

calism or even a theocratic regime are presently guarded against by the Turkish military. Simultaneously, however, the military's role as ultimate arbiter is problematic when viewed through the prism of the Copenhagen political criteria. The retreat of the military from supervision of the political process – which is underway – has to lead to a sustainable democracy (Bocklet 2004: 169). If Turkish society and the state is fully accepting of what this entails: Human Rights, religious freedom, equality for women, and so on, then cultural arguments against a Turkish EU entry would be weakened. It cannot be proved in advance that due to its Islamic tradition, Turkish society will reject the basic norms of the European value community in the mid- and long-term. If, however, there were a culturally motivated backlash, the EU would have enormous problems. If such a development occurred during the accession process it would precipitate an immediate interruption of negotiations. If it was to occur after Turkey had been accepted as a member it would require the application of comprehensive sanction mechanisms. This could have far-reaching foreign policy consequences for the West and internal effects of a similar magnitude on Turkey. In this case a quasi-democracy guided by the military (as in the past) would, for the West, be preferable to a theocratic regime.

The 'European dimension' noted above is virtually synonymous with 'European identity'. Two components are predominant in our context: 'European Solidarity' and anxiety about 'Islamic infiltration'. The latter is based on deeply rooted, if now irrational, resentments and even fears going back to Muslim invasions of Europe in the 8th Century, Ottoman occupations of the Balkans from the 14th Century, and the empire's defeat before Vienna in 1683. Competition Commissioner Frits Bolkestein, a prominent sceptic of Turkish EU membership has made reference to this (Bolkestein 2004). The contemporary manifestation is fear of massive migration from Turkey to Europe (mainly to Germany) and the expansion of existing 'Islamic enclaves'. This problem has many aspects (socio-economic, educational, linguistic), which cannot be extensively discussed here. Migration pressure could be controlled to some degree by instituting temporary or permanent transition periods (see Section 8). But ambivalence runs deeper because Turkey would be a major power in Europe with the capacities to strongly influence EU decision-making.

This is why 'European solidarity' is crucial. The EU is conceived as a union of states *and* citizens, oriented to provide mutual security and welfare. As a union of citizens, therefore, EU membership means more than accession to a multilateral community of states. Previous enlargements have not elicited misgivings about their exceeding the EU's cultural or geographic framework, which is not to discount that there was resistance for other reasons. The basic consensus rests on a sufficiently communal cultural lineage (Christianity, Humanism, the Enlightenment, critical scientific rationalism) and is represented by important pillars of the European states (legal system, separation of powers, free elections, civilian predominance in institutions). There is also a historical and moral commitment to unify the continent after it was torn apart by two world wars (originating from it) and subsequently divided during the Cold War.

'European identity' is a theme that has been copiously discussed without definitive answers on its origin, content, range and implications. The more important practical issue is whether 'European identity' is intrinsic to solidarity among member states: in the form of financial transfers, communal embassies, Schengen, and so on. Could this solidarity be legitimated, or even exist, without a sustainable 'European we-feeling'? (Winkler 2002) Common European understanding about the conceptual approaches to community policies, along with their scope, financial magnitude and distributional effects, is already fragile. If the opinion

that Turkey does not culturally and historically belong to Europe solidifies among EU populations, then - whether this estimation is correct or false - the EU may experience an identity crisis and further deepening processes will be blocked. On the other hand, the prospect of Turkey acceding to the EU may stimulate a common (negative) response among large numbers of its citizens that would generate, in an unintended way, a popular form of European unity. The Commission, in an understated manner, noted that its October 2004 recommendation provides the basis for the Council to make a decision of 'general political importance' for the future of the European Union. It seems unavoidable, however, that a possible EU membership for Turkey must involve a direct decision of European citizens. The form and timing of such public participation will be a matter of controversial debate.

A EU Perspective Supports Reforms but is itself no Guarantee of Success.

Positive political and economic effects of a EU perspective on Turkey are frequently impressed. While this is an important argument, it does not necessitate unconditional full membership, which cannot substitute for Turkey's own required efforts. Moreover, in the economic policy area the IMF is Turkey's most important partner, even if it and the EU work, as in central and eastern Europe, hand in hand.

Table 14: **Potential welfare gains for Turkey through EU-integration**
(in various studies - long-term steady state effects)

Study	Scope	Effect-Mechanism and/or Method	Effect-Quantification
Harrison et al (1997)	Custom Union since 1996	Elimination of tariffs and non-tariff trade barriers, harmonization etc.	1.1 % of Turkey's GDP per year
Togan (2004)	Trade Liberalisation	Gravity Model on Trade	1.5 % of per capita income per year
Lejour et al (2004)	Trade Liberalisation Institutional Reforms	Computable General Equilibrium Model of World Trade	Effects through trade: 0.8 % of GDP; 1.4% of consumption. Institutional effects 5.6% of GDP, 8.9% of consumption
Own estimates (Quaiser and Reppegather 2004)	All integration effects	Estimates based on the model calculations related to the Eastern enlargement of the EU	2.5% to 5%; With FDI: up to 10% of Turkish GDP

There should be no illusions regarding the potential scale of positive integration effects. Because of already existing trade (customs union) and capital liberalisation, the immediate (statistical) economic effects of Turkey's membership for the EU will be marginal: less than 0.1% of GDP. This is also related to the small size of the Turkish economy (2% of the EU-25) and its limited trade importance for the EU (2% to 3% of the trade volume). During the last decades Turkey shifted its trade remarkably towards the EU (58% share of exports) but its trade share is still below of those of the NMC's (EU share about 70%).

For Turkey this will be in the region of 2.5% to 5% of GDP and may be higher if dynamic effects, primarily FDI, occur. Under favourable circumstances positive effects could be doubled (around 10% of GDP). A EU perspective would support greater political stability, which in turn encourages the flow of FDI. Notwithstanding this, national economic policy will remain decisive for successful convergence. It must also be taken into account that the above

mentioned effects could also occur through an extension of the customs union and phased integration into the internal market – without a full EU membership being required.

Costs of EU Convergence for Turkey.

The economic gains of EU entry have to be balanced against the outlays, which are difficult to quantify and evaluate, especially as they are linked to positive side-effects. Costs arise through the taking on of norms and standards. These will primarily 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 those in transition. The European model of the social welfare state and over-regulation – with huge transfers to poorer members - is in crisis and can hardly be considered as a model for progression. In fact there exists only one clear success story, Ireland, which in addition to benefiting from EU redistribution also introduced radical changes to tax rates, attracted FDI, and invested heavily in education and technology. Its population is English-speaking, which gave Ireland an advantage that others, including Turkey, do not have.

On the other hand there are in the medium and long-term also positive social outcomes: among them, a ban on child labour and formal equality of men and women. Long transition periods are envisaged before the full introduction of EU environmental standards in areas that do not concern the internal market. Difficult adaptation is also certain for competition policy. As for the internal market, here Brussels enjoys extensive powers and Turkey will be forced to comply with strict rules. The possibility of a selective subsidy and protectionist policy, like those pursued by other transition countries, with varying results, will be minimal and must be approved by the Commission. As an offset, Ankara can reckon with high EU transfer payments for rural regions, though the strong pressures for migration will thereby not be stopped.

Admission to the CAP means advantages for Turkish consumers but disadvantages for Turkish farmers. Transfer payments from Brussels can partly alleviate this.

The Turkish agricultural sector employs around 34% of the total workforce, comparable with Romania. It is characterised by subsistence and semi-subsistence farming with very low productivity, hidden unemployment and low competitiveness. Of about 3 million holdings (compared to 6.8 million in the EU-15 and 6 million in the NMCs) small farms are dominant. 65% of peasants operate farms of less than 5 ha of agricultural land. The large size of the sector has motivated concerns about the implications of its integration into the CAP. Membership will mean that Turkey's agricultural trade with the rest of the EU will be liberalised and prices will move towards equilibrium. High Turkish subsidies, and concurrently the income of farmers, will sink. Negative effects can be expected for rural areas where income levels are already about a quarter below those of the cities (Grethe 2004). On the other hand, lower food prices will raise the welfare levels of most Turkish consumers and in particular low-income groups (in total by 0.4% of GDP).

As a partial equalisation for its farmers Turkey will receive EU transfer payments for rural regions (a maximum of €8.2 billion per annum at 2004 prices). An entry scenario could mean payments of between €1 billion to €2.6 billion per annum (see Section 8). For the EU the political repercussions of financial redistribution following a liberalisation of the agricultural

produce market should be limited because of lower price and volume effects and/or because it is absorbed by a general trend of agricultural liberalisation and lower producer prices.

Turkey is currently implementing a programme to restructure the farm sector and publicly funded support. The objective of this policy change is to phase out price support and credit subsidies and to remove the state from direct involvement in the production process. A Direct Income Support system (DIS), based on land rather than inputs and outputs, is being introduced. It is estimated that 75% of Turkish farms are eligible for DIS. The basic idea of the system corresponds to the EU income support system, which will gradually be delinked from the means of production (land and animals). The reform promises to increase the efficiency of agricultural policy but it remains to be seen how this policy shift will effect rural economies as a whole, considering that Turkey is directing a substantial 4.1% of its GDP to agricultural support (Commission [DG Agriculture] 2003b).

The costs of structural change will be only partly compensated through EU structural and regional policies:

In the event of a Turkish accession the EU's structural and regional policies will be faced with massive challenges. Besides problems of administrative capacity (for both sides) the financial implications are disquieting. Along with the considerable development gap to the EU at the national level are regional disparities greater than in any EU country. As one of the poorest members Turkey will be eligible for the full benefits of the most important programs. In *status quo* structural policy terms virtually the entire country will qualify as an Objective 1 zone and receive up to 4% of GDP in support. This would mean about €13 billion in 2014 (see Section 8).

Such a level of transfer contributions is for the initial years rather unlikely. Nonetheless, the dimensions of these potential financial receipts give some indication of the tasks facing the Turkish administrative, political and fiscal sectors in a pre-accession period. This is magnified by comparison with the present state of affairs whereby financial support is fairly modest (about 0.1 % of Turkish GDP). In the next EU financial period, if negotiations on membership begin, a yearly pre-accession assistance for Turkey of about €0.5 billion (0.3% of GDP) can be expected.

7. Political-strategic arguments in favour of Turkey's accession to the EU are not entirely convincing.

As the EU can hardly expect substantial, if any, economic advantages should Turkey join, the arguments in favour of Turkish membership concentrate on foreign policy considerations. There are frequent assertions that accession negotiations will have positive effects on European security, on the Turkish reform process, and on the Islamic world (as a counter model to fundamentalist Islam). Many leading politicians stress this line of argument. It corresponds to the American strategic estimation and is noted in the Commission's recent Impact Study (Commission 2003b). In this context there are frequent references to '11 September'. The threat of Islamic terrorism was emphasised most fervently by the German Foreign Minister Joschka Fischer. In an interview with the BBC he compared the entry of Turkey into the EU

with the Allies' Normandy invasion in 1944. According to Fischer the modernisation process necessary for the secular Muslim state to join the EU 'would be almost a D-Day in the war against terror' and 'the greatest positive challenge for these totalitarian and terrorist ideas.' (Cf. BBC 20 October 2004; *Frankfurter Allgemeine Zeitung* 20 October 2004).

Leaving this somewhat melodramatic formulation aside, if one accepts that there is a real danger of Turkey sliding towards becoming a theocracy and that the EU could prevent this, then this would be a powerful argument.⁵ This may mean a complete reevaluation of the EU's self-conception and ambitions. A shift of accent in the European visions of some important politicians, perhaps before all Fischer (*Frankfurter Allgemeine Zeitung* 6 March 2004), is already noticeable. The goal of a political union has moved to the background. It appears that the EU shall now, with Turkey's help, operate globally as a strategic actor alongside the USA and provide additional assistance in stabilising a crisis-wracked, but for the West essential (because of oil, the terrorist threat, and potentially dangerous unsavoury regimes) region. There is no doubt that a stable democratic Turkey would play a strategically important role for the EU. It is not at all certain that this could only occur in the framework of a full membership. A strategic partnership and 'traditional' foreign policy could provide the EU with much greater manoeuvrability to pursue its own interests. In this context NATO seems to have been undervalued, by both European members and the US. This is part of a larger international game.

A perspective of EU membership supports Turkey's internal reform process. And it is often pronounced that without such a perspective many reforms would not have been introduced or at least not implemented at this speed. It would however be a bold thesis that argued that the success or failure of the reforms is dependent on the EU. The modernisation process cannot be steered by the Brussels bureaucracy. There is also an apparent contradiction here: on one hand, the European values of democracy and human rights, manifestly established in state and society, are *pre-conditions* for the commencement of negotiations; on the other hand, it is a perspective of accession to the EU that, some contend, will motivate, develop and eventually secure these values throughout Turkey's political and social structures. Arguments that entry to the EU is imperative for modernisation are further weakened by the firm emphasis of Turkish politicians that a continuation of reforms is in Turkey's interest independently of the EU decision.

If the strategic argument is pursued further then it must also be valid for an even more critical actor, namely Russia, which has enormous oil and gas reserves, a large military, is a nuclear power, and is also menaced by terrorism. In this case an overburdening of the EU could hardly be concealed, though it simultaneously reveals a failure to effectively conceptualise long-term strategic partnerships with important neighbours. The EU is increasingly compelled to guarantee stability and security on the continent and environs, which also means ensuring its own functionality. There are accession obligations towards Bulgaria and Romania, and perspectives for Croatia and other countries of South-Eastern Europe will follow. This will require considerable resources for a long time into the future. A policy regarding other eastern countries must also be developed.

EU accession for Turkey is not the means by which to hinder a 'Clash of Civilisations' and strengthen a westernised (that is, manageable) Islam. Its rather low esteem in the Middle East,

⁵ a balanced discussion of the strategic arguments and other pro and cons of Turkey's EU-membership could be found in Kramer (2003).

and indeed tense relations with some neighbours, means that any notion of Turkey's functioning as a model for other Islamic states to emulate is hard to support, even if Turkey is working hard to achieve this (Cf. Beris 2004). Any implicit threats by Turkey that, in the event of a rejection by the EU, it has strategic alternatives are thereby relativised. More daring is the vision of 'Europe as global power' (Cf. Guérot and Witt 2004). The EU is for the foreseeable future neither capable in terms of material resources nor politically prepared to play such a role. In this context the statements by Commissioner Verheugen, that he could not imagine a EU enlarged to include Turkey without a CFSP, are noteworthy (Emerson and Tocci 2004). In operational terms, such a policy is in its infancy. A EU with Turkey would indeed have more military-strategic weight but variable interests in specific instances will make it more difficult to reach agreement. Turkey borders on many crisis zones and it cannot be excluded that Ankara will have different foreign policy priorities to many if not all (other) EU states.

Some scholars (Aydin and Keyman 2004) and political figures (Yilmaz 2004) argue, quite plausibly, that Turkey's cultural-religious identity and geographic location cannot and should not be deployed as tools of argument against a Turkish EU accession. Both logically, and following a 'principle of fairness', Turkey must be evaluated solely by the same benchmarks, rules and standards – the Copenhagen Criteria – that other candidates have been judged by (and which should also apply to old members). 'Culturalist' references and the use of religion or geography as factors are then, it is argued, inapplicable. Yet what are the major arguments or assertions made by almost all those political actors and academic analysts who support an imminent commencement of negotiations on Turkey's accession to the EU?

The core of this argumentation is: geography and religion. That is, it combines the factors of a critical geo-strategic location and a primarily Islamic society of some 70 million people, and emphasises that these are present in an era when the wrong political signals or developments could be explosive for Turkey and an already wayward immediate neighbourhood, with grave consequences for Europe (and the United States). Therefore, with the spectre of 11 September omnipresent, the line of reasoning suggests that it is necessary to integrate Turkey further and faster into the West. And the EU serves as the best available vehicle to do this. This could also be expressed in a more rudimentary fashion: if culture/religion cannot be the basis of an argument to keep Turkey out of the EU, it cannot be the basis of an argument for admitting Turkey into the EU. The same can be applied to geography.

8. Membership for Turkey would have Far-reaching Implications for the EU

A decision on commencing accession negotiations with Turkey cannot be made without discussion on the possible consequences for the EU. This touches on the 'third Copenhagen Criteria', the capacity of the Union to cope with further enlargements. In the original long-version text of the Copenhagen Criteria (which cannot be found in the Commission's web-site archives) 'the capacity of the EU to integrate new members' is stressed as an important element to be considered before any negotiations are commenced (*Frankfurter Allgemeine Zeitung* 14 October 2004). Enlargement Commissioner Verheugen gave the impression that such a discussion was politically unwelcome. He noted that it was not known - projected to some

future unnamed date when Turkey might enter - how the EU would be organised and that speculation was therefore futile (*Spiegel Online* 27 February 2004). In later interviews he conceded that such a discussion was unavoidable and that he would commission a study on the theme (AFP 13 May 2004). The Commission, with encouragement from the European Parliament, produced its own impact study on the effects of Turkish membership on the Union (Commission 2004b).

Eastern enlargement and a possible Turkish EU membership is shifting the voting power in the EU towards the cohesion countries.

The eastern enlargement changed the EU from a group of predominantly rich industrial countries to a heterogeneous club of states with enormous economic disparities. The significance of the cohesion countries (those with income levels under 90% of the EU average) has grown. If one compares the old EU-15 in 2001 with a EU-28 including Turkey in 2013, then the cohesion countries will increase in number from three to at least fifteen and their population share will rise from 16% to 36%. Their voting weight in the EP will increase from 18% to 41% and, according to the Nice IGC, to 43% in the Council. In contrast to this their share of total EU economic performance will remain at about 10%. Even under the double majority voting system proposed in new constitutional treaty, the influence of the cohesion countries will remain strong (53% of states and 36% of the EU population).

This, relative to economic strength, disproportionate power shift in favour of the cohesion countries would be accompanied by tremendous hazards, particularly in view of the expansion of those policy areas that have the largest budgets and financial implications. Growing disparities in income, economic structures, and trade orientation, would weaken the internal coherence and goal specificity of European economic and monetary policies. Social cohesion would come under challenge. While the industrial core countries are concerned with securing and extending their competitiveness in high-technology fields (Lisbon agenda), the cohesion countries must introduce a successful convergence process – for Turkey this also means overcoming typical problems of underdevelopment in some regions – and integrate themselves effectively into the European division of labour (sectoral specification).

Table 15: **Significance of Cohesion Countries in Different Scenarios¹**
(Share in % of each respective EU)

	Countries	Population ²	Votes in Parliament	Council Votes (Nice) ³	GDP ⁴
EU-15, 2001	20	16.2	17.9	21.5	10.2
EU-25, 2004	52	29.9	36.1	42.1	14.3
EU-28, 2013	53	36.0	40.7	43.0	9.8
Of this, Turkey	3.6	14.2	11.2	7.8	3.0

Note: ¹ Cohesion countries lie under the 90% income threshold of the combined EU, measured by GDP per capita in the year noted. ² For 2004, population for 2001; for 2013, medium prognosis of the UN; ³ According to the Treaty of Nice; ⁴ For determining respective GDP per capita income and the GDP of the EU-15, a 2% rate, for the first enlargement round a 4% rate, and for the second enlargement round a 5% real growth rate, are applied. Source: Eurostat, own calculations.

The Commission's Impact Study is very general and does not sufficiently illuminate the effects on the Union.

The impact study (Commission 2004b) requested of the Commission by the EP and some member states represents only an initial assessment. On the bases of size, situation, and economic and military potential, Turkey's accession is assessed 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 CFSP may concurrently run into difficulties. Additionally, potential problems related to the control of the EU's external borders are highlighted. Security policy questions such as the containment of organised crime, smuggling and terrorism, represent enormous challenges.

Because of Turkey's, in comparison to the EU, limited economic power, and liberalisation introduced by the Customs Union, the economic effects on the EU are assessed as rather insignificant. The effects for Turkey are evaluated as positive. Here, however, generally expected growth and productivity effects are mixed with others that occur directly (participation in the internal market) or indirectly (political effects as a consequence of higher investment) from membership. Structural adaptation processes that could have retrospective effects on the EU are addressed. In particular this focuses on increased migration pressures, which with reference to various studies are quantified as between 0.5 and 4 million persons. Turkey's high rate of population growth could have positive effects on the ageing EU.

In contrast to previous announcements, including from the Enlargement Commissioner, the Commission also undertook an initial estimation of budgetary effects. In the framework of the present *acquis*, press reports on a first version of the impact study mentioned net costs for the year 2025 of between €16.5 billion and €27.9 billion. In the now obviously reworked and published version the 'hypothetical' net costs are posited as 0.17% of EU GDP in 2025. A presumption here is that costs related to Turkey's accession could only be evaluated on the basis of the financial perspective from 2014; implicitly an accession of Turkey is regarded as possible only after 2013. It is emphasised, nonetheless, that no further entry criteria should be introduced. In regard to institutional effects the document is very general. New voting weights in the Parliament and the Council (population component) are noted. In light of forthcoming reductions in its numbers and a proposed rotation system from 2014, direct effects of a Turkish accession on the Commission are not expected.

The Commission summarises that the 'Accession of Turkey to the Union would be challenging for both the EU and Turkey. If well managed, it would offer important opportunities for both' (Commission 2004b: 3; 2004c: 4). Although because of uncertain parameters (time and form of accession, condition of the Union, *acquis* at the time of accession, the Commission must necessarily remain rather vague in its prognoses, it sees more chances than risks. In the longer term it cannot be disguised that Turkey's accession will have extensive effects on the EU. This is expressed in regard to regulations on migration, where the possibility of a 'permanent safeguard clause' is raised, and also financing. The comment that the process is uncertain in terms of outcomes and will last many years (10 to 15), and the proposals for restrictive negotiation procedures, indicates that 'mixed feelings' also existed in the Commission and perhaps the Enlargement Directorate itself.

Commissioner Verheugen's remarks in a recent television interview (N-TV 6 October 2004), that a positive recommendation for Turkey may turn out to be a mistake, reflects some of this uncertainty. Turkey's unpredictability stimulates many questions. One of the most ba-

sic is, should a state that – tacitly, implicitly, indirectly, or in any other way – threatens to adopt an antagonistic posture towards the EU (as Turkey did in 1997 and on other occasions), and even to head in an anti-democratic direction, if it is not granted official negotiations on membership, ever be accepted as a member? For a state to take such a course suggests that democratic instincts and practices are not deeply rooted in its political culture.

Full-integration of Turkey in EU expenditure policies would cause high costs. Reform Pressure on the EU Agricultural and Structural Policies Increases.

The chance to implement genuine major reforms of the CAP and structural policy was missed before the eastern enlargement. Some changes in the CAP (de-coupling of income support from the means of production) will help to reduce expenditure in future, but much remains to be done. In structural and cohesion policy a concentration on fewer objectives is indicated, but the debate is focused on different phasing-in (new member states) and phasing-out (old member states) schemes. Considering the enormous challenges that the enlarged EU faces in order to promote a successful convergence process, this is a major disappointment.

Against this background the EU's acceptance of Turkey is a risky venture. Projections initially indicated a moderate cost: an entry scenario of €5.2 billion per year in net transfers, but which could, with full integration into community policies in their present form, rise to €14 billion yearly (Quaisser and Repegather 2004). Projections of this nature were previously derided as panic inducing and, simultaneously, not to be taken seriously.⁶ Moreover it is underscored that all relevant cost factors can be politically influenced. It is presently unclear precisely what EU expenditures at the time of a possible Turkey entry will be. The political decision process will involve the positing of *status quo* scenarios in order to calculate the extent of necessary reforms.

What has become increasingly clear is that an accession of Turkey cannot be transmitted to the European publics without a concurrent assessment of the consequences for the EU. Even before the Commission's Regular Report and Issues Paper were completed, figures from the Directorate-General for Agriculture (headed by the Austrian Commissioner Franz Fischler) appeared in the press. These indicated that agricultural costs alone could reach €11.3 billion per year. In the impact study this was revised to €8.2 billion per year (Commission 2004b: 46). Grethe (2004) predicts a lower cost of about €7.4 billion (with status quo conditions).⁷ For our calculations it seems reasonable to accept the Commission's forecasts. Employing these we also revise the costs for administration and internal policies from €1.6 to €2.6 billion.

Revision of earlier cost projections (Quaisser and Repegather 2004) is also necessary because new GDP figures for Turkey and new growth prognoses influence the projections for structural expenditures and Turkey's own contributions to the community budget. Additionally, the price basis and the possible year of entry to the EU have been changed. The figures

⁶ Enlargement Commissioner Günter Verheugen (Spiegel Online, 2004) was prominent in making such statements - source. For the previous eastern enlargement he had suggested that uncertainty, including for the cost, was an intrinsic feature of the project (*Der Spiegel* 13 September 1999: 220-224).

⁷ Calculations by Grethe (2004) are based on equilibrium modelling of the Turkish agricultural sector, taking its structural specificities into account. The main difference between his and the Commission's calculations is that Grethe applies the real devaluation of nominal fixed amounts for direct payments. In different reform scenarios he additionally assumes a 3% cut in direct payments yearly.

correspond to constant prices for 2004 (previously 1999) and an accession is now forecast for 2014 because this coincides with the commencement of a new finance period (following the period which begins in 2007). These alterations enable a necessary updated calculation (better comparability).

For an accession in 2014 we predict, in an entry scenario, a net transfer of €8.5 billion (Germany's contribution €1.7 billion). This would be a little over one half of expenditures (obligations) going to the NMC's in 2006. If in 2014 Turkey is completely integrated into the EU's expenditure policies the net contribution would rise to about €21 billion. This would comprise a little less than one half of expenditures for new members in 2014. The Commission estimates total net transfers to a maximum of €27.6 billion for 2025 (as the projected year of full integration into EU policies). If reforms (primarily a limiting of structural funds to 2% of Turkish GDP) are enforced, these estimates would be reduced by €16.4 billion. Against this background, there is a certain irony about Commissioner Verheugen's critique of some earlier cost projections.

Table 16: **Cost of a EU Accession by Turkey in 2014** (€ billion; 2004 prices)

Entry Scenario (corresponding to the first enlargement round, expenditure for 2006)	
Transfers in total	10.2
Agricultural expenditure (with 35% direct payments)	2.9
Structural funds (1.4% of GDP)	4.7
Other (administration, internal policy areas)	2.6
Own contributions (0.5% of GDP)	1.7
Net transfer	8.5
Germany's financial contribution (20%)	1.7
Authors Scenario of Full Integration in EU Policies (2014) (with 100% of direct payments and 4% of GDP as absorption limit)	
Transfers in total	24.2
Agricultural expenditure (with 100% direct payments)	8.2
Structural funds (4% of GDP)	13.4
Other (administration, internal policy areas)	2.6
Own contributions (1% of GDP)	3.3
Net transfer	20.9
Germany's financial contribution (20%)	4.2
Commission Scenario of Full Integration in EU Policies (2025) (with 100% of direct payments and 4% of GDP as absorption limit)	
Transfers in total	33.2
Agricultural expenditure (with 100% direct payments-estimates Commission (2004))	8.2
Structural funds (4% of GDP)	22.4
Other (administration, internal policy areas)	2.6
Own contributions	5.6
Net transfer	27.6 (Reform: 16.4)
Germany's financial contribution (18%)	5.0 (Reform: 3.0)

Source: Authors calculations, European Commission

Table 17 shows that calculations by Quaisser and Reppegather (2004) of €14 billion hardly deviate from those of other authors. Our current higher figures are based on the Commission's own assumptions and some technical changes (new price basis and growth projections). The

net costs (based on unchanged policies) estimated in various studies range from €8 billion to €14 billion. What conclusions can be drawn from this?

Firstly, it is correct – as the Commission also remarks – that all calculations are speculative, because all modalities and the timing of an accession, as well as the configuration of EU policies at that time, are unknown.

Secondly, status-quo scenarios show that full integration of Turkey into EU policies represents a considerable financial burden.

Thirdly, if considered in isolation this disbursement could be manageable, though because of the questionable ‘efficiency’ of these policies it can hardly be justified.

Fourthly, in combination with constantly rising expenditures for new member countries, and those required for further ancillary enlargements (Bulgaria, Romania, other Balkan states) as well as those for new tasks (foreign and security policy, Lisbon process), the funds to pay for transfers to Turkey may have to be obtained through an increase in the budget (which means tax rises) or cuts in receipts for current members. Either would provoke acute political difficulties.

Fifthly, within a framework of comprehensive reforms in EU policies, solutions that would make an accession by Turkey financially bearable could be found. But it remains open whether these reforms have a realistic chance.

Sixthly, alternatives are founded on the formulation of special conditions for Turkey. The disadvantage here is that this would be very difficult to impose and would lead to permanent conflict with Ankara.

Table 17: **Other Estimates on the Budgetary Consequences for the EU**

Study	Projected Year	Method	Transfer Yearly
Flam (2004)	Present System (2000)	Regressions based on existing expenditures, income level and voting power	Net: €12 bill
Togan (2004)	Present System (2000)	Regressions based on existing expenditures, income level and voting power	Net: €14 bill
Hughes (2004)	Present System Between 2015 and 2017	Comparable amounts (per capita) as Bulgaria and Romania and 4% GDP ceiling for structural funds	Gross: starting from €11 bill in 2015 to €19 bill in 2017
European Commission DG-Agriculture (2004)	Present System (2004)	Calculation according to the present rules	Gross: Only agricultural expenditures €11.3 bill
Grethe (2004)	Present System and Reform Scenario in 2014	Model Simulation	Status Quo, Net 2014: €10.9 bill CAP Reform, Net: €6.8 bill
Zft	Present System (2001)	Calculated according to EU-15 member states' shares of expenditures and payments	Net: €8.2 bill
Dervis, Emerson, Gros, Ülgen (2004)	Present System (2001)	CAP-costs comparable share of value added; structural funds 4% ceiling	Net transfers 2015: €18 bill

Turkish Migration Potential is High.

Massive income differences, especially with Turkey’s less developed regions, and existing networks (around 2.5 million Turks are resident in Germany), mean that the migration potential from Turkey to Germany is considerable. On the basis of a model by Sinn and Flaig, our

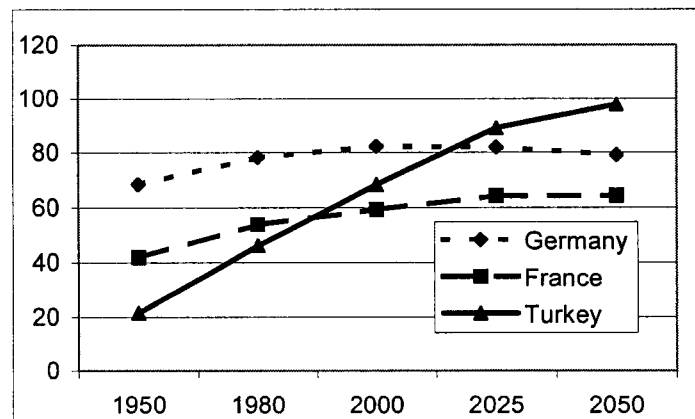
estimate is for an additional 4.4 million from 2013, using this as a possible EU-entry date. This should be treated as an upper limit. A halving of the income differential would reduce this to about 1.3 million.

Long-term transition periods, or a permanent safeguard clause currently proposed by the Commission in the area of free movement for persons, will result. Even with a population reduction in the current EU, the qualification profile (generally low levels) of the Turkish labour force does not correspond to European demands. Some integration difficulties associated with Turks already in Europe, before all in Germany, are also apparent. Immigration does not solve the problem of ageing (and linked pressures on the social system) in European core countries (see figure 5), because the reproduction levels of migrants adapt to the new context. These are reasons why projected positive welfare effects through the migration of Turks to Germany (Brücker 2004) are unlikely to materialise. However, if demographic change stimulates additional demand for labour in Germany, then a selective immigration policy would be the appropriate tool and not a general liberalisation of migration.

Table 18: **Migration Potential from Turkey to the EU-15 and Germany**

Study	Method	Migration Potential
Lejour et. al. (2004)	Migration elasticities from other studies applied to projected Turkish GDP	To EU-15: 2.7 Mill.
Hughes (2004)	DIW model (Alvarez-Plata, Brücker and Siliverstovs 2003) adapted for Turkey	To EU-15: starting at 225,000 per year with a total stock of 2.9 Mill.
Flam (2004)	DIW model (Boeri and Brücker 2000)	To Germany over 30 years: No convergence: 2.7 Mill. 2% convergence: 1.3 Mill.
Togan (2004)	DIW model (Boeri and Brücker 2000)	To Germany up to 2030: 1.5 Mill.
Quaisser and Reppegather (2004)	Sinn and Flaig (2001) model	To Germany from 2013: 4.4 Mill. Will decrease to 1.3 Mill. if the income difference is halved

Figure 5: **Demographic Trends in Germany, France and Turkey**
(Population in Millions)



Source: UN World Population Prospects; Statistisches Bundesamt 2004