EU economies)--or alternatively, willing to give up from their net receipts-- so that the integration of the Turkish economy into the EU can be financed. Hence, the EU has a keen interest in ensuring that Turkey steps up its drive for rapid economic development. Indeed, Turkey can

²⁵ The OECD report on Turkey can be accessed at www.oecd.org/eco/surveys/turkey.

²⁶ In the past decade, the country has attracted on average only \$1 billion a year in FDI, considered well below what an emerging economy of Turkey's size should receive.

²⁷ This is largely due to economic reasons, including high transaction costs of entry and operation for foreign investors, chronic high inflation, economic instability, lack of intellectual property rights protection, lack of internationally acceptable accounting standards, insufficient legal structure and physical infrastructure.

²⁸ Turkey as an Asset, Mensur Akgün and Sylvia Tiryaki, EUOBSERVER, 14 December 2004, <http://euobserver.com/?sid=7&aid=17979>

contribute almost 6bn euros to the EU budget by 2014, according to a recent impact study by the country's State Planning Organisation²⁹.

As Turkey's GDP is set to grow by 6 percent per year on average, its contribution would rise to almost 9bn euros by 2020. This runs contrary to the popular view that Turkey is to become a burden on EU taxpayers. Turkey's assertions are confirmed by the European Commission's own "impact assessment" in October 2004, which says that "the economic impact of Turkey's accession to the EU would be positive but relatively small"³⁰.

How will the negotiations be held?

Given that never before have there been accession negotiations that were so controversial among EU member states and so charged with uncertainties and serious political and economic impediments than the Turkish accession, it is absolutely essential that both sides should agree on an imaginative, constructive problem-solving approach to produce a successful conclusion of this process. The discussions in Brussels clearly indicated that accession negotiations would not be on the basis of a "business-as-usual" mandate with an emphasis on the *acquis communautaire* and Turkey's ability to effectively apply it at the moment of entry into the EU. The attainment of European standards with respect to democratization and liberalization, as well as changing not only certain practices and legislation, but also the public and official mindsets would be the primary goal³¹.

Equally or even more important is to ensure that the negotiations will pave the ground for the EU governments at the end of the process to convince their public that Turkey does not enter the Union as an "alien" but as a truly "European" society and state, while at the same time respecting its culture, religion and priorities. This should be declared a priority from the very beginning, i.e. from the formulation of the negotiating mandate for the European Commission. It goes without saying that the process begun by Europe's leaders in Brussels will have to be completed by the politicians of the future – probably during the lifetime of at least three new governments in each country. Given the high degree of domestic controversy that the Turkish dossier causes, the governments may not have any interest in keeping the Turkish accession issue visibly on the public agenda until such a time that positive public perception of Turkey could be generated. Most EU leaders would prefer to put the issue on the backburner by "leaving the concrete task of preparing and conducting the negotiations mainly to the European Commission"³².

However, it is important that the EU governments commit a greater degree of political attention to the negotiations than they have done in past negotiations. And this attention

²⁹ Turkey turns on the economic charm, Jorn Madslie, <http://news.bbc.co.uk/1/hi/business/4063233.stm>

³⁰ The report can be accessed at www.deltur.cec.eu.int/english/cp-progress.html

³¹ Whither Turkey's EU Accession? Perspectives and Problems After December 2004, Heinz Kramer at http://www.aicgs.org/c/kramer_turkey.shtml

³² Ibid. Heinz Kramer

should be constantly present throughout the accession process and not be restricted to so-called crucial dossiers or crucial moments, such as free movement of people, common agricultural policy, financial and institutional issues. If it were left to the normal negotiations procedures, the process leading to its conclusion would likely encounter a serious risk of failure along the way. Therefore, accession negotiations are (and must be) aiming at full membership, avoiding the recurrence of discussions about alternatives to Turkish membership.

Considerations about the EU's ability to function effectively are likely to be a regular feature of the negotiations with Turks. This can result in adjusting the speed of negotiations - to be slowed down if the EU members fear that too early a Turkish accession would overload the Union³³. It is this concern that already now can be seen behind the almost unanimous declarations by leading EU politicians that Turkish accession would at least require a period of ten years or more before it could be accomplished. Also the rules for opening and closing each of the 31 chapters ensure the possibility of putting brake onto the process.

Turkish negotiators will naturally react to what they might consider to be an unjustified special, discriminatory, treatment in comparison with other former and even future candidate countries, although they often characterise themselves as a special case in other areas. Turks are also aware that accession negotiations are not a level playing field, unlike a "classical" negotiation between the two states on an equal footing. Accession does not mean the negotiated merger of the Union with the respective candidate, but an intense and often painful process of mostly one-sided adaptation to the EU by a state accepting the Union's demands for accession. This inherent imbalance in any accession process will likely become accentuated in the case of Turkey, given the fact that the basis of the process is not an invitation by the EU but a decade-long demand and pressure by Turkey. However, it is important for the Euro-negotiators to take a hard look at Turkey's particular circumstances. In the course of the negotiations Turks are likely to press for longer transition periods, derogations and financial/technical assistance for the necessary adjustments, as well as for a tactful approach from Brussels to win the hearts of the Turkish public at large..

The Way Ahead – no business as usual

Regardless of our views on the justification or the feasibility of its membership of the EU, we must accept that Turkey's integration into EU structures would represent a challenging task, but where there is a will, there is a way. No one is talking about Turkey becoming a member today or tomorrow. It took eight years to negotiate Spain's entry into Europe. It could take longer for Turkey, but the process is itself a catalyst that will act as a spur to improvement not only in terms of democracy and human rights, but also in respect of the economy.

³³ « Changing Parameters in U.S.-German-Turkish Relations: Future Scenarios », held on September 20, 2004 in Berlin. AICGS Advisor, September 30,, 2004.

The EU accession is seen as the most important, integral part of Turkey's modernisation and development vision since the founding of the Turkish Republic in 1923³⁴. The potential leverage of this process on transforming Turkey is indeed great - judging from the intensity of discussions and actions dominating the current Turkish leadership's agenda. There is a great deal of awareness among Turks that their country has to prepare to the rigours of the 21st century irrespective of the outcome of its EU membership negotiations³⁵.

The EU's next eastward enlargement round, the fifth in its history, will see the entry of Bulgaria and Romania in 2007. But since some of the former communist countries (particularly the biggest ones, Poland and Romania) registered serious delays in honouring their commitments, the EU has decided to change its approach to accession negotiations. This was based until now largely on the candidates' promises. However, the EU decided to seek real implementation of reforms before it even opens some new areas of negotiations, let alone concludes them. So for the next candidates - Croatia, Turkey and possibly other Balkan countries - the rules are becoming tougher.

The EU has warned Turkey that negotiations could only be concluded after the bloc agrees on its next seven-year budget from 2014, because the accession of such a big country would come at a substantial cost. The EU has also made explicit for the first time that it would suspend negotiations "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"³⁶. In the end, even if the 31 chapters are concluded with mutual satisfaction, Turkish membership will still have to be ratified by all the EU member states, which will by then probably number 27 or 28, as well as by the European Parliament and by Turkey itself.

The history of European integration is one of innovation in design and policy. Trans-national processes are continually being innovated - that is why the EU can take on enlargement. As a new member Turkey will bring aspects that current members will also have to adapt to. Therefore, rather than focusing on the results of individual reforms, the 'accession process' should be geared towards assisting in a constructive way Turkey's transformation. The new Turkish politicians are more willing to change and more receptive to influences from the outside than in the past³⁷. It is now necessary to take advantage of this historic opportunity to influence Turkish politics and economy through the process of accession negotiation.

³⁴ Turkey's 2023 vision: Dreams and realities, Mehmet Ögütçü, Turkish Daily News, 30 June 2003, http://www.turkishdailynews.com/old_editions/06_30_03/feature.htm

³⁵ In this regard, contrary to the widespread belief, most important challenges facing Turkey today are not inflation, debt repayments, loss of competitiveness, corruption, democratic credentials, political Islam, separatist Kurdish movement or barriers to its accession. More important are how to address the following three fundamental, and intertwined, problems: (i) inability to efficiently manage its abundant resources, (ii) inadequate development of its capacity to generate workable solutions and their effective implementation, and (iii) lack of trust emanating from the erosion of basic values and ethics in almost every segment of the society.

³⁶ <http://news.bbc.co.uk/1/hi/world/europe/4107919.stm>

³⁷ Turkey's New Politics and the European Union, Pieter Ott, December 2003, http://www.ceps.be/Article.php?article_id=172,

More importantly, the EU leaders should judge Turkey on the basis of its potential economic and geostrategic importance from today to 2023 and what the future holds for Europe by then - not on the narrow and short-term interests of today. With Turkey the EU will gain not only a rich cultural diversity, but also considerable manufacturing capacity, entrepreneurship, and better foreign/security policy outreach to the key regions of the world, i.e. Russia, the Balkans, the Middle East, the Caucasus and Central Asia.

The two terms of government may suffice to fundamentally change the face of Turkey for better, while the EU will also be going through changes. One should recall that the founding father of modern Turkey, Kemal Ataturk, had accomplished the bulk of his revolutionary modernising vision for the country only in a period of 15 years (1923-1938) as he did between the two destructive world wars and in great deprivation. Consider what more can be achieved over the next two decades in the era of rapid globalisation. Then, it is not a science-fiction to predict that both Turkey and the EU will be starkly different from what they are today and it is in their hands to shape the common future starting now, rather than speculating on the fears to come.
