



# **EU Member Turkey?**

## **Preconditions, Consequences and Integration Alternatives**

WOLFGANG QUAISSER\*

STEVE WOOD\*\*

forost Arbeitspapier Nr. 25  
Oktober 2004

\* Wolfgang Quaisser is Senior Research Fellow, Osteuropa Institut in Munich, Germany; e-mail: quaisser@lrz.uni-muenchen.de. \*\* Steve Wood is Research Fellow at the National Europe Centre, Australian National University, e-mail: stephen.wood@anu.edu.au

Forschungsverbund Ost- und Südosteuropa (forost)

Redaktion: Helga Schubert

ISBN 3-9809264-9-4

ISSN 1613-0332

© **forost, München**

Abdruck oder vergleichbare Verwendung von Arbeiten des Forschungsverbunds Ost- und Südosteuropa ist auch in Auszügen nur mit vorheriger schriftlicher Genehmigung der Geschäftsstelle gestattet.

## Preface

This study was completed within the framework of the project 'Reforms and Interests in an Enlarged Union', which is part of the second phase of the interdisciplinary Research Group Eastern Europe (FOROST).<sup>1</sup> This is financed by the Bavarian Ministry for Science, Research and Art and concerns itself with issues of EU enlargement. In total thirty nine research initiatives at four Bavarian universities and two research institutes have been or are supported. The central focus of the project 'Reforms and Interests in an Enlarged Union' is on the varying and comparative interests of individual European states in an enlarged EU, in particular the intensified distribution conflicts.

The last enlargement round changed the character of the Union from a club of relatively rich states to a heterogeneous group of states with an increased weighting of poorer countries. Distribution conflicts over tighter financial resources will intensify. Because the EU has not yet reached its final extended configuration, and almost only 'poor relations' still stand before the door, questions of interest equalisation and institutional encumbrance take on ever more critical importance.

A possible EU accession of Turkey does not stand at the centre of the 'Reforms and Interests' project, however it already radiates a powerful influence on the present discussion within the Union and on its current enlargement phase. The issue of costs for additional enlargement rounds is not only of great interest because of its topicality. This already overshadows the 2004 enlargement and the positioning of individual states regarding the reshaping of EU institutions. It also influences disputes over decision-making processes, fiscal distribution conflicts, and connected reforms in the most expenditure-rich policy areas. These are also key themes in the broader project. It is clear that the EU is at a crossroads: the means, approach and speed of future enlargement have become strategic questions on the future configuration of the Union – and of Europe.

Munich, November 2004  
Hermann Clement

---

<sup>1</sup>The study is also partly based on earlier works by Wolfgang Quaisser and Alexandra Reppgather (2004) and Wolfgang Quaisser (2004a and 2004b). This study is available for download from the FOROST site at ([www.forost.de](http://www.forost.de)) or the Osteuropa-Institut, München, site at ([www.oci-muenchen.de](http://www.oci-muenchen.de)).





## Contents

Preface.....	3
Summary and Conclusions.....	7
1. Introduction: The Debate on Turkey's EU Membership Intensifies.....	15
2. Ever 'closer' or ever 'wider' Europe? .....	15
2.1. Challenges of Economic Integration: Important integration projects must be advanced .....	16
2.2. Political Implications and Challenges: Europe as political construction site .....	16
3. The Commencement of EU-Entry Negotiations with Turkey is a Political Decision .....	18
4. Economic Backwardness and Convergence: Decades are Needed .....	23
5. Economic Criteria will not Delay Negotiations but will Delay Turkey's EU- Entry.....	25
5.1. The functioning of Turkey's distorted market economy is improving ....	25
5.2. The 'competitiveness' criterion is harder to achieve.....	30
6. Consequences of a EU Membership for Turkey .....	35
7. Political-strategic arguments in favour of Turkey's accession to the EU are not entirely convincing.....	40
8. Membership for Turkey would have Far-reaching Implications for the EU ....	42
9. From 'Privileged Partnership' to 'Extended Associate Membership'.....	50
9.1. The Rapid Commencement of Entry Negotiations is Risky.....	50
9.2. 'Privileged Partnership' and 'Extended Associated Membership' as a Integration Alternatives.....	52
9.3. EAM Should Provide for Partial Integration in EU Political Structures and Cohesion Policy.....	52
9.4. Integration Alternatives Remain Topical .....	56
9.5. Consolidation Before Enlargement.....	56
List of abbreviations .....	59
Literature .....	61

## Tables

Table 1:	Economic Challenges of Deepening and Widening .....	58
Table 2:	Political Challenges of Deepening and Widening .....	58
Table 3:	The Political Copenhagen Criteria and their evaluation by the Commission .	58
Table 4:	Comparative Evaluation of Political Rights and Civil Freedoms 2003/2004 ..	58
Table 5:	Selected Indices on Socio-Political Conditions for EU-Membership .....	58
Table 6:	Indicators of Socio-economic Development: CEECs and the EU-15 (20031)	58
Table 7:	Basic Data of the enlarged EU in 2013 .....	58
Table 8:	Criterion of 'functioning market economy' and the Commission's evaluation	58
Table 9:	Attempts to overcome the Turkish economy's internal and external imbalances at the end of the 1990s.....	58
Table 10:	Basic Macroeconomic Data for Turkey .....	58
Table 11:	Criterion of 'Competitiveness' and its evaluation by the Commission.....	58
Table 12:	WEF-Index 2003 and 2004: Macroeconomic Environment Sub-Indices (Ranking) .....	58
Table 13:	Growth Competitiveness and Business Competitiveness Index (BCI) and related Sub-Indices (Rankings) .....	58
Table 14:	Potential welfare gains for Turkey through EU-integration .....	58
Table 15:	Significance of Cohesion Countries in Different Scenarios1 .....	58
Table 16:	Cost of a EU Accession by Turkey in 2014 .....	58
Table 17:	Other Estimates on the Budgetary Consequences for the EU .....	58
Table 18:	Migration Potential from Turkey to the EU-15 and Germany.....	58
Table 19:	Compliance with the Maastricht Criteria .....	58
Table 20:	Necessary EU Reforms before Turkey can enter the Union .....	58
Table 21:	EU Integration Levels and Association Strategies .....	58
Box 1:	Extended Associated Membership (EAM) .....	58
Box 2:	The European Economic Area (EEA) .....	53

## Figures

Figure 1:	Convergence of Per-Capita-GDP in PPS .....	25
Figure 2:	Long-term economic growth and inflation in Turkey 1981-2005.....	27
Figure 3:	Growth Competitiveness Index (Scores) and Per Capita GDP .....	34
Figure 4:	Correlation between per Capita GDP and Public Institution Index (2003) .....	35
Figure 5:	Demographic Trends in Germany, France and Turkey .....	48
Figure 6:	Different EU-Integration Paths and Stages .....	54
Figure 7:	Institutional Framework of EU and EFTA/EMA Policy Co-ordination.....	55

## Summary and Conclusions

'EU membership for Turkey' is a strategic-foreign policy project. By this means the goal of 'political union' will be conclusively rescinded in favour of the vague vision of a 'global power Europe'. If such a development occurs, the European Union may degenerate into a 'European United Nations' or elevated free trade zone, in the framework of which interstate coordination increases and integration cores, variable according to national interests, will form. Not more, rather less security in Europe, could be a consequence. On grounds on self-preservation the EU should first pursue its own consolidation, undertaking additional enlargements only gradually and conditionally, and develop alternatives to full membership for strategic partners.

Before negotiations on EU membership can begin, Turkey must, like any other candidate, fulfil the political criteria specified at Copenhagen in 1993 ('Copenhagen Criteria'). Before accession can occur there are also economic preconditions: a functioning market economy and the capacity to withstand competition. It will take many years before Turkey can attain the competition criterion. In its overall level of economic development Turkey is comparable with Bulgaria and Romania. However the specific problems are different and the situation is worsened by regional disparities larger than anywhere in the EU.

The political criteria may present a greater hurdle. While the AKP (Justice and Development Party) government is focused on the goal of EU membership and seems set on a reform course required to achieve this, Turkish political culture will not metamorphose overnight. *De facto* shortcomings in political, civil and legal rights and freedoms persist. Important as it is, formal legal progress – most recently the penal code reform – cannot immediately change this.

Whatever the perceived strategic necessities of further binding Turkey into the western democratic community, the EU would contravene its own rules and principles if a political assessment by the European Commission (hereafter 'Commission') and/or Council enabled negotiations to begin before the requirements were completed. Despite these formal restrictions, it is probable that on the bases of the Commission's recommendation, a heightened awareness of Turkish efforts, and powerful foreign policy influences, the EU heads of state and government will decide to commence accession negotiations. Because no EU states or institutions could condone a dilution in communal democratic principles, a protracted process can be reckoned with. The greater socio-economic disparity between Turkey and the EU-15 will necessitate a lengthier negotiation period than that which occurred with the states of Central and Eastern Europe (CEECs). The Commission has signalled that this process will be an open-ended one with an outcome that cannot be pre-determined.

The EU must also seriously consider whether an earlier inclusion of Turkey would not overextend its (the EU's) integrative capacities, particularly when it is already under great pressure to successfully cope with eastern enlargement and accomplish several other important projects. If necessary reforms or the EU constitutional treaty fail, or Turkey itself, through problems arising in taking on EU regulations, sets other priorities, then a strategic partnership is a sensible alternative. This could be developed as a long-term concept - an 'Extended Associate Membership' - for select strategic partners of the EU. The results in individual sections follow:

### *The EU in a critical phase of development*

1. *Eastern Enlargement is a capacity test for the EU:* The planned commencement of accession negotiations with Turkey occurs at a critical time in the EU's development. The enlargement to include ten new members means a continuation of the necessary economic and political deepening becomes an even more difficult task. In the area of economic integration, the internal market and currency union demonstrate considerable progress. Both projects must, however, be consolidated and completed. The Lisbon process, through which Europe aspires to become the most innovative economy in the world, has not achieved the expected results. Europe is insufficiently prepared to deal with the problems of enlargement and reform. The constitutional treaty is an important step towards strengthening the EU's capacity to act, but is not enough to cope with the internal and external tasks of a Union with at least 28 and perhaps 30 members. If the treaty fails and further economic and political reforms are neglected, the threat of persisting integration crisis, and even a disintegration of the EU with incalculable consequences for Europe's political stability, will emerge. EU membership for Turkey would then not be possible.

### *Turkey's fulfilling of the political and economic criteria*

2. *There are doubts whether Turkey has fulfilled the political criteria:* In its 2004 report the Commission noted the considerable progress made by Turkey in the areas of democracy and human rights. Nonetheless, there were considerable deficits in the practical implementation. Accusations of systematic torture, not confirmed by Brussels but corroborated by other independent sources, have caused deep concern in Europe. However, the Commission concludes that Turkey fulfils the political criteria and that negotiations can begin. Based on the report itself (Commission 2004a)<sup>1</sup> it could easily be interpreted that the criteria are not sufficiently implemented in daily life. Rather, the momentum of reform and the hope for its continuation has influenced a positive assessment. At present it is more likely than not that the European Council will approve a commencement of negotiations, with some reservations and an emphasis on the durability of democratic reforms. Foreign and security policy considerations may be the decisive factor. The negotiation process would then not be expedited but protracted. A conditional procedure could come into effect, with interruptions if violations of human and democratic rights are observed. Designated *acquis communautaire* chapters must also be practically implemented before negotiations continue in connected areas. This could cause tensions with Turkey if the impression is of a deliberate delaying strategy.

3. *Turkey is carrying out credible economic reforms that also have far-reaching political implications.* It is to Turkey's advantage that, in contrast to the new EU members from CEE, it does not have to change its complete economic system. Rather, the basic structures of a market economy are secured. However, the functionality of the market is disturbed by high state influence and recurring internal and external disequilibria (high debt and inflation). Periodic crises and lapses in growth (recently 1999 and 2001) with extensive economic and social costs resulted. Since 2001 successful stabilisation measures have been pursued. For the first time these have seriously tackled the structural causes of fiscal deficits (banking system, state

---

<sup>1</sup> Commission documents are listed in the bibliography under 'European Commission'.

enterprises, public sector, social system, agricultural subsidies) and thereby laid the foundations for sustainable growth. The reforms have far-reaching socio-political consequences as they affect the traditional political system of populism and/or clientelism.

*4. Accession suitability in the economic area will be measured by Turkey's capacity for sustainable above average growth.* The initial results of the Turkish economic reforms are positive. After the deep crisis of 2001 the economy has returned to a growth path (2003: almost 6%; prognosis 2005: 5%), inflation has reduced (prognosis 2004: 12%; prognosis 2005: 8%), the currency has stabilised and debt indicators improved. It cannot yet be established whether this is the beginning of a sustainable higher medium and long-term growth path. It can, however, be affirmed that the reform road is long. While Turkey has made great progress in reforming the banking system, privatisation and reform of the public sector and the social system remain in the introductory phase. Adaptation pressure is high and during the accession process Turkey will have to struggle with substantial economic and social problems (regional disparities, poverty, education deficits, internal migration, infrastructure deficiencies). Of particular concern is the, in comparison with countries of a similar level of development, unfavourable education indicators, along with high youth unemployment.

*5. Fulfilment of the economic criteria will require many years:* Regarding the economic criteria, Turkey is in many areas only slightly worse than Bulgaria and Romania. If the reform process is consistently pursued, within ten years there will be no serious barriers to a EU-entry. This presumes that no further macroeconomic crises obliterate the recovery process. We do not share over-optimistic growth forecasts because of the great uncertainty on major policy related growth factors. We assume a growth difference of 3 percentage points in per capita GDP in PPS (Purchasing Power Standards) between Turkey and the EU-15, which is higher than that of the ten New Member Countries (NMCs). Even with such a positive economic development an enormous gap between Turkey and the current EU will remain. A special problem for Turkey is its huge regional disparities. The eastern part of the country can be compared with a 'developing country.' These economic considerations will have substantial effects on the content of negotiations (demands for transition periods), the timing (delaying tactics) and the modalities (special rules for integration in community policies).

*6. Relevant indicators suggest it would be easier for the EU to integrate Mexico than Turkey; Bulgaria and Romania are a false benchmark of preparedness to join the EU* Turkey is comparable in population size with the ten NMCs combined but produces roughly half of their GDP. In many respects Turkey is not so different to Bulgaria and Romania, especially in its major economic regions. However, lower education standards are reflected in the rating of the Human Development Index (HDI) wherein, at position 88, Turkey is similar to Turkmenistan and Paraguay. Concurrently the World Economic Forum (WEF) rated Turkey similar to Bulgaria and Romania and in some areas better. This evaluation does not say anything about the tremendous challenges EU membership poses for all these countries. An international comparison might illustrate the uniqueness of this venture: in most relevant indicators (including income differentials) Mexico is doing much better than Turkey. Yet nobody is seriously considering a full integration (especially labour markets) of Mexico with United States. The similar rating of Bulgaria and Romania compared to Turkey does not imply that Ankara will

be ready to join the Union soon. Many *acquis*-related institutional and policy changes are needed which are not reflected in the HDI and the World Competitiveness Index. The critical question here is whether Bulgaria and Romania actually represent a sensible benchmark for EU-membership? If they are considered to be a benchmark then we are observing an erosion of EU standards caused by the enlargements. This might negatively affect the proper functioning of the internal market and many other aspects of European integration. Additionally, the EU is not properly prepared to deal with the economic and social implications of integrating lower-middle-income countries.

### *Benefits and costs of EU accession for Turkey*

7. *Is EU membership a rational decision for Turkey?* From the perspective of an acceding country it is politically rational to seek to influence decisions of the 'club' by which those acceding will in any case be affected. This is an important motivation for EU membership, which can also pay off economically. Despite its comparatively low economic power, Turkey will become one of the more influential and militarily significant EU countries. Internally, various political streams (AKP, opposition parties, economic elites, Kurds, even less moderate Muslims) use the EU as an 'external anchor' to enforce their own, often very different political goals. In this sense political rationality endorses and explains deployment of the EU-steered modernisation process in order to extend one's own power position. It cannot be excluded, however, that some more radical Islamic or nationalist factions will regard the EU accession process as too restrictive. In such a situation Turkey's political priorities may change again and a looser connection to the EU would apply. It can be added that along with rational motivations for membership, emotional considerations are also playing a role.

8. *Turkey would benefit economically but extensive structural change may cause serious problems:* For Turkey, economically rational grounds for accession are the possible growth and welfare effects, along with financial transfers, that would result from EU membership. As trade barriers are in large part already removed by means of the Customs Union, the economic effects will be limited (not more than 5% of GDP over a long run). These could be more robust (perhaps around 10%) if dynamic effects, in particular investment from external sources, occur. A EU perspective, however defined, would encourage the increased political stability that would promote this kind of development. The reform capacity and solidity of Turkish economic policy will nonetheless be decisive. Even with growth rates (5%) well over that of the EU, Turkey will need about four decades to reach 75% of EU-15 income levels. Turkey will certainly profit from EU transfer payments, which, according to current rules, will count for 3% to 4% of GDP.

9. *Implementation of the *acquis* will be a major problem for Turkey and entail costs that are intensified by the demands of structural adjustment:* Costs arise through structural change (such as higher unemployment, especially in rural areas) and the acceptance of norms and standards. These will burden Turkish small enterprises oriented to production for the local market. Then come social and environmental standards, conceived for highly developed countries, which could adversely affect the internationally competitive position of transition countries. On the other hand there are in the medium and long-term also positive social outcomes. Long transition periods are envisaged before the full introduction of EU environ-

mental standards in areas that do not directly concern the internal market. Difficult adaptation is also certain for competition policy. Entry to the CAP will mean advantages for Turkish consumers but disadvantages for farmers. Transfer payments from Brussels can mollify this but the costs of structural change will be only partly compensated by EU structural and regional policies. They will become fully available only after the initial and most difficult adjustment phase of ten to fifteen years. Higher levels of pre-accession financial assistance will be necessary.

### *Costs and benefits of Turkish accession for the EU*

*10. The Commission's Impact Study is too general to be a solid basis to evaluate the effects on the Union:* The Impact Study or 'Issues Paper' (Commission 2004b) released concurrent to the Commission's Regular Report assessed Turkey's accession to the EU as incomparable, though in geo-strategic and security policy terms as advantageous. It is envisaged that Turkey could take on a stabilising function for the entire region, even if the formulation of a Common Foreign and Security Policy (CFSP) may concurrently run into difficulties. Additionally, potential problems related to the control of the EU's possible new and dangerous external borders are highlighted (organised crime, smuggling and terrorism). The economic effects on the EU are assessed as rather insignificant and some adjustment pressure is expected (migration between 0.4 to 4 million persons). The economic effects for Turkey are evaluated as positive. In contrast to previous announcements, including from the Enlargement Commissioner, the Commission also undertook an initial estimation of budgetary effects (two scenarios of net costs in 2025: €16.5 billion and €27.9 billion). In regard to institutional effects on the EU the document is very general (new voting weights in the Parliament and the Council). Effects on the Commission are, in light of forthcoming reductions in its numbers, not to be expected. The Commission notes that 'If well managed, Turkey's accession to the EU would offer important opportunities for both.' (Commission 2004b: 3). Measured against this, the remark that the process is uncertain in terms of outcomes and will last many years (10 to 15), along with proposals for restrictive negotiation procedures, indicate that in the Commission itself doubts and 'mixed feelings' existed.

*11. The growth impulse for the EU as a result of Turkey's membership will be marginal:* From the Union's viewpoint, the entry of a country is rational if it raises internal and external security and/or increases overall economic benefit. Considering the relatively small size of Turkey's economy and the limited trade volume, membership for Turkey will have only marginal effects on growth in the current EU. This does not mean that trade and investment cannot rapidly expand to bilateral advantage as a Turkish growth process occurs. Such a development is also possible in the context of current integration levels combined with a solid national economic policy. A EU-accession perspective further supports this. However, for the continuation of Turkish economic reforms the International Monetary Fund (IMF) is the more important and appropriate competent partner.

*12. The migration potential and the financial costs will be high:* Potential economic effects only have real purchase when unified rules are implemented in the same manner for all participants of a defined economic group. In the case of Turkey this will require time and considerable effort. Large economic disparities can also lead to adaptation costs in EU core coun-

tries. The income gap would remain an important motivation for itinerancy and a high – if also difficult to quantify – migration potential is to be reckoned with (up to 4 million). Long-term transition periods before full free movement of persons (together with a permanent safeguard clause) is introduced would then be unavoidable. The costs of an accession to the EU by Turkey will be high: with full political integration, around €21 billion per annum (in 2014). By comparison the Commission estimates €28 billion (in 2025). Welfare loss for old and new member countries is to be expected if transfers to Turkey are redirected from elsewhere or tax increases are imposed. It is unlikely that EU member states would be willing to pay such large sums. Alternatives could be found by formulating special conditions for Turkey, which could stimulate political tensions with Ankara. Extensive reforms of agricultural and structural politics would be the other option. However, they are very difficult to implement in a EU with 27 or more members.

*13. Political-strategic arguments dominate:* There are frequent assertions that accession negotiations will have resulting positive effects on European security, on the Turkish reform process, and on the Islamic world (as a counter model to fundamentalist Islam). A perspective of EU membership certainly supports the internal reform process. It would however be a bold thesis that argued that the success or failure of the latter is dependent on the former. Such an argument would be further weakened by the actual continuation of reforms independently of the EU decision, because, as Turkish sources increasingly emphasise, they are in Turkey's interest. Its questionable status in the Arab Middle East, and tense relations with many of its neighbours, means that any notion of Turkey's functioning as some kind of model for other Islamic states to emulate is presently hard to support (intellectually if not politically). Beyond this, a European perspective for Turkey could also be developed without a necessary full EU membership.

*14. Membership for Turkey will have far-reaching consequences for the EU:* The entry of the CEECs has already changed the EU from a union of mainly rich industrial countries to a heterogeneous club with a large number of transition countries. Economic (in particular competition policy) and monetary policies are therefore faced with stern challenges to maintain internal coherence and a sharp focus on goals. This affects the enforcement of internal market regulations and coordination tasks. While the industrial core countries are compelled to internationally secure and extend their competitiveness in advanced technologies (see Lisbon Agenda), the cohesion countries must first induce a successful convergence process. Additionally, the question is raised as to whether in such a heterogeneous economic space it is sensible that all adhere to a communal monetary policy. Movement towards monetary union should proceed cautiously and joining the Euro should remain optional.

*15. The issue of cultural difference should not in principle exclude an accession, though it should be dependent upon the agreement of the European citizenry:* EU membership for Turkey has a political-cultural dimension that is of wide-ranging importance for both parties. It cannot be determined *a priori* whether, against the background of a largely Islamic society and a state whose secular character is guaranteed by the military, European values can be anchored and sustained in Turkey. If they can be, then this would certainly have an important exemplar function. If this does not happen then a culturally motivated backlash would cause

enormous problems for the EU. It would require the application of comprehensive sanction mechanisms in order to enforce basic values. For the EU, as a union of citizens, the membership of Turkey is also a matter of identity. European citizens should answer the question of whether the cultural and/or geographic borders of Europe have been transcended. An entry for Turkey would be justified if they gave a clear vote in favour. They would then also be prepared to render the necessary solidarity within the community framework.

*The EU's negotiation concept and alternative integration concepts*

*16. The negotiation process will be (intentionally) protracted and Ankara may be faced with a membership second-class:* The uncertainties of a future accession process influenced the Commission's proposal for a conditional (significantly restricted) negotiation procedure with Turkey. The actual implementation of individual *acquis* areas will be a prerequisite for the continuation of negotiations in other linked areas. For the EU, such a strategy is a form of self-protection. Thereby the process will be drawn out over ten to fifteen years. This strategy is not without risks as it could cause frustration and lead to political conflict with Turkey. On the other hand, the time gained would give Turkey and the EU room for manoeuvre in order to enforce necessary reforms. High migration potential means that full free access for persons will in any case be excluded for many years. Moreover, the EU would seek to avoid fully extending its expenditure program to Turkey. Ankara is threatened with a membership second-class.

*17. Europe's functioning as a 'stability anchor' for Turkey does not necessitate its full EU membership; this could also be organised by means of a 'Privileged Partnership' or an Extended Associate Membership:* Turkey receives strong backing from international organisations (IMF, OECD, World Bank), which already act as 'external anchors' balancing the internal reform process. However, it is questionable whether the EU could credibly sustain an 'external anchor' function over 15 or perhaps more years, the time time-span envisaged for Turkey's accession. Integration alternatives are, in light of obligations entered into and foreign policy considerations, presently not likely to be officially offered or accepted. Nonetheless factors internal to the EU (refusal of a Turkish entry by a member state government or electorate, or incapacity for reform), or through uncertainties on the Turkish side (possible retrogression in the reform process), could motivate reappraisals. It is therefore sensible to consider more precisely formulated ideas for alternatives. This study's Extended Associate Membership (EAM) concept goes beyond that of a Privileged Partnership. The EAM presents a durable and clearly defined perspective for Turkey and other EU aspirants, which, in addition to economic integration (European Economic Area - EEA), also envisages forms of political integration (participation in European Council meetings) and a more substantive financial benefit through customised inclusion in various EU programs.

*18. If the negotiations are commenced, they may well culminate with a 'Privileged Partnership':* Should a negotiation process begin it will be faced with many uncertainties. If the constitutional treaty fails this will in practice signal a preliminary end for Turkey's perspective of full membership. The same would be likely if reforms in Turkey stagnate. The Commission has indicated that were this to eventuate negotiations could immediately be suspended. They may be precluded in the course of the ratification process or through a referendum in one or

more member states. The Commission appears aware of these potential outcomes and emphasises that 'regardless of the outcome of the negotiations or the subsequent ratification process, the relations between EU and Turkey must ensure that Turkey remains fully anchored in European structures.' (Commission 2004c: 3) Consequently, despite the insistence of some member state governments that Turkey is ready for full membership, and Turkey's frequent declarations that it will accept nothing less, the relationship could ultimately be configured in the form of a 'Privileged Partnership' or 'Extended Associate Membership'. The possibility of unrealistic expectations and related disappointment should be avoided by establishing at the outset that the negotiation process, if it begins, is open-ended.

## 1. Introduction: The Debate on Turkey's EU Membership Intensifies

The endorsement or refusal of EU membership for Turkey is a strategic decision. Both Turkey and the EU are at a critical junction. The conditionally positive view of the Commission in its latest progress report (Commission 2004a) and the apparently supportive position of most member states do not conceal the reality that Europe is deeply divided. This applies to several governments, much of the Brussels civil service apparatus, and, before all, the EU's national publics. Differing opinions also circulate within virtually all political parties. This ambivalence reflects great uncertainty about the future of Europe, the EU's tasks, and its ability to manage the challenges placed before it. Concurrently Turkey has made great efforts to meet the preconditions demanded of it and appears determined to join the EU. This study analyses the readiness of Turkey for EU entry and the potential consequences of this for the EU. It also introduces the concept of an 'Extended Associate Membership' (EAM) as an integration alternative that would go beyond a 'Privileged Partnership'. EAM could operate as a temporary or permanent integration model that might also serve for other strategic partners of the EU.

## 2. Ever 'closer' or ever 'wider' Europe?

European unification is a project of near permanent crisis. It has no obvious exit or end station. The phrase 'ever closer union' (Dinan 1999; Streit and Voigt 1996) currently echoes as it did at previous crossroads in European integration: those, for example, represented by German reunification, Economic and Monetary Union (EMU), or eastern enlargement. The idea behind the phrase has always been disputed. While for decades a deepening of the EU was, at least verbally, in the foreground, in recent years the practical political direction has been that of widening. What likelihood now exists for the realisation of an ever more densely integrated union of states? (Cameron 2004a)

*Widening* is considered as a major strategic endeavour: that of securing peace and order in Europe. Assisted by the presence of NATO this has been successful in the past. Southern and eastern enlargements have contributed to an institutional uniting of the continent. Excepting the Balkan crisis, Europe has enjoyed 60 years of peace. But can this strategy be successful indefinitely? If it is further pursued the EU should, as a consequence, prove itself as a solid partner of the USA in fighting terrorism, solving regional conflicts, deploying force projection where necessary, and generally stabilising its neighbourhood. There are doubts about the extent to which the EU can do this effectively. However, the preconditions for Europe as a global actor are often misunderstood. If the EU is reduced to being a free trade area with a loose political coordination it will be a weak international partner. It must accomplish some serious *deepening* in order to discharge its European and international tasks (Cf. Cameron 2004b). On to this already congested and demanding agenda comes Turkey. The question of its membership is now embedded in the discursive context of multiple integration concepts and problems.

## 2.1. Challenges of Economic Integration: Important integration projects must be advanced

Turkey's inclusion into the EU would present a serious challenge to Europe's integrative capacities in the economic domain. Comparatively weak economic development in recent years impresses that the project of economic integration urgently requires new dynamism. The internal market is incomplete and must be supplemented by further liberalisation measures (before all in the services and financial sectors) in order to generate expected levels of growth. After repeated damaging of the 'Stability Pact' by its most important founding members, the currency union finds itself in a credibility crisis. The results of the Lisbon Process, which had the declared goal to develop the EU into 'the most competitive and dynamic knowledge-based economy in the world', have proved disappointing (Quaisser and Wegner 2004).

Eastern enlargement offers countless opportunities for the integration process and is contemporaneously full of risks. The enlarged internal market can generate increased prosperity. If its rules are not adequately implemented conflicts can be reckoned with. An excessively rapid entry of new members into EMU may well overextend their capacities for adaptation. This is especially so when European monetary policy pays only limited attention to the now multiplied and amplified economic differences. High unemployment and social tensions would likely result. The Lisbon process promoted the enlargement by means of an intensified division of labour. If technology transfer is too slow or is restricted to too few segments of the national economies, then economic convergence will stagnate. The EU is in a critical phase when important economic projects must be consolidated – or, better, pro-actively driven forward – and simultaneously the current and future enlargements must be successfully concluded.

Table 1: **Economic Challenges of Deepening and Widening**

Issue	Problems Deepening	Problems Widening
Internal Market	Certain projects are still unfinished: services, financial markets, energy markets	Institutional deficits may undermine the <i>acquis</i>
Monetary Union	Damaging of the stability pact as a reaction to budget deficits and unemployment in large member states; variable inflation rates	Wide variation in inflation rates impose great challenges for European monetary policy (= differences in real convergence)
Lisbon Process	Progress is limited because policy coordination ('open method') remains weak.	Lack of infrastructure; technical and managerial capacity; and low technology level limit the competitiveness

## 2.2. Political Implications and Challenges: Europe as political construction site

Many of Europe's economic problems result from deficits of the political process. Further liberalisation of the internal market is blocked with reference to purported 'national interests'. It is inadequately grasped that EMU goes far beyond shifting some sovereign rights to the European level and that persistent impairment of the 'Stability Pact' will seriously damage its credibility. The Lisbon process demonstrates that the *open method of coordination* does not (or is not able to) create sufficient political incentives to implement 'best practice' solutions following a benchmarking approach. Economic policies are still dependent on the internal political constellations of individual member states. Coordination is far from reaching maxi-

imum efficiency. Enlargements will exacerbate problems already apparent with 15 members. Eastern enlargement has substantially intensified the differentiation process within the EU.

The political implications of increasing size and heterogeneity are extensive. In the agricultural and structural policy areas, distribution conflicts rage and available financial resources shrink. Economic policy harmonisation is harder. By necessity the *new system competition* (Sinn 2003) will gain in importance as a shaping principle, even if simplified rules and a minimum level of harmonisation must accompany it. This means that political integration will become more difficult.

*Low levels of participation in the European elections are an indicator of Euro-scepticism among wide sections of the populations.*

Meanwhile the vision of a *United Europe* is losing its attraction. The 2004 elections to the European Parliament (EP) provided the latest in a series of steadily reducing turnouts: now down to around 45% of eligible voters. In some countries (Poland, United Kingdom, Sweden) Euro-sceptic parties have gained in influence. This may be partially explained by complex and non-transparent decision-making processes. Other reasons may be found in the increasing heterogeneity of the EU and in different concepts of integration resulting from various enlargements. The UK, the CEECs and the Scandinavian countries (with the exception of Finland) remain averse to rescinding sovereignty, although they are hardly the only examples.

The EU has to overcome some legacies that pose serious threats to its development. There have been several attempts at streamlining institutions and policies to make them fit for enlargement and global competition. For the most part they failed (Berlin summit 1999/Agenda 2000; Amsterdam IGC 1997; Nice IGC 2000) or produced only small improvements. A renewed effort to clarify decision-making powers was made through a *European Convention*, consisting of representatives of national parliaments, the EP, and the European Commission. It had the task to formulate a *European Constitution*. A draft was rejected in Rome in December 2003 but another was finally accepted at the end of the Irish presidency in June 2004. In October it was signed in Rome.

*The new constitution is a half-step to more efficient EU institutions and decision-making mechanisms.*

The new constitution denotes progress but is far from sufficient. With its 465 articles, five protocols and three declarations the draft is hardly a constitution as previously understood. It is not easily understandable but does make some improvement by consolidating all previous treaties in one text. A number of reforms have been proposed which address the most important mistakes of the *Nice Treaty* and should make the EU institutions more efficient and democratically legitimated. Besides the charter of human rights, the power of the EP has increased, and qualified majority voting (QMV) has been extended in the Council. If the constitution is ratified a double majority of 55% of member states that also represent at least 65% of the total EU population will be required to pass a vote. Some proposals, like streamlining the Commission down to 15 commissioners, will not be accepted by smaller member countries. New proposals like a five-year president of the European Council and a EU foreign minister have to prove beneficial in practice.

Although EU competences (decision-making power) and the principle of subsidiarity received some attention, overall efficiency and the institutional balance between the Council, the Parliament and the Commission remain precarious. The document is overloaded (too many issues are raised in detail) yet leaves some important questions untouched. Clarifying competences in economic issues and policy reforms have not been the mandate of the *Convention* but remain crucial for the future. Hence the draft takes only a half-step towards a more efficient EU. It must nonetheless be interpreted as reflecting the maximum achievable at the time. The most apparent deficit is that there are no major advances towards political union and the question of the EU's *finalité* remains open. Moreover, it is far from certain that the constitution will be ratified by all national parliaments or accepted in all national referendums (Quaisser and Wegner 2004). Potential membership for Turkey must be considered against this background.

Table 2: **Political Challenges of Deepening and Widening**

Political Issue	Problems Deepening	Problems of Widening
CFSP	Different global interests; variable relationships with the USA; 'sovereignty' and QMV	Additional 'special interests' complicate political coordination
Defence	Interoperability; financial resources; technological capacity; duplication of NATO (conflicts); pacifism in electorates	greater variation in preferences and 'visions'; extension of technology and other resources
Voting	Competitive coalition building; blocking minorities	Multiplication of competitive coalition permutations
Constitution	Leaves <i>finalité politique</i> open; changes of government in member states may lead to ratification problems	Reaching agreement on the EU's objectives is complicated; resistance against the constitution in some new member states
Budget/Transfers	Intensified conflicts between net receivers and net payers	Multiplication of distribution conflicts

### 3. The Commencement of EU-Entry Negotiations with Turkey is a Political Decision

From the beginning the perspective of EU (initially European Economic Community, later European Community) membership for Turkey was a strategic-political decision. During the Cold War the country constituted NATO's decisive southern flank. While the 1963 Association Agreement was intended to link Turkey economically and politically with Europe, the commencement of concrete entry negotiations was continually delayed. Through the invasion of Cyprus and the island's division in 1974, and the military *Putsch* of September 1980, Ankara squandered its options. Thereafter came various conflicts with Greece, which brought the two states to the brink of war (including disputes over tiny islands). This could only be brought under control through international intervention, ultimately with the assistance of the USA.

After the end of the Cold War Turkey remained an important partner of the West, principally because of the threats posed by radical Islam and related terrorism and instability in the Middle East. In December 1999 the EU concluded that Turkey would be assessed as an entry-willing country by the same criteria as other candidates. At the EU summit in Copenhagen in

December 2002 it was declared that 'in December 2004 the European Council would, on the basis of a report and recommendation of the Commission, determine if Turkey fulfils the political Copenhagen (1993) criteria'. The decisive prerequisites for the commencement of entry negotiations, which could begin at the earliest from May 2005, would thereby be met.

*The political Copenhagen Criteria are, in terms of practical implementation, still not fulfilled*

Fulfilment of the political Copenhagen Criteria requires that a state has democratic institutions and procedures and that EU human rights standards are implemented and assured. In the past three years Turkey has achieved a notable level of legislative (two major constitutional reforms, eight legislative packages) and practical progress. The influence of the military has reduced: in August 2004 the first civilian was appointed as head of the powerful military council; there is better control of off-budget funds. The death penalty has been abolished, torture forbidden (zero tolerance policy), laws on the forming of associations and the right to assemble have been liberalised, and religious and ethnic minorities have acquired greater legal rights. After further controversies with the EU over the criminal status of adultery a new penal code was passed almost in the last minutes before the release of Commission's report. These legal reforms mean that relics from the 'oriental middle ages' ('honour killings') as well as torture and marital rape will now be punished with increased severity (*Handelsblatt* 27 September 2004).

In its statement from October 2004 the Commission states: 'that Turkey sufficiently fulfils the political criteria and recommends that accession negotiation be opened.' (Commission 2004c: 3). It is questionable, however, whether these reforms represent a complete breakthrough as they have not yet been systematically implemented. This requires, as a precondition, a transformation of attitudes and behaviour at all levels of the state apparatus (Gürbey 2004). The Commission (2004c: 3) impresses that 'The irreversibility of the reform process, its implementation, in particular with regards to fundamental freedoms will need to be confirmed over a longer period of time'.

The confirmation in May 2004 of earlier judgements against Kurdish Members of Parliament, in particular the case of Leyla Zana, indicated the persistence of stubborn resistance. In July the verdict was dismissed and the disputed courts (State Security Council) dissolved. This was a response to external pressure. Nonetheless, shortcomings in the legal area remain. In July the verdict was dismissed and the disputed courts (State Security Council) dissolved. This was an indicator of response to external pressure. Nonetheless, many shortcomings in the legal area remain. This is reflected by Turkey not being considered by Germany as a 'safe third state' (*sicherer Drittstaat*) for purposes of evaluating asylum appeals. Turkey is the originating country of most asylum candidates (80% Kurds). In 2003 the European Court of Human Rights (ECHR) laid 76 charges of human rights violations against Turkey (*Die Welt* 26 October 2004). In the complex context of an Islam-influenced society and a state whose secular character is *de facto* secured by the military, the full implementation of democratic rights and freedoms in everyday life will be a long process.<sup>2</sup>

---

<sup>2</sup> An indication of the contemporary and forthcoming difficulties was the Erdogan government's attempt to implement a law on higher education institutions. It resulted in graduates from religious schools, for whom it had

Four ‘harmonization’ reform packages became law progressively through 2003. They included measures to eliminate ‘regulations and practices that had contributed to impunity for torture and ill-treatment’ and ‘the possibility of retrial for those whom the European Court of Human Rights ruled had suffered a violation of the European Convention on Human Rights as a result of a court ruling in Turkey’. Despite these promising developments there are recurring allegations of torture. It has not been confirmed that the state has systematically undertaken such activity. Yet many sources, including an April 2004 report by the Turkish Human Rights Foundation note a multiplicity of human rights violations including torture and other contraventions of democratic rights and freedoms (Human Rights Foundation 2004; Amnesty International 2004a; 2004b; 2004c; Middel 2004; *Süddeutsche Zeitung* 11-12 September 2004).

Table 3: The Political Copenhagen Criteria and their evaluation by the Commission

Criterion	Evaluation of the Commission
1) Democracy and rule of law	
a) Parliament	Free elections; since 1999 absolute majority of the moderate Islamic party AKP; strong consensus between government and opposition on EU membership; many laws adapted to comply with the EU
b) Executive	One-Party government, greater political stability; European Union Secretary General (EUSG) plays an important role for EU adjustment, some concern whether EUSG capacities are sufficient; President of the Republic used veto eight times (blocked reform of public administration and education, which would have favoured the Islamic movement).
c) National Security Council (NSC)	Civilian control of military strengthened; NSC transformed into advisory council; August 2004 first civilian heads NSC, control of extra-budget funds
d) The judicial system	State Security Council has been abolished and replaced by Heavy Penal Courts; constitutional amendments in May 2004 enshrine the principle of international and EU-treaties over national legislation. New Penal Code, in line with European standards, adopted in September 2004
e) Anti-Corruption measures	Disagreement in this area played a big role in the financial crisis February 2001, since Turkey has ratified major international and European conventions; progress has been made in anti-corruption measures; but corruption remains a very serious problem,
2) Human rights and protection of minorities	General evaluation: International conventions have been ratified; increased effort to comply with the European Court of Human Rights
a) Civil and political rights	Death penalty abolished; further efforts to strengthen the fight against torture (zero tolerance policy); systemic torture not confirmed but numerous cases of ill-treatment including torture; prison system improves but still deficits; progress in press freedoms but more effort needed to address outstanding issues (such as frequent prosecutions against journalists); in the field of broadcasting significant progress for languages other than Turkish, in practice considerable restrictions still exist; freedom of religion guaranteed in the Constitution but restrictions remain (property rights)
b) Economic and Social freedoms	If adopted new Law on Associations would reduce state interference and contribute to strengthening of the civil society; significant constraints on the right to organise and the right to collective bargaining; gender equality strengthened but substantial efforts needed to ensure that women take an equal place in the society; violence against women, including ‘honour killings’, remain a major problem
c) Cultural rights; protection of minorities	The ban on the use of Kurdish language was lifted, with some delay broadcasting and teaching in Kurdish was allowed; still considerable restriction on the exercise of cultural rights
3) Political dialogue (foreign policy)	Political dialogue with Greece developed positively; Turkey supported the UN plan on Cyprus

Source: Commission 2004a and own evaluation

been foreseen that they would solely undertake studies oriented to becoming Imams, acquiring access to universities without additional examinations (*Handelsblatt* 13 May 2004). This was later vetoed by the President.

A recent study of Turkey's suitability notes a 'big fall in the severest forms of torture (to around 20 cases)' (Hughes 2004: 3). The Commission report emphasises the zero-tolerance policy towards torture and that a number of perpetrators have been punished but also states that 'numerous cases of ill-treatment including torture still continue to occur and further efforts will be required to eradicate such practices' (Commission 2004a: 17, 35, 54, 165).<sup>3</sup> Proof that this particularly serious transgression is continuing would be enough to exclude Turkey from EU membership. During his visit to Turkey in September 2004, Verheugen was confronted with claims of systematic torture still occurring in the country. 'If that is true, we don't need to talk about the other EU criteria any more' said the Commissioner (Wernicke 2004).

In its October 2004 report the Commission emphasises Turkey's considerable political and economic progress, though the overall balance is mixed. The extensive and well elaborated sections (over 40 pages) on the political criteria impress that significant progress is visible but problems remain in many areas: freedom of expression (many cases of non-violent opinion prosecuted, disproportional force used against demonstrators), freedom of religious belief (restricted property rights for non-Muslims, 'interference' in their activities), discrimination and violence against women, including 'honour killings'. The situation of minorities improved and the ban of Kurdish and other languages has been lifted, but considerable restrictions still exist. On the basis of this report it could easily be argued that the political criteria are not fulfilled. The 'momentum of reforms' may well have influenced the on-balance positive judgement.

Despite the insufficient realisation of European basic rights principles, a 'political assessment' of the Commission's evaluation by the EU heads of state and government in December 2004 could lead to the EU commencing negotiations - with provisions and a strong insistence on the durability of democratic reforms. The determination of Recep Erdogan's government, along with its constructive role in the search for a solution to the Cyprus question and improved relations with neighbouring states, especially Greece, will be extolled, as it was by the Commission.

**Table 4: Comparative Evaluation of Political Rights and Civil Freedoms 2003/2004**

	Political Rights	Civil Freedoms	Together	Trend	Classification
EU-15	1.0	1.0	1.0	Positive	Free
CEE Round 1	1.0	1.8	1.4	Stable	Free
CEE Round 2	1.5	2.0	1.8	Positive	Free
Turkey	3.0	4.0	3.5	Positive	Partially Free
Ukraine	4.0	4.0	4.0	Stable	Partially Free

*Note:* Ratings are determined on a scale whereby 1 represents the best and 7 the worst evaluation. Countries ranking from 1 to 3 are classified as 'free', from 3 to 5.5 as 'partly free' and over 5.5 as 'not free'; Ratings reflect global events from 1 January 2003 to 30 November 2003. *Source:* Freedom House (2003/2004)

Nevertheless, such a decision by the Council would be highly sensitive, as it would not correspond to the usual practice: realisation of the political criteria as a precondition for ne-

<sup>3</sup> Precisely the same sentence appears on all four cited pages.

gotiations. Some EU states are rather hesitant and the position of the new members, who will now also decide on an enlargement, is still open. Below are evaluations of political rights and civil freedoms from the Freedom House organisation. In the 2003/2004 evaluations it is clear that Turkey is only a 'partly free country', with a distinctly worse grading than the new EU members, as well as Bulgaria and Romania. Taking the strivings of Turkish officialdom into account, the next evaluation should indicate a much improved outcome for Turkey, though a considerable gap with the current EU will remain.

*Political and institutional deficiencies are obstacles to fulfilment of economic criteria*

Political deficiencies might also affect Turkey's ability to fulfil the economic criteria and achieve the performance hoped for or expected of it. Corruption remains widespread, more extensive than in Bulgaria though less than in Romania (Transparency International; Cf. Theisen 2004). Reforms to legal systems are progressing slowly and inefficient administrative structures are undermining entrepreneurship as well as the implementation of major EU policies and laws. These shortcomings are evident in several indices of the World Economic Forum.

Table 5 shows that the average of CEEC-Round 1 is estimated at around 20 ranking positions worse than the EU-15. This reflects the enormous challenges faced by the more advanced CEECs to improve public institutions towards EU standards. Bulgaria and Romania are ranked 24 positions behind CEEC Round-1. Turkey is ranked 11 positions better than the latter countries, reaching a score similar to Russia (65). Summing up: the institutional adaptation problems Turkey faces are enormous but not so different to those of Bulgaria and Romania.

**TABLE 5: Selected Indices on Socio-Political Conditions for EU-Membership**

	Public Institution Index (2004)		Contracts and Law Sub-index (2003)		Corruption Sub-index (2003)	
	Ranking	Score	Ranking	Score	Ranking	Score
EU-15	19	5.82	20	5.36	20	6.07
Finland	3	6.48	1	6.35	4	6.68
Greece	44	4.74	37	4.63	52	4.79
CEEC-Round 1	43	4.87	48	4.28	36	5.46
Estonia	26	5.59	32	4.85	27	5.85
Poland	80	3.70	66	3.59	53	4.75
CEEC-Round-2	65	4.15	87	2.84	62	4.54
Bulgaria	56	4.36	92	2.72	35	5.50
Romania	74	3.94	83	2.97	90	3.58
Turkey	62	4.22	52	4.03	69	4.12

*Note:* The evaluation comprises 102 countries, rated from 1 = best country, 102 = worst country. The indices are based on various sub- and sub-sub indices, drawing on available hard data and data from the Executive Opinion Survey conducted annually by the World Economic Forum. The survey covers 8700 responses from business leaders worldwide. The scores range from 1 (worst possible evaluation) to 7 (best possible evaluation).

*Source:* World Economic Forum 2004, Authors Calculations

#### 4. Economic Backwardness and Convergence: Decades are Needed

Turkey's economic problems are sometimes cited as grounds to oppose its EU membership. The income difference between it and the EU-15 is indeed huge. In 2003 Turkey's per capita income level was 23% of the EU-15 (27.5% of EU-25) calculated at Purchasing Power (PPS) and 12.3% at exchange rate values (13.8% EU-25). The Turkish agricultural sector employs 33 % of the workforce compared with 5 % in the EU-25 (4% EU-15; see table 6). However, Turkey is characterised by huge regional disparities: 80% of its value added is produced in Istanbul, Ankara, Izmir and other large cities. The richest region reaches 46% of the EU-25 average (comparable to Slovakia) but the poorest only 8% (Commission 2004b).

However, Turkey's indicators suggest that economic backwardness compared to the EU-15 is similar to the second round of CEECs. The per capita GDP of Romania and Bulgaria reach only 10% of EU-15 levels in current exchange rates and 30% in PPS. Structural indicators like the contribution of agriculture to employment (Turkey 34%, Romania 34%, Bulgaria 27%) and to the national economy (all around 11% to 13%) are also similar. Taking territory and population into consideration, Turkey's accession is comparable to that of the first CEEC accession round, with only half of their combined GDP. What are striking are the huge differences in living conditions indicated by the HDI. The average ranking position of the EU-25 is 25. The NMCs reach an average ranking of 44, Bulgaria 56 and Romania 69. Turkey's position is 88 – similar to that of Paraguay and Jordan – and much worse than Russia (57) and the Ukraine (70). The major reason for this ranking is the 20% lower score in the education index.

TABLE 6: Indicators of Socio-economic Development: CEECs and the EU-15 (2003<sup>1</sup>)

	Population in millions	GDP per capita in euros	GDP per capita in PPS <sup>2</sup>	PPS as % of EU-15 average <sup>4</sup>	Agriculture in total employment <sup>5</sup>	Agriculture as % of GDP	HDI ranking <sup>3</sup>
EU-15	381	23858	24000	100	4.0	1.7	15
EU-25	453	21300	22300	93	5.0	2.1	25
NMCs-10	103	4700	9600	30	13.4	6.6	44
Bulgaria	7.8	2260	6280	26	27.7	11.4	56
Romania	21.7	2320	6300	23	34.1	12.9	69
Turkey	70.7	3000	6300	23	33.9	11.5	88
Mexico	102.0	5540 <sup>7</sup>	8970 <sup>8</sup>	37 <sup>9</sup>	18.1	4	53

<sup>1</sup> Human Development Index (HDI) for 2002; EU-15 for 1999. <sup>2</sup> PPS (Purchasing Power Standards) is calculated in current euros. <sup>3</sup> HDI ranking is based on a synthetic measure of eight socio-economic variables, a lower number indicating a better ranking position. <sup>4</sup> Unweighted average. <sup>5</sup> Share in value added in 1998. <sup>6</sup> Average HDI-ranking position of EU-15. Sources: EU-Commission (2003); Eurostat; *Human Development Report*, UNDP (2003).

Projections on the income gap between Turkey and the EU at the time of a speculated EU-entry in 2013 suggest it is unlikely that the large difference will disappear. For our calculations we use commonly accepted technical assumptions on the rate of per capita GDP growth of the EU (at 2%p.a.) and the countries entering the EU (first accession round at 4%p.a.; second accession round and Turkey at 5% p.a.). Nominal per capita GDP will stay only at 15% of EU-15 level and the per capita GDP at PPS at only 32% of EU-15 level (Table 7).

Table 7: **Basic Data of the enlarged EU in 2013**

	Size in % of EU-2013	Population in Mill.	GDP in % EU-2013 <sup>3</sup>	Per Capita-GDP in % of EU-15 <sup>3</sup>		Per-Capita-GDP (PPS) in % of EU-15 <sup>3</sup>	
				2001	2013	2001	2013
EU-2013 <sup>1</sup>	100 <sup>2</sup>	560.7 <sup>2</sup>	100	-	74.2	-	81.4
EU-15	62.2	376.5	91.4	100	100	100	100
CEEC-Round-1	14.3	71.1	4.9	22.6	28.6	44.5	56.2
CEEC-Round-2	6.8	7.5	0.8	8.4	12.0	25.9	36.7
Turkey	15.2	79.0	2.8	10.3	14.5	22.2	31.5

<sup>1</sup> EU-2013: EU-15, all CEECs and Turkey; <sup>2</sup> Including Malta, Cyprus and Croatia. <sup>3</sup> Assumed average yearly growth rate EU-15: 2%; CEEC-Round-1: 4%, CEEC-Round-2 and Turkey: 5%. Sources: European Commission; Statistisches Bundesamt (2002); UN Population Forecast Middle-Scenario, Revision 2000; own calculations.

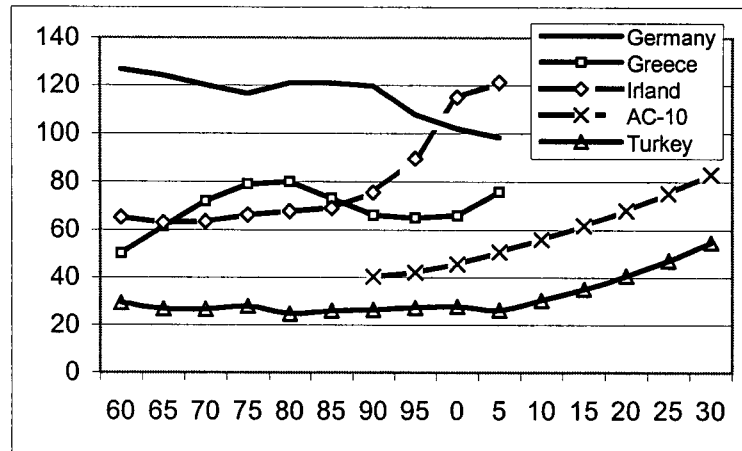
No economic miracle can be expected, including in a long-term perspective. Figure 1 shows that since the 1960s Turkey's income level has not drawn closer to the EU average. While there have indeed been periods with above average growth, these were not sufficient to compensate for intermittent economic crises and strong population increases. Adaptation processes for prices and the exchange rate make PPS projections for the income level difficult. Simple projections show that even if a convergence process with a GDP-growth difference of 3 percentage points were sustained, Turkey would need more than half a century to reach income levels comparable with the EU-15. In 2025 Turkey would reach 47% of the EU-15's per capita GDP in PPS.

Other studies suggest a mixture of positive factors that could launch Turkey on a rapid and sustained convergence path (Dervis, Gros et al., 2004). These rather optimistic calculations suggest that Turkey could reach a convergence rate of 4.5 percentage points and achieve over 60% of the EU-15's real income level in the same time-span. The combination of demographic dynamism (population growth, young workforce), structural change (from agriculture to industry), and a tight fiscal policy that attracts private investment, is assumed to promote economic growth. It would also require efforts to improve physical and especially human capital formation (at the moment a great deficit) and a substantial improvement in the institutional environment. This should be accompanied by robust increases in FDI (up to 2% of GDP), helping to promote technological change and to increase the investment rate in a sustainable way (Dervis et al., 2004). A recent OECD study (2004: 25) foresees a growth differential with the EU of nearly 4%. In 2015 Turkey would reach over 40% of the EU-15's per capita GDP measured in PPS.

Does this represent wishful thinking? At the moment the short-term economic performance looks bright with high growth rates over 5% (see Table 11) and some essential economic and institutional reforms underway (public and financial sector). At the same time a turnaround in the investment ratio and FDI did not materialise. The OECD (2004: 8) states that it is too early to determine whether the Turkish economy's rebound after 2001 will be transformed into consistent long-term growth. Turkey has to overcome three traps that have prevented this: low confidence in political and macroeconomic management, weak governance, and large informality (shadow economy). A EU perspective might help a reform agenda but is no guarantee for success as the disappointing convergence process of some EU countries (Greece) proves. The experience of the NMCs – with their definitive EU perspective – are also not entirely a success story. This influences our more cautious attitude to the future Turkish growth

path. A 3-percentage point growth differential in per capita GDP in PPS between Turkey and the EU-15 (as we assume) would be a success story, especially considered against the background of existing deficits in the major growth factors.

Figure 1: **Convergence of Per-Capita-GDP in PPS (EU=100)**



Note on sources: Up to 2005, data and projections: European Commission. 2005 to 2030, own projections based on the following assumptions: Per capita GDP of the Accession Countries will grow by 2 percentage points (as in the past decade) and Turkey by 3 percentage points higher than the EU-15 average.

## 5. Economic Criteria will not Delay Negotiations but will Delay Turkey's EU-Entry

The economic criteria have to be based on available or estimated data, although the validity and accuracy of this remains open to interpretation. Moreover, institutional changes are hardly measurable in quantitative terms. In its evaluation for 2004, the Commission concluded that Turkey had 'made further considerable progress towards being a functioning market economy, in particular by reducing its macroeconomic imbalances. Turkey should also be able to cope with competitive pressure and market forces within the Union, provided that it firmly maintains its stabilisation policy and takes further decisive steps towards structural reforms' (Commission 2004a: 70).

### 5.1. The functioning of Turkey's distorted market economy is improving

Turkey's achievements related to the first economic criteria ('functioning market economy') could be summarised as follows: