

Towards Accession Negotiations: Turkey's Domestic and Foreign Policy Challenges Ahead

Edited by

**Nathalie Tocci
Ahmet Evin**



EUROPEAN UNIVERSITY INSTITUTE

Robert Schuman Centre for Advanced Studies

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Nathalie Tocci and Ahmet Evin (eds.)

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**Proceedings from the Third Annual EU-Turkey conference
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Preface

Ali Babacan

The elections of November 3, 2002 marked the beginning of political stability in Turkey. Political stability was achieved not only because of the parliamentary majority of a single party, ending a period of weak coalitions, but because of AKP'S understanding of democracy and its approach to politics. We believe in individual and human rights. And we are committed to democratic stability. For that reason we place primary emphasis on Turkey's full membership of the EU, because EU membership, we believe, will ensure continued democratic stability of Turkey. And, support in Turkey for the EU has never been stronger.

Remarkable progress has been made in this respect since the elections of 3 November, 2002. The following 13 December was the Copenhagen Summit where Turkey was given a conditional date to start negotiations for EU membership at the end of 2004. This was achieved in large part as result of our party chairman's concerted efforts to explain Turkey's commitment to the EU by visiting member states in a very short span of time and by being able to communicate our sincere views on EU membership.

On our part, we are happy to report that seven key harmonization packages have been legislated by the Grand National Assembly. Each of these packages comprises a set of laws or constitutional changes. With the passage of the seventh and last package all the necessary legislation has been completed to fulfil the Copenhagen political criteria. What is important from now on is the implementation. And now, we have until the end of 2004 to demonstrate that all these new laws, legislation and Constitutional changes are being fully and properly implemented in Turkey. If Turkey succeeds in adopting European norms of implementation (and, as

government, we shall spare no effort towards that end), it will be eligible to start negotiations for full membership.

As government, we see the EU as a set of values, political values, and we believe that these values are universal values, not specific to any religion, to any culture or particularistic tradition. We recognize that it is these universal values which keep the EU together. Because we believe in these values, we will do whatever it takes to make sure that Turkey is brought in line with these values. Conforming to the EU criteria, for us, is equally, if not more, important than being an eventual full member of the EU. It is for this reason that we put an overriding emphasis on the process of harmonization itself rather than a timetable or date for membership. The eventual full membership will follow only after progress is achieved on the right track.

Moreover, if Turkey, which has 98% Muslim population, can be proven to be a truly democratic country, I believe that we will have made a great contribution not just for Turkey but for the whole region. Turkey can be a role model for all the countries in Central Asia or in Middle East and it is, I believe, in the very interest of Europe to have a stable neighbourhood. The immediate neighbourhood of Europe is of crucial importance for the future stability and peace of EU itself and Turkey has both the potential and challenge of playing the key role in the region, contributing to the overall stability of the region. This is why we want to make sure that Turkey gets in line with EU practices so that it can set an example and uphold the values of democracy, human rights and freedom of the region.

Political stability is a must for economic prosperity. That is also the reason why we are placing strong emphasis on the EU harmonization process. And, EU membership will be the guarantee that all the reforms that have been carried out so far will not reversed one day. EU membership will provide a firm anchor for Turkey to make sure that economic and political enhancement and improvement will not be reversible.

Just as it is the case with respect to political reforms, radical changes and improvements are being implemented with respect to the economy. These reforms are being undertaken not because of pressure from Washington, from IMF, or the World Bank, but because we believe that the reforms embody the right policies for Turkey to overcome its chronic economic problems.

High and fluctuating inflation has been a chronic problem since the 1970s and 1980s. A crucial institutional framework to curb inflation is having an independent Central Bank concentrating on price stability only. The Central Bank of Turkey has been independent for two and a half years; its independence was part of the reforms undertaken by the previous government. We are committed to preserving the independence of our Central Bank and are supportive of its monetary policies.

Preface

Another serious problem has been the high public debt stock that represented no less than 92% of Turkey's GNP at the end of 2001. Sound fiscal policies are the most effective tool available to governments to reduce debt. This year we are targeting a primary surplus in the budget amounting to 6.5% of the GNP, and for 2004 again 6.5%. By any standard, this is a very high primary surplus. But consistent implementation of sound policies is the only way in which Turkey's towering debt stock can be reduced for good. So far, the progress has been satisfactory and we believe that the current year's target has been reached. Our 2004 budget is again being drawn up to generate a very high primary surplus. In 2002, the debt stock to GNP ratio was reduced from 92% to 80%. Projections show that at the end of this year, it will further shrink to around 70%. The three factors that have helped to reduce our total debt stock have been unwavering adherence to policies, reduced real interest rates, and also an appreciated Lira.

As for growth, it is a natural outcome of prudent policies. Turkey does have the potential to grow. First of all, it is a large market of 70 million people with a GNP of around 240 billion dollars. It is also situated at the crossroads of Europe, Central Asia and the Middle East. It has a good infrastructure for overland transport, natural resources as well as an educated, young population. In 2002, the growth rate was 7.8%. For each of this year and next, we targeted 5%, but all the leading indicators are showing that this year's target will even be exceeded to some extent.

Low and predictable inflation is essential for achieving sustained growth and for attracting foreign and direct investors into a stable market. Last year the government targeted an inflation rate of 35% and this year the target was 20%; actually last year a rate of 29.7% was achieved and this year's target has already been reached. Though 20% is a mere fraction of the rates of inflation Turkey experienced in the 1990s and up to the crisis of 2001, it is still high. But for next year we are making preliminary plans for targeting 12%, and for the following year it will be single digit number. In three or four years time, we believe, Turkey's inflation will be in line with that of the EU countries.

Structural reforms constitute an integral part of overall economic reforms. These reforms centre around efforts to enhance the investment environment in Turkey. Reducing bureaucracy, for example, will make Turkey an easier place in which to invest. A committee that includes the undersecretaries of all economy related ministries as well as private sector and NGO representatives has been set up to formulate and suggest policies and procedures for enhancing Turkey's business environment. To that end, 21 bills have been drafted and seven of them have been passed. The remaining 14 will soon be sent to the Parliament. One of these new laws, known as the Foreign Direct Investment (FDI) legislation, abolishes the requirement for foreign investors to obtain permission from the government to invest in Turkey. From now on foreign and domestic investors will be treated as equals in Turkey. The nationality of its shareholders (whether all of them foreigners

or all of them Turkish citizens) will make no difference as long as a company is incorporated in Turkey.

The new FDI legislation also simplifies procedures for hiring personnel and buying real estate in Turkey. Another law simplifies the procedures for starting a company in Turkey. Where the previous Foreign Investment procedures required no less than 19 bureaucratic steps, the new law reduces these steps to three. Now it is possible to start a company in Turkey in just one business day. Having been in business before entering politics myself, I am keenly aware of the frustrations of companies doing business in Turkey. When I wanted to establish a 50-50 Joint Venture involving one of my companies and a European company, it took me two-and-a-half months to get permission from the Turkish Treasury so that my foreign partner could transfer his own share of the capital. Now that the permission requirement has been lifted, the Foreign Investment department can focus effectively on monitoring.

Public Financial Management and Control Law is another piece of legislation about to be sent over to the Parliament for action. It aims to change the whole structure of public management in Turkey. The present law dates from the 1930s. We are about to pass another new Public Management Law. This new law, which will be effective in 2005, introduces the concept of 3-year budgeting, a three year revolving window system. And every year from 2005, there will be a sliding window in a three-year budget. This will provide a medium-term perspective on how fiscal policies will be implemented in Turkey.

In addition to the structural transformation of the public sector, banking reform and structural reform of the corporate sector are of crucial importance. The banking sector reform is continuing. Our corporate sector is in the process of adjusting itself to the new environment and the new rules of the game. The need to increase productivity and improve efficiency has come to the forefront now that accounting rules require more transparency and inflation accounting will be required. In the new environment companies will have to focus more on their core businesses. On the other hand, funds from the capital markets will become increasingly available, to meet financing requirements of the corporate sector. As the public debt stock diminishes, the public sector borrowing requirement will, also, be diminished, ending the crowding, by the government, of the financial markets. Such changes will result in greater resilience in these markets in the near future. Our target is well regulated resilience in capital and financial markets for Turkey. These markets are also instrumental for attracting capital inflows to Turkey, preferably in form of long-term and direct investment so that Turkey's further integration into the EU markets goes in parallel with and reinforces its European vocation.

PART ONE

INTRODUCTORY REMARKS



Intervention

Gianluigi Magri

The European Union is a dynamic process in place since the end of the Second World War. Successive waves of enlargements have contributed to change the geography, the policies and the institutional requirements within the Union.

The last two enlargements occurred during the 1980s towards the South (Spain, Portugal and Greece) and towards the North (Austria, Finland and Sweden). By enlarging East, the Union will achieve the most ambitious goal of re-unifying the European continent after the painful divisions following the last World War.

The current phase of enlargement is a very special one for different reasons. The main reason lies in the substantial differences between the political and economic structures of the new countries as well as their institutions from the current 15 member states.

Ten years ago, when the current enlargement process started, the Union established the criteria to be fulfilled by countries that wanted to become members. These criteria—the so-called Copenhagen criteria—referred to political and economic aspects, as well as the implementation of the Union's legislation, known as the *acquis communautaire*.

As far as the political criteria are concerned, what matters is: *the stability of institutions guaranteeing democracy, the rule of law, human rights and the respect for and protection of minorities.*

The economic criteria deals with: *the existence of a functioning market economy as well as the capacity to cope with competitive pressure and market forces within the Union.*

The implementation of the EU's legislation concerns the *ability to take on the obligations of membership, including adherence to the aims of political economic and monetary union.*

On 16 April 2003, there was the formal recognition of the completion of the accession process for those ten countries which will become effective members of the Union by 1 May 2004. For other two countries, Bulgaria and Romania, the objective was set to welcome them as members in 2007 under the condition that negotiations are completed by 2004.

Turkey entered the accession process later than the other twelve countries. In 1999, the European Council decided to offer the opportunity to participate in community programmes and agencies and in meetings between candidate states and the Union in the context of the accession process. The status of candidate State destined to join the Union was assigned under the same criteria as applied to the other candidate countries.

After 4 years, the Union has acknowledged the progress achieved by Turkey on the path of reform and decided that at the end of 2004, the European Council will assess the compliance with the Copenhagen criteria in order to open accession negotiations. With a view to helping Turkey achieve this objective, a revised Accession partnership has been adopted. It sets out the objectives to be pursued and provides increased pre-accession financial assistance conditional on the fulfilment of essential elements and in particular on progress towards fulfilment of the Copenhagen criteria.

The priorities set in the revised Accession partnership refer to the Copenhagen criteria. Among the political criteria, there is a clear indication of the areas in which results have to be achieved; in particular, the settlement of the Cyprus problem and of Turkey's border disputes, and the guarantee of human rights and fundamental freedoms.

For the economic criteria, short term and medium term objectives have been set. In the short term, progress should be achieved to ensure disinflation, swift implementation of the financial sector reform, independence of market regulatory authorities, privatisation and market liberalisation, promotion of foreign direct investments, addressing the problem of the informal economy. In the medium term, attention should be paid to the sustainability of the pension and social security system, to the completion of structural reforms in particular to the health and education sectors.

As far as the ability to assume the obligations of membership is concerned, objectives are set in terms of respect of the four freedoms. Moreover, alignment with the EU standards are required in fields as competition, agriculture, taxation, social policy and employment.

Enlargement does not pose challenges only for candidate countries. It implies challenges for the current member states and for the policies and the institutions of the Union as well.

The recognition of the prospective deficiencies in managing such a complex reality as a Union enlarged to more than 25 countries gave impetus to an intense process of revision of the institutions and rules governing the Union. This process culminated in the work of the Convention which released a new draft constitutional Treaty under the current scrutiny of the Intergovernmental Conference convened under the Italian Presidency.

The experience of the Convention has been unique and a real novelty in EU history. It was an open and transparent process which involved to a large extent representatives of the institutions, civil society and citizens. The European Council endorsed last June the work of the Convention and the spirit of the new constitutional Treaty.

This is not the place to illustrate and discuss the novelties of the new Treaty. What matters is the attempt to deliver a new institutional design and new policy rules capable of coping effectively and efficiently with the new reality. At the same time the new system should be able to strike a balance between efficiency requirements and democratic legitimacy.

It is crucial that the next election of the European Parliament takes place with a new Treaty. European citizens should be re-ensured about the capacity of the Union to live up to its ambition.

On the internal side improved decision-making rules, a clear identification and division of competences between States and Union and a well balanced inter-institutional division of powers will allow the Union to pursue an optimal degree of integration and cohesion. The achievement of these results relies also on the reform of policies and the allocation of resources through the budget.

Ultimately, European citizens have to become more involved in the developments affecting the European Union, because these affect their everyday life. This is a priority with respect not only to the new Treaty but also to the process of further enlargement. There is indeed a risk that our citizens feel that Europe and European decision-making are getting further away from them. The main challenge, in any institutional change, is to get Europe closer to its citizens, rather than further away, as some feel. The experience of past referendums, in Ireland or more recently in Sweden, point to this increasing danger.

The process of integration and cohesion should go along with economic growth and prosperity in all countries. Enlargement brings about large benefits, stemming from rapid increase of trade and investment. For existing members, this means better economic prospects. For the new members, it means the opportunity to move on a higher path of development.

To fully reap the benefits of enlargement, national and European Union policies should be geared to boost growth, competitiveness and job creation along the lines of the ambitious agenda fixed in Lisbon in 2000 after the recognition of a widening gap with respect to more dynamic economies.

The new Treaty answers also the need to find a strengthened and more effective position in international relations. Enlargement makes this requirement even more stringent. The shift of borders to the East calls, moreover, for an enhanced policy of relations with neighbouring countries to which extend stability and prosperity.

Within this context, the accession of Turkey to the Union represents a crucial step in several respects. I would like here to concentrate mainly on the economic aspects. In relative terms, the enlargement to Turkey implies a large increase in population of nearly 70 million, roughly as much as the current ten acceding countries altogether. If the demographic trend continues, Turkey will become the largest country of the Union by the end of this decade.

The economic conditions of Turkey differ considerably from the bulk of the Union countries. The per capita income is only at roughly 20% of the current European average.

This poses enormous challenges for the prospective budget of the European Union. The experience gained from the EU's cohesion policies will provide some guidance on the way forward. But the size of the Community budget is not compatible with a major redistribution of funds within the Union, as had been the case in the past.

In Turkey, important reforms have to be adopted and implemented, to ensure not only that the formal criteria requiring the existence of a functioning market economy are met, but also to make accession a success.

What is promising, at the current juncture, is the broad consensus among the actors involved in the reform process about the priorities to address. After the financial crisis of 2001, an increased effort was devoted to address the main structural distortions and fragilities of the economy. Important reform packages have been adopted and a program with IMF is in place.

The implementation of the IMF program and external positive factors such as the low level of short term interest rates have contributed to improve the economic outlook. However, important challenges lie ahead. The Turkish economy is burdened by a heavy public debt, denominated in foreign currency, an overvalued currency, and a wide current account deficit. These elements make the Turkish economy vulnerable.

The expected global recovery will contribute to sustaining the Turkish economy. Recovery should help the implementation of the necessary measures to address the domestic imbalances. To definitely address these imbalances, structural reforms remain key. In this regard, important progress in strengthening the

Intervention

functioning of markets has been recorded. Continuing efforts and commitment are necessary to successfully meet the deadline of the end of 2004 for the start of accession negotiations.

Bidding for EU membership has represented an important catalyst for many countries in the past as well as in the current wave of enlargement. Economic integration and prosperity are not objectives per se. A prosperous economy is also a prerequisite for peace and stability. This has been true for the past and will continue to be true for the future.

Finally, I want to mention a great Turkish political thinker, Ziya Gokalp, who said: 'we are members of the Turkish nation, of the Muslim religious community and of European civilization'.

So today Turkey represents a large gate between East and West but destiny places Turkey in Europe.

Introduction

Murat Sungar

Allow me to start by expressing my deep thanks to the European University Institute for organizing the third annual EU-Turkey conference in association with the Aspen Institute Italia and the İstanbul Policy Centre at Sabancı University, thereby continuing the tradition of the past two years. Needless to say, these conferences proved very useful at the historic juncture in Turkey-EU relations through the in-depth and comprehensive consideration of the subject. As we approach, the end of the most crucial stage, I hope this conference will be followed by a new beginning in our relations with the EU in the coming year. It is indeed an honour for me to address this august audience to give a short overview of Turkey's recent relations with the EU.

I hardly need to remind this audience that Turkey has been a fundamental component of Europe geographically, historically, politically and economically. When the Helsinki European Council in 1999 officially recognized Turkey as a candidate state, it was a significant step forward in the accession process that had started when the entity, that was to grow to be the EU, was still in its infancy.

Obviously, Turkey-EU relations have always been oriented towards the objective of membership. The signing of the Association Agreement, Turkey's membership application and the entry into force of the Customs Union are significant milestones towards this objective. Following various ups and downs in the relations between Turkey and the EU in the past, Turkey today is at the closest point to its target. With the Helsinki European Council decisions, both Turkey and the EU committed themselves to elevating their relations to a new stage. Thus, Turkey's efforts to integrate with the European family, attained a unique vitality with the momentum created after the Helsinki Summit.

Turkey has always considered progress a fundamental principle. It is an ideal for the Turkish nation to pursue its quest to conform with contemporary values. Accession to the EU is therefore a national target, which is supported by and reflects the common purpose of the vast majority of the Turkish people. Turkey's aim of integration with the EU is the principal project that will carry Turkey to its goal of prosperity, bringing universal standards and practices to all spheres of life.

Reflecting on Turkey-EU relations, two important aspects have to be kept in mind: The consistency of the Turkish Governments in setting EU membership as a high priority policy objective, and the continuous support of the Turkish people.

As you know, Turkey is undergoing a dynamic process of legal, political and economic reforms on the road to the EU membership. We have carried out comprehensive constitutional and legislative reforms that reinforce and safeguard fundamental rights and freedoms, democracy, the rule of law, and the protection of minorities, as set out in our first National Programme of 24 March 2001.

In that regard, following the adoption of the comprehensive package of constitutional amendments in 2001 and the entry into force of the new Civil Code in 2002, seven legislative reform packages were enacted. I shall not go into the details of these landmark reforms, such as the abolition of the death penalty. I would just like to underline that the legal framework relevant to the Copenhagen political criteria is now broadly in place.

Together with the aspirations of the Turkish people, the prospect for EU membership in general, and efforts to meet the Copenhagen political criteria in particular, has been the driving force behind the comprehensive reforms completed over the last few years. At this point, I should recall that those who expressed doubts about Turkey's capability to make sweeping reforms were very much surprised by the scope and success of the successive reforms.

Yet, we should acknowledge that, though the reforms were completed in a short period of time, it was not an easy process, given the fact that it has involved radical changes in many areas that are considered sensitive. Concerns have been raised that some changes could be detrimental to Turkey's interests if accession does not take place. It was partly due to the existence of doubts in the public about the commitment of the EU to Turkey's membership. I should stress that such doubts are particularly fuelled by signals from and debates within the EU that are perceived as being negative to Turkey's accession. These developments once again reaffirmed the importance of building confidence between the two sides.

Returning to the reforms, the Government has opted to harmonize various laws to fulfil the political criteria, which is the prerequisite to the opening of accession negotiations. Yet, the ultimate aim is to renew basic legislation in the long term through an integrated approach. This dynamic process will certainly continue during the accession negotiations towards completion.

Introduction

Turkey's National Programme was revised in July 2003 in response to the new Accession Partnership. The objective of the revised National Programme is to complete the legislative measures relevant to the Copenhagen political criteria within this year. It also foresees special focus on increasing effectiveness in the implementation of the reforms.

It goes without saying that transforming the guarantees provided by the reforms into practice is equally important. Indeed, numerous administrative measures have been put into effect with a view to fully reflecting the spirit of the reforms in practice. The Government is fully committed, and is indeed taking steps to ensure full and effective implementation. Accordingly, the necessary secondary legislation is being prepared and put into effect.

Furthermore, a special monitoring group has also been established at political level to overview the progress in the actual implementation. The Group, chaired by the Minister of Foreign Affairs and comprised of the Minister of Justice and the Minister of the Interior, decided to meet once a month to define and address specific issues related to implementation, including the preparation of the relevant secondary legislation. In addition, the Group has set up a sub-group of senior officials under my chairmanship, which has met several times to date, to prepare the groundwork for the Group. The Chairman of the Human Rights Advisory Council, which is composed of the representatives of public institutions and NGOs, and the President of the Human Rights Department in the Prime Ministry also actively take part in the work of the Group. Thus, the NGOs participate in the process and express their views on the reforms and their implementation through the Human Rights Advisory Council.

I am confident that those who expressed doubts about Turkey's capability to implement these reforms will be once again pleasantly surprised.

It is no secret that there are mutual challenges which lie ahead along with various pretexts put forward against Turkey's membership. Those who genuinely believe in the cause of Turkey's integration with the EU, must work together to remove the prejudices and psychological reservations directed towards 'the other' to establish a solid ground for the future of the relations. Yet, I am confident that the ideal of European integration has the potential to bridge the divisions and to restore a sense of common purpose among us all.

In conclusion, I would like to emphasize Turkey's main objective to start accession negotiations without delay following the European Council in December 2004. I believe it is the collective responsibility of both the EU and Turkey to materialize the project of the European integration, which would be incomplete without Turkey in it. The solid political commitment of the EU to Turkey's membership would remove ambiguities and reaffirm, once and for all, the validity of the founding ideals of the EU.

PART TWO

POLITICAL REFORMS AND CIVIL SOCIETY



The Influence of Civil Societies on Government

Reha Denemec

I would like to state clearly at the beginning of my comments that the very definition of democracy implies a government that is open to the concerns of *all* its citizens. Even though our party, the AK Party, won enough votes to form a single party government we have no intention of ruling through the ‘tyranny of the majority.’ We really do believe in the collective wisdom of the ordinary citizen, and it is our job to express the will of the nation at large. The great American president Abraham Lincoln put it best when he spoke of government ‘of the people, by the people, and for the people.’

We do not believe in self-perpetuating political elites who seldom listen to anyone outside a narrow circle of political allies and who continually delude themselves that they are ruling on behalf of the ‘people’, a people they seldom see and almost never hear. The legal legitimacy that comes with winning elections is not enough. A successful political party and a successful government must earn the more important political legitimacy that comes from the constant two-way communication with the people that one hopes to govern. In this way we can *earn* the real consent of the governed.

It is in this context that I would like to discuss the relationship between ‘civil societies’, non-governmental organizations, think tanks, etc. and governments.

Non-governmental organizations are becoming more active in Turkey as we move toward a more open, democratic society. It was very hard for such organizations to function effectively in a highly centralized system in which the political process is controlled by relatively small groups. Such groups tend to resent what they consider as ‘interference’ from civil organizations. In their minds the citizens work for the State, rather than the other way around. We saw this most

clearly in the aftermath of the 1999 earthquake. The success of a civilian search and rescue team (AKUT) was seen by some people as a challenge to the authority or the State rather than a brave effort by dedicated citizens to save lives.

We like to think we have the self-confidence and political legitimacy to welcome the efforts of NGOs rather than be suspicious of them. Fundamentally, citizens have the right of free association and the right to work toward goals they think important. You all know that in the full development of its democracy, Turkey faces many issues: human rights, cultural rights, asylum seekers, illegal immigration, health, and education. We believe NGOs can play a crucial role in highlighting these issues and keeping them in the forefront of everyone's attention. But the work of NGOs extends beyond the key issues of democracy. In many ways, the private sector organization TUSIAD functions as an NGO on economic, political and international relations issues. TUSIAD has published excellent research on these issues and is not shy about bringing them to the government's attention.

The basic issue of the relation between governments and the wide range of civil societies—think tanks, universities, interest groups of all sorts—becomes complex when we start talking about the formation and implementation of government policy. In democracies a political party is elected on the basis of certain ideas and plans it puts before the electorate. If elected it will naturally try to implement these ideas bearing in mind that it has the heavy responsibility to govern on behalf of *all* citizens—not just those who voted for it.

In democratic societies governments are, of course, open to ideas from outside formal government circles. Just look at the United States. Formation of policy is influenced by an intricate mixture of Administration plans, Congressional approval, media comment, think tank opinions, business input, universities, NGOs, security issues, and legal review. Policy makers ignore any one of these at their peril.

But, and this is a very important 'but', the final responsibility for policy-making rests with the elected government. It alone has the *authority* and *legitimacy* to enact legislation. It alone will answer to the people in the next election. If right, it gets re-elected. If wrong, it starts looking for a job. This is not a responsibility a democratically-elected government can surrender to *any* group, no matter how well-meaning.

By now the term 'globalization' has become a cliché. Saying one is for or against globalization does not make much sense. It already exists, and the question is what we do about it. We live globalization every time we use the internet, every time we see events in distant places unfold on live television, every time we get on a plane and travel half way around the world in a matter of hours. What is *less* clear is exactly how this globalization will impact national governmental policy. How *exactly* do supra-national organizations co-exist with democratically elected national governments? We have to be very careful with terms like 'network governance' or 'joint governance.' To what extent should policies of democratically

elected governments be affected by un-elected international organizations? Governmental policies must be seen as legitimate in order to be effective. And for citizens in democracies the only legitimacy comes through the ballot box where they exercise their right to choose. For example, officials in governments throughout the European Union may think the proposed European constitution is a wonderful document. Yet, in order for a document of that importance to be seen as legitimate they should hold a referendum where the people get to express their opinion. This is a risky step, but so is the alternative.

I would like to mention certain important issues like the Kyoto Environmental protocol and the International Criminal Court. Clearly there are major environmental and justice issues facing every nation on the globe. The Kyoto protocol and the International Criminal Court have very articulate and strong advocates—as well as opponents. It is the job of national governments to weigh all available information and ultimately make a decision to adopt or reject these particular conventions. One can be strongly in favour of more environmental protection, for example, and reject the Kyoto protocol as an ineffective answer to the problem.

Advocacy groups do not have to consider different options. Governments do. We accept the reality that national governments no longer have the luxury to operate in total isolation, yet, in the final analysis, any government must consider very carefully how any policy affects its own citizens.

We, in Turkey, are in the middle of a rapid transformation from a relatively closed political system to a more complete democracy in line with European Union norms. We hope this transformation leads ultimately to membership in the European Union, but that is not the main reason for all the hard work. Our own people deserve these rights regardless of the ultimate decision by the EU. Contrary to what many may think, the ordinary citizen in the middle of Turkey has a pretty good idea of democracy. He likes it. He likes it when people listen to him instead of constantly telling him what to do. He sees people in other countries exercising their democratic rights, and he (or she) decides they like that process.

In conclusion I would like to repeat that we are open to all ideas, all discussion, all opinions. But all of us, governments and civil societies, must never lose sight of the absolute need to listen to and incorporate the will of the people in our decisions. We must avoid at all costs the perception that our policies are formed by some self-appointed national or international elites.

The Challenge of European Governance to Turkish Politics and Political Structure

Kivanç Ulusoy

*He who desires or attempts to reform the government of a state, and wishes to have it accepted and capable of maintaining itself to the satisfaction of everybody, must at least retain the semblance of the old forms; so that it may seem to the people that there has been no change in the institutions, even though they are entirely different from the old ones.
(Niccolò Machiavelli, 1940: 182)¹*

I. Introduction

Over the last two centuries, Turks have considered ‘saving the state’ as their central problem. ‘Saving the state’, saving this ‘precious thing in itself’ is the chief concern of the governing elite of the Ottoman Empire and the Turkish Republic and probably the core historical motive demonstrating the continuity between them. Albert Hourani (1991: 130), an eminent historian of the Middle East, states that ‘The Ottoman Turks may be called the Romans of the Muslim World’.² With this statement he underpins the legacy of the Ottoman Empire in the Middle East and the centrality of the state in the Turkish mind. Instead of contesting theories of the

1 Quoted in Jossi Shain and Juan Linz (eds.) (1995) *Between States: Interim Governments and Democratic Transitions*, Cambridge: Cambridge University Press, p. 3.

2 Quoted in Ian Lustic (1997) ‘The Absence of Middle Eastern Great Powers: Political Backwardness in Historical Perspective’, *International Organization*, Vol. 51, No. 4, p. 655.

weakening of the state, this study aims to show how a state maintains its centrality against the social, political and economic changes, wars and turbulence over the last two centuries. The Turkish case demonstrates that the state is able to adapt to changes around itself although at a great cost during the nineteenth and early twentieth century. Drawing a trajectory of the transformation of the state in Turkey in the last two centuries, this study tries to situate it in the context of the transformation of the state in Europe.

The central claim of this article is that as the state in Turkey was once able to adapt to the changes in state structures in Europe, it could be able to adapt a second time to the new governance structure in Europe. Instead of acting as an external imposition of rules, EU-Turkey relations will be considered as the spontaneous structural effect of the transformation of European governance on Turkish politics and political structure. Not an imposition of a criteria but an adoption and transformation of governance to survive is inherent or in the logic of EU-Turkey relations. The EU is regarded as a structural event, an entity mobilizing a transformation around itself, beyond its boundaries.

Contrary to the traditional understanding of international relations as a foreign policy discipline based on an inside-outside distinction, and the common treatment of the EU issue as a matter of foreign policy in Turkey, this study puts forward the structural effect born out of a post-Westphalian form of governance beyond its boundaries in Europe and conceptualizes the European vocation of Turkey as a matter of governance. Therefore, the further transformation of the politics in Turkey is considered as a structural outcome. It is the only way to survive and save the state again in new global environment, not a simple implementation of the legal and political reforms accomplished on the way to EU membership.

The structure of the paper will be the following. First of all, the Turkish concern with 'saving the state' will be dealt with briefly as a two-century long governmental trajectory. In this way, the politics and the political structure of contemporary Turkey will be clarified. Secondly, the features of European governance will be explained within a general framework of European rescue of nation-state in post-war era. This would give us the necessary clue about the roots of the new European governance architecture through the reallocation of political authority among the governing levels as a new form of rescuing the state in Europe, and its restructuring as an integral part of the globalization process from the early 1970s onwards. In the third part of the study, the state as a political regime in Turkey will be situated in the structural context of European multi-level governance. The three governmental tasks that the Turks have in hand will be put as the components of the second structural adoption of the state in Turkey to the transformation of the state in Europe. The paper will be finalized with brief concluding remarks.

II. Secularism, Nationalism and the State in Turkey

After devastating wars with Russia during the eighteenth century, the Ottoman Empire in the early nineteenth century was so weak that a governmental reform was considered necessary to survive. The idea of creating a strong state backed the initial reform process started by Selim III (ruled in 1789-1807) and continued by Mahmud II (ruled in 1808-1839). Both Sultans understood that to secure the independence and welfare of the Empire the state must be reorganized. In their pragmatic view this could only come as a by-product of power, associated with military power. The 'New Order' initiated by Selim III referred to new military and administrative institutions. The creation of a large and effective state required the subordination of the provincial powers. The signing of *Sened-i Ittifak* (Deed of Alliance) between Mahmud II and the locally powerful Ayans in 1808 and the destruction of the Janissaries in 1826 consolidated the authority of the Sultan against the most powerful traditional institutions.

The expansion of Russia in the North, and Mehmet Ali, who captured the autonomy of Egypt in 1805, in the South, pushed the Ottomans to cooperate with Great Britain replacing France in the Eastern Mediterranean after the defeat of Napoleon in 1815. The interstate competition in Europe was not only a structural event for the Imperial cadres to initiate a transformation of the state but also pushed Europeans to support the 'sick man of Europe' to stand against the greater enemy, Russia. Great Britain supported the independence of the Ottoman Empire during most of the nineteenth century to guarantee the security of the passage to India through the Eastern Mediterranean. France backed Great Britain to safeguard her commercial interests recognized by the Ottomans through Capitulations. Both tried to control the Russian expansion even by supporting the Ottomans against Russia in an armed conflict, the Crimean War, in 1856.

Tanzimat (Regulations), a process of rationalization of the state, started with the Gulhane Edict of 1839, bringing crucial measures of the state centralization over the periphery through the construction of a large standing army, a division of labour among the branches of the state and rational administration (Lewis, 1961: 74-128). Regular troops were expanded and conscription was introduced in 1845. Efficient government system was pursued with the establishment of provincial administration in 1864. With a European model of state in mind, the Ottomans also invited European experts to modernize the government.

The reforms were extended to other spheres of social life. In economy, the liberal treaties of 1838 signed with Great Britain gave a legal basis for the commercialization of agriculture, and facilitated European expansion towards the Ottoman territories. The French model of commercial code and the Penal Law were accepted in 1850 and 1858 respectively. Through the harmonization of Sharia and the secular law, the new civil code called 'Mecelle' was formulated in 1876. The

control of education was taken away from the hands of the *ulema* with the establishment of the Ministry of Education in 1847, and a system of public education based on positive sciences was launched in 1869.

The establishment of an official newspaper, *Takvim-i Vekayi*, by Mahmud II in 1831, and the establishment of the translation bureau further expanded contact with the West. Private newspapers flourished during Tanzimat as the civic-cultural mechanisms of the reform process. New schools and an increasingly proliferous media introduced the ideas of freedom, parliament, democracy, constitution, public opinion, opposition and individual rights (Ahmed, 1914). The increasing contact with Europe conditioned the political effect of these ideas, constituting the dynamics of the 1876 Constitution. Tanzimat initiated an all encompassing institutionalization and modernization of social domain named as the development of secularism in Turkey (Berkes, 1964; Quataert, 2000: 110-171). This was not a smooth process. Creating claims of adoption, quest for a discourse, making this process of change accessible by the people, it also derived resistances (Mardin, 1962). The resistance was the integral feature of this functional process, making it politically significant.

Under the pressure of the Russian war, Abdulhamid II (ruled 1876-1909) abolished the Constitution and dissolved the parliament in early 1878. However, under his despotic rule, the modernization of the Empire continued with further reforms in education, military, legal and administrative structures. Lines of communication, the telegraph and the railway network were expanded to enable the authority of Istanbul to reach the most remote parts of the Empire (Lewis, 1961: 175-209). Far-reaching reforms were made in education, including the extension of the schools inherited from Tanzimat to educate civil servants, military officers and the opening of the new ones such as military and civil medical schools, schools of finance, law, fine arts, veterinary science, police, customs (Lewis, 1961: 181). Education—free access to science, knowledge and art—became an important new reality. The Young Turk opposition against despotism was also a product of the reforms.

During the reign of Abdulhamid II, the Empire was drawn to the great power rivalry sharpened by the rise of unified Germany, defeating France in Sedan in 1871. In Congress of Paris of 1856, the Great Powers accepted the Ottoman Empire into the European state system based on the Concert of Europe established after the Napoleonic Wars in 1815 (Naff, 1984: 143). However, the evolution in their policy became symptomatically evident to the Ottomans in the Congress of Berlin in 1878 when the Great Powers abandoned the central principle of the Concert of Europe, that is, the non-interference in internal affairs and forced the Ottomans to reform the living conditions of its non-Muslim subjects.

Allan Cunningham noted that, as the relations between Germany and the Ottomans expanded, Great Britain saw that her previous policy of the territorial integrity of the Ottoman Empire was based on wrong assumptions, and Great

Britain actually backed the wrong horse during the nineteenth century (Cunningham, 1996: 226-248). When King Edward VII and Tsar Nicholas II met at Reval in June 1908, the final solution for the long-lasting Eastern Question, the partition of the Empire, was prepared. This paved the way for the Young Turks' Revolution in 1908. The emergence of a nation-state in Anatolia was actually the direct result of this gradual isolation of the Ottoman Empire from the European balance of power.

As the revolution was rooted in nineteenth century liberalism and constitutionalist movement, the restoration of the 1876 Constitution was in its logic (Ramsaur, 1958; Kansu, 1997). In 1908, the Second Constitutional period started. However, soon the cries for freedom and liberty gave way to the turbulence of wars outside and fierce political struggle and anarchy inside (Ahmad, 1969). Bulgaria became independent and the Austria-Hungarian Empire annexed Bosnia-Herzegovina on 5-6 October 1908 respectively. The Albanian Crisis erupted in 1910. Italy invaded Tripolitania in 1911. Finally the Balkan Wars came in 1912-13. These events de facto abolished the 1878 Berlin Treaty, which had controlled the territorial disputes between the Great Powers and brought the collapse of the Balance of Power and the Concert of Europe, which had secured the European stability during the nineteenth century.

World War I was the final outcome of a continuous crisis shaking the Ottoman Empire in the early twentieth century. The Empire faced massive refugee problems, the destruction of economic space, immense financial burdens, bankruptcy, and ultimately the collapse of the ideology of the state—Ottomanism—all at the same time in a period extending from 1908 to 1918 (Ahmed, 1930). The liberal constitutional movement turned to a nationalist struggle for survival. Inspired by the Gramscian terminology, Feroz Ahmad (1988: 267) notes that the radical 'subordinate class' among the Young Turks attained power after the Balkan Wars with a *coup d'état* of January in 1913. During World War I, the war government initiated an impressive attempt at secularization and centralization. But this time the distinctive feature of the process was its nationalist motive—from the economy to other social, political and cultural aspects of life (Toprak, 1982).

World War I caused a total social upheaval and its effects reached a self-defeating level in the Empire. Notwithstanding its efforts, the central government lost its absolute authority on the provinces, and anarchy dominated all parts of the country during the war (Ahmed, 1930: 106). Faced with these two problems—internal disorder and social upheaval, and the external threat with the invasion of Allied forces to different parts of Anatolia—the state in Turkey was born in a Republican form during World War I and the following War of Liberation as an extremely centralized entity with a heavy accent on security in state discourse. Extreme centralization, continuing importance of security discourse against

external and internal threats and the fear of disintegration became the integral part of government in the following period in Turkey.

However, this Hobbesian State (Hobbes, 1651) carries an extremely important institutional, social, cultural, economic and diplomatic baggage, memory and experiences as briefly discussed above. Its warlike origin should not make us blind to the two-century long process of secularization and modernization of economy, society, politics and political structure. The crucial point in the Turkish case is the multi-dimensional transformation of the state from Empire to nation-state, from monarchy to republic and from a multi-ethnic population to a Turkish identity (Karpas, 1972: 243-281).

The Republican state was established as a political regime, governed by one party, the Republican People's Party (RPP), established by Mustafa Kemal, the leader of the nationalist struggle and the first President of the Republic (Tuncay, 1981). The new political regime was established upon six principles: republicanism, nationalism, laicism, populism, reformism and étatism. These principles, the first four of which were clarified in 1927 and completed in the May 1931 Congress of the RPP with the addition of the last two, were included in the party program and the constitution of the Republic.

Since 1923, the political regime associated itself with a republican form of state and recognized only one national identity, the Turkish, based on a republican form of citizenship. It grounded itself on the distinction between the religious sphere and state affairs, and absolutely rejected the governance of 'this world' with the principles of 'the other world'. It defined itself as an active state moving towards the people as a social state. It recognized the phenomenon of change and adoption to new conditions not only in terms of governance but also in all other aspects of social life. Turkey was an agrarian society in the early twentieth century. Although it recognized the existence and progress of the private sector, the political regime perceived the necessity of state involvement in industrialization and development.

Like the military—the state apparatus of the regime—, the RPP—the political apparatus of the regime—was a highly centralized party. In June 1936, the unification of the party and the state—by which the leader of the RPP was the Interior Minister and the governors of the provinces became the provincial heads of the party— was realized. After twenty-seven years of rule by the RPP, a multi-party regime was established in Turkey as a result of the growing rivalry within the governing elite and its spill-over into society in the context of the post-War changes towards democracy in the West. The May 1950 general elections resulted in the victory of the opposition party, namely the Democratic Party (Karpas, 1959; Sunar and Sayari, 1986: 165-186). During the multi-party regime the basic principles of the regime were not challenged but gained a legitimacy and showed a great power of adaptation through the selective incorporation of the social, cultural, ethnic difference in Turkish society and curing of the economic and regional

discrepancies. Democracy in Turkey, established with its formal and procedural structures, was able to channel the opposition to one party regime and helped the state to internalize it and gain legitimacy. This structure was maintained and enforced three times by military coups in 1960, 1971 and 1980.

The idea of planned development adopted after the military coup of 1960 together with the new constitution was in consonance with the étatist and nationalist idea of development. The creation of a developmental state, brokering the governing political and military elite and economic interest sustained progress and prevented destructive class conflict (Eralp, 1990: 230-234; Keyder, 1987: 293-308). While the Cold War conditions and NATO membership strategically secured the frontiers and incorporated the Turkish state in the post-war international power structure (Kuniholm, 1996: 49-50), the relationship with the European Community was regarded as the result of national economic development and Westernization, conceived as two integral projects of the Republic by the governing elite (Eralp, 1993: 26-31).

The post-1980 period faced a growing pluralism in society reflected in the new party structure, a divergence of economic interests between Istanbul and the rest of the country and a variance within the governing elite about how to attain the central goals of the state in Turkey. The incongruity about the future projection of the country was a result of the flourishing of democracy but supplemented by the end of the Cold War and worldwide instability.

The central aspect of expanding civil society was its denationalized character with its networks beyond the boundaries of the state in Turkey (Zurn, 2002: 78-103). This was clear in the growing tensions between Turkey and the EU, severely criticizing the military coup of 1980 and the centrality of the human rights issue in the following years (Dagi, 1996: 128-135; Dagi, 2001: 17-20). Creating distrust in the EU from the part of the governing elite, the human rights issue has been at the core of Turkey-EU relations until today.

This situation is closely related with the institutional transformation of the EU in recent decades and the emergence of multi-level structure of governance presenting a spontaneous structural imperative for Turkish politics and political structure. After the dramatic collapse of the Ottoman Empire when the secular republican state in Turkey seemed successful in mobilizing sub-national religious and ethnic groups into a coherent institutional edifice, the European model of governance brings challenges regarding the distribution of power between administrative levels and in terms of the politicization of groups excluded from the centres of power.

The new form of incorporating civil society dynamics and growing pluralism in Turkey to the state and supra-national level will constitute the cogent feature of Turkey-EU relations in the near future. The following pages will offer a brief sketch of the historical development and the present characteristics of European

multi-level governance. This will give us clues about the rationality and the dimensions of the challenge that European governance poses to Turkish politics and political structure.

III. European Governance as a Spontaneous Structural Imperative

The challenge to Turkish politics and political structure lies in the nature of the post-war European integration process. Alan Milward, a well-known historian of post-war Europe, gives a crucial insight into understanding its central motive, forcefully arguing that the integration process served to rescue the nation-state in Europe. He states: ‘The European Community has been its buttress, an indispensable part of the nation state’s post-war construction. Without it, the nation-state could not have offered to its citizens the same measure of security and prosperity which it has provided and which has justified its survival,’ (Milward 1992: 3) adding that ‘states will make further surrenders of sovereignty if, but only if, they have to in the attempt to survive’ (Milward 1992: 446). The security and prosperity of European citizens were the outcome of the integration process. The survival of the nation-state was in its logic. This is in close correspondence with the history of modern Europe.

From the early Middle Ages onwards the states played a fundamental role in European history. The state was able to survive among the different forms of authority competing in Europe after the disintegration of the Holy Roman Empire and maintained itself as the major political institution in the government of the economy and society (Spruyt, 1994). Firstly in a progressively rationalized absolutist form, later with projections of identity as a nation-state, the state was the basic organizing entity in Europe. The states have two defining properties. The first one is the territoriality and the clear territorial demarcation among them (Ruggie, 1993: 139-74). Closely attached to territoriality, the second property is the sovereignty manifested in the state’s potential to use force against competing powers within its frontiers to maintain an absolute authority and the recognition of this potential by the other states. Territoriality and sovereignty conceived in an integral way constituted the interstate system after the Peace of Westphalia ending the Thirty Years’ War in 1648 (Krasner, 2001: 17). Together instituting the state as a spatial entity they give it a significant capacity of initiative, labelled as the autonomous power of the state. The territorial centralization expanded the infrastructural power of the state and made it a domain of struggle insulated from the absolute dominance of the social forces. As a spatial entity the state is able to maintain an autonomous development (Mann, 1986: 134-136).

While the territoriality (and sovereignty as a mode of its recognition) has been the defining concept of the interstate system, its frequent violations were the intrinsic dynamics of European history until the end of the Second World War. The

war or the preparation for a war with the neighbour country or beyond the boundaries of Europe in the most remote parts of the world as a result of colonial expansion shaped the state making. War making and state making were interrelated and mutually enforcing (Tilly, 1990). Interstate competition, the potential and the reality of war pushed the states to a form of resource mobilization requiring rational administration of territory, economy and society.

The progressive rationalization of life within the state—by the rise of autonomous military, bureaucratic, administrative cadres and safeguarding the civilian scope through infrastructure benefiting the population—, and the exclusion of irrationality outside became aspects of state building from the mid-eighteenth to early twentieth century (Mann, 1993: 358-509). From the West to East and from the North to South with varying forms, degrees and periods as a result of geographical reasons and cultural traditions, the states in Europe followed this pattern of state making through social and political rationalization, secularization and the mobilization of domestic sources to wage competition outside with the other states (Rokkan, 1975: 562-600).

The interstate competition in Europe brought the first full scale world war between 1914-1918. The old regimes collapsed and gave way to the establishment of a multiplicity of nation-states in the continent. With the influence of the Great Powers the democratic regimes were established in these new states. But soon democracy lost its credibility. It was associated with the ideology of the Great Powers to dominate the rest of the world and derived nationalist resistance from the newly established states (Carr, 1939). It was widely discredited as a mode of government since it was incapable of resolving the huge social and economic problems that the post-war states faced. The inability of democracy to govern mass society gave way firstly to the dictatorial powers to control the rising masses and later to the fascist regimes (Kornhauser, 1959:30-34; Ortega y Gasset, 1989: 9-68). The second full scale world war came in 1939-45 and resulted in the human losses reaching to incredible numbers, and state collapse. The period covering 1914-1945 was probably the darkest period in European history. Democracy's inability to resolve the social and economic problems created rising expectations on the part of European masses to search for answers in authoritarian regimes and extreme solutions, resulting in the greatest war that history ever experienced (Mazower, 1998: 3-181).

That is why the post war rescue of the state in Europe gained a particular form, the welfare state. Returning to Milward, at the core of the post-war rescue of the state lie the existential reasons of maintaining security and prosperity of the citizens and the resolution of the problems in interstate relations through peaceful means. With different state traditions, resource endowments and population structure nationally organized welfare states varied throughout Europe (Andersen, 1990). There were some common features characterizing all of them. The national-welfare

states were based on the idea of mixed economy, central planning and state interventionism for the purpose of market correction. The logic behind them was Keynesian demand management and full employment.

The desire for prosperity to avoid war and maintain peace was so prevalent in post-war Europe that Stanley Hoffmann (1964: 1244), a close observer of the European integration process, stated that 'Europe had no clear identity except industrialization and an economic integration'. Claiming that Europe had no purpose, for Hoffmann, Europe's lack of identity was the result of the security needs against Soviet expansion covered by the United States, and the economic development programs under the Marshall Plan. The idea that the peace could only be the result of a prosperity pushed the governing elite in Western Europe to deal with the security issues through economic, functional and pragmatic means. Under the Cold War conditions, the main dynamic of the European integration process was economic in its early stages.

However, the national welfare state contained a potential of crisis and legitimacy problem when carrying out the functional needs of capitalist economy through democratically based government (Offe, 1984). This became clear when the European economies entered in a major crisis from the early 1970s onwards as a result of the changes in global market structures and the competition vis à vis the United States and Japan. With this crisis the idea of national development and welfare was replaced with the idea of creating a European wide market and exploiting economies of scale.

The immediate repercussion of this reflected in the territorial structure of European states. From the early 1970s onwards there was a growing tendency to decentralize the state and create regional governments in Europe. The logic behind this was twofold. First of all, two integral properties of the post-war welfare state—the organization of society through functional lines and the mediation of the interests of capital and labour at the top of the political structure—were increasingly seen as anti-democratic. The technocratic foundation of the welfare state was severely criticized in terms of overlooking pluralism in society and eliminating the democratic component. In addition to this desperate need for democratization in a technocratic polity, the increasing salience of cultural and regional identities, the massive urbanization caused by post-war European industrialization, and the fiscal crisis of the state created the quest for the new service functions of local governments almost everywhere in Europe and made the territorial restructuring of the state the immediate solution (Tarrow, 1978: 3-8).

Equally important to the crisis of the welfare state and the above explained rationality of the devolution of power to the periphery from the centre, the neo-liberal turn played a crucial role by changing classical governance based on the territorially centralized state (Foucault, 1991: 87-104). In his lectures on neo-liberal governance at the *Collège de France* in 1979 Michel Foucault claimed that the

market emerges as the basis of government, the organising principle for state and society, not the state supervising the market as experienced in Keynesianism. Neoliberalism, replacing this external principle with the inner and regulatory one, came as a new technique of government and brought a new form of governance based on autonomy and empowerment of individual to participate in the solution of problems hitherto considered under state supervision. Neoliberalism encouraged self government and regulation as a form of smooth articulation of the individual parts to the whole governmental machinery (Lemke, 2001: 190-207; Gordon, 1991: 41-46). The territorial restructuring of the state and the invention of self-governing territorial entities would be an integral part of neo-liberal governance replacing the classical state centralist one.

The following pages will briefly deal with the crucial supranational components of this territorial restructuring of the state, the structural funds and the cohesion policy. Before entering into their analysis, a discussion of the state of the nation-state in Europe is thematically important. The idea of planned national development was performed by a technocratic logic. The functional mediation of interests and its supranational orientation were the rationale of the functionalist and neo-functionalist explanation of the integration process in Europe.

Philippe Schmitter, a leading figure of neo-functionalism, summarized the three core hypotheses of neo-functionalist theory dominating the agenda of integration theory in its early times. First of all, the idea of spill-over, as an optimistic expectation, determines that the expanding interaction between the functional agencies on the politically less salient issues would bring expanding societal integration and lead to a gradual process of political union. Secondly the idea of externalization puts forward the fact that the integration process would affect the third parties since the members of the integration process would adopt a common policy vis à vis the rest of the world. Finally the idea of politicization argues that the expanding integration would produce resistance, create further incentives for integration, and constitute the basis for the involvement of new actors and the motive of change (Schmitter, 1969: 161-166).

Contrary to the neo-functionalist expectation of expanding integration through the spill-over mechanism and the eventual political unification at supranational level as an inevitable result of supranational interest management, for some analysts the state is still at the core of the integration process. Writing in the early 1980s, and having in mind some historical periods such as the devastating wars resulting in the massive removal of political confidence, the explosion of social movements in the late 1960s, and the crisis of the welfare state bringing inflation, recession and social unrest, Stanley Hoffmann (1982: 21) notes in a painstaking way that 'the most striking reality is not the frequent and well-noted impotence of so-called sovereign state. It is its survival despite the turmoil.'

After experiencing the Maastricht negotiations, A. Moravcsik (1993), the leading supporter of the transaction cost argument at European level, claims that EC is not different from other international regimes. On the contrary, through a set of transaction cost-reducing rules, procedures and regulations the European institutions highly contribute to the efficiency of bargaining among the major political actors of the European integration process, namely the states. Behind this argument lies a conviction that decision-making in the international sphere in general and the European Union in particular is actually a result of negotiations between competing national interests defined as an aggregation of the domestic interests (Morawcsik, 1991: 651-688).

However, G. Marks, L. Hooghe and K. Blank (1996: 341-378) argue that from the early 1980s onwards the European integration process faced a structural transformation and actually a new form of polity, defined as multi-level governance. Two forms of mutually enforcing changes taking place in the European institutional structure and social environment gave birth to this new form of governance. First of all, the institutional changes with supranational orientation after the Single European Act (SEA) (1986) such as the increasing reliance on qualified majority decisions in the Council of Ministers, the definitive power of the Commission to set the European agenda, the empowerment of the European Parliament in law making and agenda setting, and finally the European Court of Justice enforcing an institutional scheme and legal order so that Council, Commission and the Parliament interact rather than absolutely dominate each other's decisions (Hooghe and Marks, 2001: 28).

The second crucial set of changes occurs at societal level. Contrary to the transaction cost approach arguing a distinction between inside and outside of the nation-state boundaries and overlooking the capacity of subnational movements to transcend them, Hooghe and Marks insist on their potential to find representation and recognition at the European level. The sub-national movements gain supranational character through European institutional channels such as the Committee of the Regions, linkages with the Commission, subnational offices lobbying in Brussels and transnational networks crosscutting the national boundaries (Hooghe and Marks, 2001: 81-92).

Though not directly challenging the sovereignty of states, basically these progressively de-nationalized societal dynamics, requiring a new form of democratic governance beyond the nation state, shake the centrality of state in the organization of society, economy and territory and melt it in the social processes going hand in hand with a multi-level allocation of authority and the changing patterns of governance in European context. J. Caporaso (1996: 29-51) situates the above discussion in the general quest for the transformation of the state in Europe from Westphalian to the multi-level governance, which he labeled as post-modern.

How this new political structure came into being? It would not be an exaggeration and economic reductionism to argue that the creation of a single market in Europe was its rationale. But, the key to the territorial constitution behind this political structure could best be understood through analyzing the structural funds and cohesion policy, put into effect in rather novel fashion on the eve of the creation of single market and the Second Enlargement of the European Community (EC). Its roots go back to the establishment of the European Regional Development Fund (ERDF) invented as an instrument, a strategy to create a broad level of consensus between the member states of the EC for further enlargement in Paris Summit in 1974 (Wallace, 1977: 137-163).

On the threshold of the inclusion of Great Britain, Denmark and Ireland, the ERDF was a strategically important component of a package deal involving both the enlargement and a step towards economic and monetary union (Allen, 1996: 212). Italy, Ireland and the United Kingdom were the recipient states and within this frame three times—1980, 1982, 1984—budget rebates were returned to Great Britain (Pollack, 1995: 363). During this first phase between 1975-1988 the role of the European Commission and the regional authorities in terms of decision making and policy implementation were quite marginal. The fund, emerging as a side payment to facilitate the enlargement process was actually turned to an instrument of national policy making (Allen, 1996: 213).

This ten-year old strategic instrument, a technique of government, was put into effect again when the Second Enlargement (incorporation of Portugal, Spain and Greece to EC) came into European agenda to cover the fear that the single market would increase the regional disparities. This enlargement with central components of democratic transition and consolidation corresponded with the project of completing single market by 1992. An explicit linkage between the cohesion policy and the 1992 project was established. The cohesion policy took a new title—Structural Funds—in SEA. At the 1988 Brussels European Council, Delors I package, doubling the structural funds, reforming the policy-making and initiating a five year (1988-93) financial perspective was accepted. In December 1991 the Cohesion Fund was established and the principles of cohesion and the procedures of implementation were accepted as the fundamentals of the treaty. In the Edinburgh Summit in December 1992 Delors II package was launched, projecting a 1993-99 financial perspective with a doubling of the fund. In a period covering 1975-99 the structural funds increased from less than 5% in 1975 to 9.2% in 1987 to 28% in 1992 to a 35% in 1999 (Allen, 1996: 214-219).

Through the Delors packages the structural funds were significantly reformed in terms of amount, decision-making and implementation. Particularly the 1988 reform has a categorical significance because of creating the operating principles of the funds such as concentration, programming, partnership and additionality. While concentration clarifies the priority objectives for lagging regions, declining

industrial areas, unemployment, worker adoption and rural development, the programming refers to design of specific economic programs. The partnership principle demands the participation of relevant actors from EU, national and subnational levels at the planning and implementation of programs. Finally additionality requires that the EU funds should be additional to national spending (Peterson and Bomberg, 1999: 147). Giving an unequivocal role to sub-national authorities in the making and the implementation of the programs, the 1988 reform and Delors I package had an explicit regionalizing component with extensive financial support, contributing to the territorial restructuring of the member states. Rather than changing its direction, the 1993 reform was made to contribute and improve the structures developed since 1988 with the extensive contribution of the European Commission.

Intergovernmental bargains at EU Council played a crucial role in deciding the regional funds as side payments on the edge of enlargement process and completion of single market. But the implementation procedures based on partnership and subsidiarity allowed the de-hierarchization of the decision-making process with different tiers of governance—regional, national and supranational—taking care of different aspects of policy making in a complementary way (Bailey and De Propis, 2002: 408-428). The structural features of multi-level governance in Europe emerged in this implementation process.

Although the level of participation was determined by national structures even in its early stages and the cohesion policy was progressively renationalized with the 1999 reform of its financial basis and the new regulations, integrated to the framework of seven-year budget perspective as part of the Agenda 2000 package, the 1988 reform was a categorical imperative in terms of mobilizing sub-national entities in the supranational political agenda by its rationality of expanding the level of partnership and diversifying the partners for the implementation of European projects (Sutcliffe, 2000: 301-306). These partners recognized Brussels as one of the central interlocutors of resource allocation, policy-making, technical expertise, selection of sectors and areas.. However, the key factor in the relatively smooth functioning of social, political and territorial restructuring is that the European states consent this effect in the processes of incorporation to a larger institutional body—the EU—since it provides a certain level of security and institutionalized control to the pressures coming from the bottom-up processes to their gate-keeping power (Pollack, 1995: 385).

This territorial dimension of the European integration process should be discussed at least briefly in conjunction with the legal and the social dimensions, since they are closely related with each other, the construction of multi-level governance and the overall rescue of the nation-state in Europe. The market making effect of the SEA and the Treaty of European Union mobilized the law as a unique instrument since the creation of a single market necessitated institutional and legal

support (Fligstein and Mara-Driata, 1996: 1-33). The mechanisms of constitutional review in post-war Europe gradually challenged the legislative authority as the courts in member states sent cases to the European Court of Justice (ECJ) (Stone, 1995: 286-314). With ECJ activism in promoting economic integration and liberalization, the EU produced an impressive body of institutionalized rules and procedures. The empowerment of judges in governing day to day activities and problems of economic integration celebrated the emerging Euro-polity as a legal, supranational community of citizens (Stone and Caporaso, 1988: 92-133). While depriving the states' ability to govern the economy and promoting economic liberalization, the EU enforces through law a hierarchy of issues in the European agenda and governs by steering (Sbragia, 2000: 219-240).

Considering the defects of economic liberalization, the EU has managed to incorporate a social dimension. The cohesion policy constituted a prelude to social policy and the structural funds were the first market correcting measures at European level (Anderson, 1995: 123-158). The idea behind that was to improve the efficiency of regional development within nations through EU channels, which secures the correct concentration of funds. In addition to create a common economic interest based on the consideration that the depressed regions harm the entire EU on economic and social equity grounds, the cohesion policy aimed to remove the regional disparities which might constitute barrier to the smooth functioning of the single market and a dynamic European economy.

The European initiative of creating a single market was put forward to strengthen the European economies vis à vis American and Japanese competition by opening the door to exploit economies of scale (Bressand and Nicolaidis, 1990: 37-38). Therefore, the creation of strong regional economies within nation states, planning and mobilizing development at regional level had this global push (Nanetti, 1996: 59-88). In the end the state in Europe is territorially re-articulated, extended, and supplemented by supranational mechanisms of coherence and steering so that it could restructure itself and resist to the negative impact of globalization from the late 1970s onwards.

The effects of the crisis of the welfare state and the globalization forced the European states to engage in territorial restructuring (a domestic impact) and supplementing governmental machinery (a supranational-regional impact). While the former brought an institutionalized recognition of cultural and ethnic plurality through administrative devolution and the revival of the regions, the latter forced the centralization of issues such as the government of economy at the supranational level. The institutional penetration, the increasing supranational tasks and the complexity in the nature of the issues required European level of governance. Whether described as governance without government—smooth functioning of the governing machine with substate and suprastate levels (Rosenau, 1992: 3) or government without statehood (Wallace, 1996: 445-456)—denoting the declining

centrality of state but stressing the significance of an emerging polity with evolving institutions and relations among the levels of government, this form of governance was actually a response to the crisis of the welfare state in Europe and a form of resistance to the globalization process.

Although states are deprived of many instruments of social policy and remaining market correcting measures are still largely in national hands (Pierson and Leibfried, 1995: 1-40) the whole European architecture—multi-level governance—is actually a quest for restructuring of the welfare states at European level (Scharpf, 1999; Scharpf, 2002: 645-670). Behind this quest lies a central dynamic: how to maintain the prosperity and welfare at European level, which was at the logic of post-war rescue of nation-state in Europe.

IV. Framing the Challenge and Saving the State Again: Three Governmental Tasks

The challenge of European governance is basically an institutional one, emerging out of a necessity to institutionalize a deepening integration process and an expanding market (Wallace, 1996: 3-36). In this sense it is a spontaneous challenge. Behind that is an expanding social and economic relations between the citizens of the European states, communication networks, progressive regional and subnational mobilization and an immense pattern of administrative interaction and convergence (Wallace, 1994: 11-57). The effect of this social and economic reality, which could be labelled as the process of Europeanization, emerges as a matter of adoption to a complex web of European institutions. The states move to adopt their institutional structures and reshape their politics towards the European standards. Europeanization poses a spontaneous need of domestic structural change not only for the member states of the EU but also for the states aspiring to be full members. It is a two way process interacting the domestic and the EU levels, involving both top-down and bottom-up initiatives.

The European effect shows how the traditional distinction between domestic and international is getting blurred and a progressive convergence occurs in public policy making as a result of deepening economic and social integration, widening institutional terrain and emerging common norms of action. The centrifugal trends forcing the European states for territorial restructuring leads to the emergence of multi-level governance drawing some previously centralized functions of the state up to the supranational level and some down to the local-regional level empowering the domestic actors and civil society (Marks, Nielsen, Ray and Salk, 1996: 40-63). But, the Europeanization process is able to accommodate the direct challenging power of regionalism, turning it into cooperative regionalism, a part of the larger European administrative edifice (Börzel, 2001: 137-158). That is why the process of European integration entails a gradual reconfiguration of territorial and

functional properties of the state in Europe. Stating 'its core lies in the growing dissociation between authoritative allocations, territorial constituencies and functional competencies' Schmitter (1996: 27) insists that the ongoing transformation of these three structural determinants of integration process will give its shape to the emerging Euro-polity.

With the process of Europeanization, EU affairs cease to be a matter of international relations as the policies produced by intergovernmental negotiations turn to public policies, requiring nation-state adaptation and restructuring. The necessity to articulate EU and national interests dramatically changes the rules and the structure of policy making in the member countries (Mény, Muller and Quermonne, 1996: 1-22). The European effect even goes beyond the policy dimensions and spill-overs on political cleavages, parties, and patterns of democratic legitimization and identity formation (Goetz and Hix, 2001: 15). In other words, it re-contextualizes politics in all its aspects in all European countries through creating new spaces for political manoeuvre, political recognition and a general European agenda.

This two dimensional transformation in political structure and politics of the European states shows itself in six particular ways: a process of institutional adaptation within government in relation to the coordination of EU policy and strategy; a process of transformation in the structural power of domestic actors-executive and technocrats, sub-national actors and institutions, and the strengthening of civil society; an adjustment of the domestic macroeconomic policy regime, affecting state-economy relations; an issue exerting a new dynamic within domestic party system; a pressure to redefine national identity; a strategic tool in the pursuit of foreign policy interests (Featherson and Kazamias, 2001: 15-16). The following pages are not going to analyze all of them but provide a general framework for analyzing the European effect on Turkey and structure the necessity of change in three governmental tasks.

European multi-level governance presents a spontaneous imperative for Turkish politics and political structure. Its impact is reflected on the necessity in the transformation of the government of economy, society and territory (domestic geography and administration) in Turkey on its way to EU membership. This transformation can not be treated just as a result of policies or criteria directed from outside. It is a spontaneous impact of the European governance beyond its boundaries and the contents of Europeanization projects.

The interaction between the global, national, regional and local dynamics brought the European institutional structure into being as multi-level governance. It was born as a European form of resistance to social and economic turbulence shaking the world from the early 1970s onwards, pushing the European welfare states to an evident crisis. It was a quest for restructuring at European level from the early 1980s onwards through market integration to exploit the common

European economies of scale, legal expansion and supranational institution building. As this internal quest for restructuring spills over to its periphery, creates motives of transformation, and mobilizes political, social and economic forces, it is structural. Turkey, a country in the regional periphery of Europe aspiring to be a member of the EU, receives this structural effect and its repercussions.

The reform laws accepted on 2 August 2002 mark the emergence of a structurally different form of democratic regime from the previous one. The rise of such a radical democratic initiative is the immediate result of the expanding mobilization of sub-state and sub-national entities in Turkey in the institutional and political context of European integration. The recent decades demonstrated that the process of regional integration in Europe faces a clear orientation towards the creation of a Europe fundamentally different from a common market. The rise of a Europe of cities and regions and the administrative edifice shaped by local, regional, national and supranational level show that the supranational processes mobilize sub-national actors at European level. Although not extensively dealt above, the quest for a basis to create a European citizenship, identity, and the definition of human rights in terms of cultural and minority rights reflected in the Copenhagen criteria for full membership carries the integration process to the cultural spheres.

These are the properties through which the EU presents a spontaneous structural imperative for Turkish politics and political structure. The secular nation-state in Turkey faces the challenges of European governance in several respects such as the need for administrative restructuring (the creation of regional and provincial levels of government carefully integrated to the national one and functioning in a transparent way), the redefinition of political community (the inclusion of qualities to the understanding of citizenship in Turkey), and the recognition of the autonomy of the forces of civil society (supporting grassroots participation and associability). The future will see the emergence of a state with a relatively centralized multi-level administrative structure and different conceptualizations of domestic geography in correspondence with the recognition of ethnic and cultural pluralism in Turkey.

The bolstering of regionalism together with the penetration of European governance challenge the centrality of nation-state and create an institutional basis at which sub-national ethnic and religious entities in Turkey aim to establish linkages in Brussels. The next decades leave little alternatives for the governments with routine manner of handling the regional and local administration and harbouring the political community in Turkey. Different forms of incorporating this growing pluralism with a redistribution of power from the centre to the periphery, strengthening civil society networks and articulating them with new political party lines to the rest of the governmental machinery would not only strengthen the state institutionally to accommodate the disintegrative challenges coming from the periphery and society but also contribute to the growing integration with the institutional and political realm of the EU.

Hitherto conceiving the relations between Turkey and the European Union as an ordinary foreign policy issue or in terms of strategic concerns and security challenges has made the governing elite blind towards not only the nature of these relations, briefly explained in the first part of this study but also the transformation of European governance which has serious impacts on Turkish politics and political structure. The recent domestication of the European vocation, merely as a result of escalating tensions within the governing elite on several issues related with the EU and its spill-over on the public whose opinion, hitherto excluded from foreign policy matters, emerged as a criteria and a motive of elite consensus, created a severe discursive struggle between conflicting political positions over the necessary transformation of political structure in Turkey. This became clear when the Turkish parliament abolished capital punishment and lifted the restrictions on broadcasting and education in languages other than Turkish and other constraints on freedom of expression after almost 24 hours of debates on 2 August 2002. The reform laws were passed three days after the Prime Minister Bulent Ecevit called for elections on 3 November.

The following election campaigns were based on two conflicting arguments—one considering Turkey as definitively a European country and the other arguing that the EU intervening in domestic politics would endanger the country's unity. The landslide victory of the AK Party with a rather weak opposition of RPP in parliament cleared the way for furthering the reforms, and the Turkish parliament was able to issue four additional packages of reform within seven months from January to July 2003. Some of these very crucial reforms include the abolishment of Article 8 of the anti-terrorism law (propaganda against the indivisibility of the state), the permission of legal transmission of programs in languages other than Turkish from state and media channels, the extension of the freedom of establishment and membership in associations, the acceptance of the retrial of a case in the event of a contrary verdict of the European Court of Human Rights and the redefinition of the duties and tasks of National Security Council and its implementing body—Secretariat General—with a narrower conceptualization of national security.

When the content of the reform packages including the reforms completed by the previous government and the ones cited above and many others initiated by the present government is analyzed in detail it is clearly seen that they inaugurate a structurally different form of a democratic regime in Turkey. The consolidation of this democratic regime will certainly be a governmental enterprise. It will be a matter of institution building, political manoeuvre, engineering a consensus, mobilizing and channelling social demands and finally timing, because considered under the banner of the accession of the Central and Eastern European Countries, the Cyprus issue and a possible early inclusion of Balkan and South East European countries, Turkey-EU relations turns to a real test of time. With a policy orientation and being conscious of the time constraint, this study will touch upon the three

tasks to be completed by the present and future governments for the incorporation of Turkey to the EU. The first task is the institutional one requiring the growing integration into the EU and open coordination with the EU countries, which would enhance the policy learning in non-political areas such as education, culture, health and social policy together with further integration in economic relations. The European issue should be considered beyond the foreign policy concerns, integrated to all areas of social and cultural life. The fragmented Europeanization in Turkey should be expanded through civil and voluntary organizations and economic integration with the rest of society. This will deradicalize the social demands arising from further democratization of the system.

The second task is the political one, the creation of institutional mechanisms for societal demands gaining a new momentum after the reform laws. The acceptance of the European criteria mobilizes the oppressed democratic demands, which might lead to an exaggerated level that would damage the domestic stability of the country and encourage the extra-democratic circles to intervene in the functioning of the system. That is why the institutionalization of this new radical democracy needs an expanded societal consensus on the general political system. In this context, the political parties campaigning on more freedom in the European context are expected to manage the social demands of the radical religious and ethnic segments of society. Therefore the task of the governments will be to form a new level of consensus based on an inclusive, balanced, egalitarian and tolerant coalition of social forces to create the mechanisms of a consensual society.

The third task is the cultural one. The European vocation of Turkey in the post-war era corresponds with the already existing process of Westernization defining a continuous cultural struggle in Turkey. This is a struggle to escape from the religious, ethnic and geographical roots of Turkishness. This is a change of authentic self-perception and the perception of the other. The development of secularism in Turkey from the early nineteenth century onwards demonstrates an attempt to be similar to European countries and a struggle to be European. The development of secularism is a process of *longue durée* in the Braudelian sense. That is why it is beyond the power of any government in Turkey to return or deviate from that. The European vocation of Turkey emerges as a new identity vocation for further integration to the West once considered as the enemy to be conquered and converted to Islam. Today, the Europeanization brings democratization and freedoms to the hindered sectors of Turkish society by the fervent Westernization under the Republic. But the furthering of this process in the European context will expand the messages, which might be somewhat contradictory to the traditional culture in Turkey. Therefore, one of the main tasks of the governments on the way to EU membership seems the cultural one. In the next decades the governments in Turkey will be in a position to expand cultural moderation and tolerance.

V. Conclusion

Throughout the article it is argued that Turkey has been facing constant challenges as a result of the transformation of state structures and governance in Europe during the last two centuries. Reflected as a motive to 'save the state' in Turkey, the governing elite was able to adapt the political structure of the country and managed successfully a multi-dimensional transformation from a multi-ethnic and multi-religious Ottoman Empire to a secular and centralized nation-state. With this transformation and political engineering Turks were able to save the state once in early twentieth century.

This time Turkey is again under severe challenges of the transformation of governance at European level going back to the early phases of the post-war European integration process, accelerated under the stress of globalization from the late 1970s onwards. The European multi-level governance structure, gradually emerging after the crisis of the welfare state in Europe as a regional mode of resistance to globalization, a particular model of institutional adoption to its effects and as a form of building a welfare state in European realm, brings challenges to politics and the political structure in Turkey through mobilizing subnational, disintegrative and centrifugal social forces in the European arena. It seems that Turkey is under severe challenges, which require saving the state again.

But, this time saving the state requires a complete incorporation to a regional integration process leading to the establishment of a welfare state at the European level. This is new in Turkey. Probably for the first time in history Turkey is desperately in need to discuss and genuinely search for ways of building a welfare state. In order to be able to incorporate itself to the EU and save the state again, Turkey should be able to demonstrate that the country is governable and the secularization has deeper roots than anyone is able to think. Finally, saving the state will again be a civil and governmental enterprise. The survival of the nation-state, which emerged in the turmoil of 1908-1923 period, is at the core of the present quest for the transformation of Turkish politics and political structure on the way to EU membership. The Hobbesian state in Turkey, once rising as a reaction to internal disorder, civil war, governmental collapse and external invasion, has no other alternative than to incorporate itself into this supranational union to secure the order and wealth of the country and prevent a possible return to anarchy again.

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PART THREE

ECONOMIC REFORMS



Turkish Banking on Route to Where?

*Hasan Ersel**

The February 2001 financial crisis was by far the deepest that Turkey faced since World War II. The negative balance sheet effect of the crisis was detrimental not only for banks but also for non-financial corporations. The seriousness of the situation forced the authorities to take rather drastic measures, some long awaited, to restructure the Turkish banking system. In other words, the crisis, although it impaired the functioning of the Turkish banking system, also created an opportunity for making it viable in a globally integrated economic environment.

The purpose of this paper is to give an insight into the banking reform program by comparing the pre-reform state with the current one. However, in order to get meaningful results from such a comparative static analysis, the reform process itself will also be discussed.

Once this is taken as a starting point, then conceptually it is possible to consider the Banking Reform Program of Turkey as consisting of two parts: The *first* is repairing the damages inflicted by the February 2001 crisis and the *second* is the restructuring of the banking system to adapt itself to the new environment.

It is certainly too early to make statements concerning the success or failure of the program as a whole. However, it is possible and necessary to look at the

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developments after implementation of the program and try to see whether it is on the right track or not.

I. The Banking Sector Restructuring Program

The *Banking Sector Restructuring Program* (BSRP), which was announced on 15 May 2001, was a component of the rather comprehensive restructuring program of Turkish economy. It therefore shared the philosophy of the general approach of inducing a change in the private sector by launching reforms in the public sector to change its mode of operation. The final aim of the BSRP is, therefore, to create a sound competitive environment for banking. Reforming the state-owned banks drew considerable attention due to its high cost as well as its impact on the domestic politics of the country. However, this pillar of the BSRP is merely an intermediary step stone towards achieving its final aim, i.e. changing the mode of operations of private banks.

In this framework, the banking reform can be examined under three headings: Reforming state-owned banks, strengthening private banks and laying foundations for a sound functioning banking system.

A. Reforming State-Owned Banks

State-owned banks played an important role in the allocation of financial resources under the state-led-growth policy era in Turkey. Turkey relied on state-owned banks to finance her industrialization effort after 1930s, since private banking was almost non-existent. However the developments in private banking, notably in the 1950s, did not diminish the importance of state-owned banks as they continued to play a major role in implementing policy decisions.

The economic strategies followed by successive governments, until very recently, failed in developing an institutional infrastructure to secure the safe and sound operation of the financial system. Under such conditions, economic policy makers of 1990s, even if they wished, were not in a position of using indirect policy instruments¹ to influence private sector behaviour. This constraint when coupled with the reluctance of policy makers in using indirect policy instruments²

1 *Indirect* policy instruments, such as the short-term interest rate used by the Central Bank, aim at influencing the behaviour of unidentified decision makers by giving signals. On the other hand, *direct* policy instruments, such as preferential credits, point toward at a particular set of decision makers, in order to facilitate their realization of some well-defined outcomes.

2 The reluctance of policy makers in using indirect policy instruments can be attributed to authorities' worries concerning their efficiency and the political visibility, and therefore attractiveness, of relying on direct ones.

led them to continue to rely on the state-owned banks in allocating financial resources to satisfy the needs of the rather rapidly changing society.

Starting from mid 1970s, the desirability of assigning such a role to state-owned banks became a controversial issue among the observers of the Turkish economy. However, policy makers seemed unaffected by these discussions and, as one can expect, reforming state-owned banks was at most in the rhetoric of the governments, but never in their true agenda.

In the 1990s, notably after 1993, a major change occurred concerning the relations between governments and state-owned banks. Up until then the Treasury was obliged to compensate the *duty losses*³ of these banks within the same fiscal year. The then ruling government violated this rule and the duty losses of state-owned banks began to accumulate. This practice in effect boiled down to hiding a considerable portion of the domestic public debt in the state-owned banks' balance sheets. It not only dramatically increased the financing problems of these institutions, but also gave very negative signals to the public concerning the transparency of the financial accounts of the public sector.

On the other hand, this practice forced state-owned banks to finance their huge duty losses through short term borrowing from domestic financial markets at very high interest rates. The existence of these players in the rather shallow domestic financial markets both distorted the market signals and effectively curtailed the private banking system's ability and willingness to channel funds to industry and trade. As can be expected, such a financing pattern led to a severe deterioration of the financial position of state-owned banks and the intervention in 2001 became inevitable.

In 2001, the Banking Regulatory and Supervisory Agency (BRSA), which was established as an autonomous authority in charge of regulating and supervising the banking sector⁴, launched a comprehensive program to restructure the banking system. This program envisaged the following measures for state-owned banks:

1. The Treasury issued government bonds of TL 23 quadrillion (approximately US\$19 billion) to securitize duty losses of state-owned banks.
2. The Treasury also provided TL 3.5 quadrillion (approximately US\$2.9 billion) capital support to state-owned banks.
3. The existing legislation was amended to prevent accumulating the duty losses in the future.

3 The state-owned banks were intermediaries in allocating subsidized credits to agriculture and small business. Their losses due to such quasi-fiscal activities are identified as 'duty losses'.

4 The BRSA assumed the regulatory and supervisory responsibilities of the Treasury and the Central Bank and became operational in September 2000.

4. State-owned banks' excessive short-term liabilities to the markets were reduced through liquidity supplied by the Central Bank, through repo or outright sale of government securities.
5. The management of state-owned banks was transferred to a joint board of directors with the mission of restructuring.
6. State-owned banks were made more prudent in identifying their problem loans to secure their transparency. As a result of this policy, the non-performing loan figures for state-owned banks as well as provisions for them increased considerably.

During this process, the state-owned *Emlâkban*'s banking license was revoked and its assets were transferred to *T.C. Ziraat Bankası* (another state-owned commercial bank, which is by far the largest bank in Turkey). The results of the reform of state-owned banks is summarized in Table 1 given below:

Table 1

State-Owned Banks in Turkey

	2000	2001	2002
Commercial Banks			
# of Banks	4	3	3
# of Branches(*)	2833	2730	2100
# of Employees (*)	71181	56306	40240
Non-Depository Banks			
# of Banks	3	3	3
# of Branches (**)	11	4	4
# of Employees	4456	4196	4418

Source: The BRSA Annual Reports and the BAT database.

(*) Including branches in other countries.

(**) The figures are from the Banks Association of Turkey (BAT) database. BRSA supplies information on the number of branches of state-owned development and investment banks only for 2002, the BRSA (2003b, p.17). However in the BRSA's figure, which is 23, regional offices of one of these banks are also included.

As can be seen from the following Table 2, between 2000 and 2002 the state-owned banks' share in the loans considerably declined, whereas their share in deposits as well as their relative importance in terms of total assets only declined few percentage points. These figures indicate a policy choice towards restraining supply of loans of state-owned banks.

Table 2

State-Owned Banks' Share in Banking Activity (%)

	2000	2002
Loans	27.0	15.5
Deposits	40.3	35.1
Assets	34.2	31.9

Source: The BRSA (2001a, p. 2) and (2003, p. 18).

B. Strengthening Private Banks

The second aim of the banking reform program was to induce private banks to adapt themselves to a new environment characterized by the internationally accepted rules. In this respect the authorities faced with two types of problems.

The first problem was bank failures. Turkey was already traumatized with bank failures before the February 2001 crisis. Between 1997 and 2000 11 banks failed. However the crises increased the intensity of the failures. During the 2001-2002 period 9 banks were taken over and transferred to the Savings Deposit Insurance Fund (SDIF).

Total liabilities of these banks (SDIF Banks, for short) were US\$31.4 billion (as of transfer dates); of which US\$26.0 billion was deposit accounts. All were under the guarantee of the Government.⁵ Total amount of resources required for restructuring the SDIF banks was US\$21.7 billion, of which US\$17 billion was supplied through public funds. The rest was supplied by the SDIF's own sources as deposits and capital support.

During the restructuring process 12 banks were merged under two banks. One of these banks and 4 others were sold. One of the remaining 3 banks is in the liquidation process (*T. Ticaret Bankası*); and at the end of 2002 the SDIF was controlling the remaining 2 banks (*Pamukbank* and *Bayındırbank*).

The authorities not only reduced the number of the SDIF banks but also scaled down their activities. When the SDIF took over these banks they had 1815 branches and 37889 personnel. At the end of 2002, the SDIF banks had only 203 branches and 5886 personnel. Their share in Turkish banking also declined considerably. At the end of 2002, the SDIF Banks comprise only 4.4% of the total assets of the banking system, 2% of total bank credits and 4.2% of total deposits.

5 According to the legislation only a certain portion of the total deposits (approximately US\$16.8 billion out of US\$26 billion) was under the guarantee. However in order to contain the November crisis the government extended the guarantee scheme to cover all domestic and foreign liabilities.

The second problem that the authorities had to deal with was the weakness of the banking system. The 2001 crisis as well as the developments that led to it negatively affected the banks' financial structure and profitability. Being aware of the vitally important role of the banking system in the future growth path of the Turkish economy, the authorities gave priority to securing its safety and soundness. The translation of this objective into action plans turned out to be a strategy based on three pillars; namely reducing the foreign exchange risks of banks, strengthening their capital base and establishing the environmental conditions for a sound functioning banking system.

1. Reducing the Foreign Exchange Risk of Banks

Private banks were carrying rather high foreign exchange risks stemming from their foreign exchange open positions. The FX open position of private banks climbed to US\$9 billion by the end of 2000. The 2001 February devaluation increased the severity of the problem and compelled the authorities to find an urgent solution. The solution that they came up with was the socialization of the foreign exchange risk of private banks, by transferring it to the Treasury. This was achieved through offering a voluntary swap option to private banks to substitute their TL denominated government debt paper holdings with FX denominated or FX indexed bills. As a result of this operation, the FX open position of private banks decreased to US\$1.5 billion at the end of 2001, the BRSA (2003a, p. 26).

2. Strengthening of Banks' Capital Base

In order to endow banks with sufficient capital, the authorities felt that a clear picture of the financial status of banks in the prescribed future environment of the banking system was needed. The first phase of the program (*the assessment phase*) was aimed at taking this picture in the light of new regulations and principles.⁶ In order to achieve this result in a satisfactory and credible way a triple audit approach⁷ was designed. The audit process focused on capital adequacy and loan portfolios with particular emphasis on loans to related parties.

In the second phase (*the bank recapitalization phase*) the financial situations of banks as obtained from the assessments in the first stage are notified to

6 This means, the evaluations were made for December 2001 by applying the framework that will be applied to banks after that date. This framework consisted not only improved financial accounting and reporting standards, but also novelties such as inflation accounting, consolidated reporting and market risk measurement.

7 The triple audit process can be summarized as follows: In the first phase independent audit companies chosen by banks conducted the audit. In the second stage, a different independent audit company, chosen by the BRSA for each bank, examined the first audit to ensure whether it was done according to the new regulations and principles. In the third and final stage, the Sworn Bank Auditors of the BRSA reviewed the whole audit process.

shareholders of banks, and they are advised to take necessary actions. At these stage shareholders of those banks whose capital adequacy standard ratio is below 8% are expected to make the necessary resolutions for the recapitalization.

The program also envisaged a *public capitalization phase* to provide public support for solvent banks that were not able to satisfy the minimum capital adequacy ratio of 8% through raising capital from its shareholders.

The results can be summarized as follows:

1. Only three banks were found undercapitalized. A small private bank, *Şekerbank*, raised capital from its shareholders. For the state-owned bank, *Türkiye Vakıflar Bankası*, a subordinated loan facility was arranged.
2. The third bank, *Pamukbank*, which was 7th largest bank at the time assessments were made, was transferred to the SDIF, based on the findings that its own-funds were negative.
3. Upon the *Pamukbank*'s takeover by the SDIF, the BRSA, in accordance with the Banks' Act, declared its shareholders unfit to meet the requirements to be founding shareholder. The same shareholders were also directly and indirectly holding more than 10% of the shares of the *Yapı ve Kredi Bankası*. Therefore their shareholder rights (except dividend rights) at this bank transferred to the SDIF. The SDIF appointed two board members to the *Yapı ve Kredi Bankası* to replace those who lost their qualifications to be a director.

3. Resolution of the Non-Performing Loans

The February 2001 crisis worsened the financial health of the non-financial corporations in Turkey that were already suffering from low profitability and financial fragility. The resulting deterioration in the payment capacity of the non-financial corporations, in turn, was adversely affecting the asset quality of the banking system. In order to solve this dilemma, a financial restructuring program was launched for those non-financial corporations that are distressed but viable. The legal framework to restructure the debts of such corporations to banks was introduced by Act No. 4743, dated 31 January 2002. The scheme, which is referred to as the *Istanbul Approach*, is on voluntary basis.

The terms of the approach was specified in the *Financial Restructuring Framework Agreement*, which was signed by 25 banks and 18 non-bank financial companies along with the SDIF (and the *Emlâkbank* which is under liquidation) and approved by the BRSA on 4 July 2002. As of March 2003, 231 non-financial corporations applied to restructure their debts to banks, amounting to US\$5.56 billion. Out of these applications US\$3.8 billion was contracted.⁸

8 See BRSA (2003a, pp. 28-29) for further details.

The scheme was designed mainly for large corporations (i.e. those corporations that employ 100+ employees, with export volume exceeding US\$15 million, annual turnover exceeding TL 25 trillion and audited balance sheet size above TL 15 trillion). This choice was based on the observation that, in general, such corporations have stronger forward and backward linkages than the medium- and small-scale corporations and therefore direct and indirect impact of their operations on total output and employment are higher.

4. *Laying Foundations for a Sound Functioning Banking System*

By the end of the 1990s the regulatory framework for banking in Turkey was consistent with the requirements of a competitive environment. Entry and exit rules were determined and the liberalization of financial services enhanced the competition in banking through physical existence of foreign banks but more importantly through expansion in cross border financial operations.

However the developments that led to the 2001 crisis made it clear that the existing regulatory framework and, particularly, its mode of implementation was far from being sufficient to create conditions for sound and safe banking.

These considerations led to the following decisions to be taken concerning the regulatory environment for banking:

1. An independent regulatory and supervisory authority, the BRSA, was created.
2. A legal framework for banking in line with the international standards is created through extensive amendments in the Banking Law.
3. The BRSA followed the strategy of 'compliance with the EU' and in many areas, most importantly in risk management, the resulting Turkish legislation in force is in compliance with the EU.
4. The BRSA introduced new regulations to strengthen the supervisory infrastructure and actions were taken to improve their effectiveness. These regulations were in the following fields:
 - Capital Adequacy,
 - Risk Management,
 - Lending and Subsidiary Limits,
 - Loan Loss Provisioning,
 - Accounting Standards,
 - Independent Auditing,
 - Mergers and Acquisitions,
 - Special Finance Institutions,⁹
5. The BRSA also made supervision and cooperation agreements with foreign supervisory authorities.

9 *Special Finance Institutions* are those financial entities that engage in interest-free banking.

In introducing regulations, the BRSA paid attention to consulting the banking community. This approach, to the extent it was implemented, enabled the banking community to apprehend the reasoning behind the proposed regulations and also provided a reliable channel to express its views and/or concerns.

In broad terms, there is no doubt that these measures were consistent with laying the foundations of a banking environment capable of supporting a sustainable growth in a globalized environment. However, as in all reform programs, their success depends not only to their own design characteristics but also its mode of articulation to the overall program. In other words, as long as the interdependencies among different areas of a general program are strong, logical consistency of any one part of it is not sufficient even for its own success. Banking is one of the areas where such interdependencies are strong and subtle.

Although the remark in the previous paragraph implies a need for a general equilibrium approach to analyze the outcome of a reform, the discussion in the next section, falls short in meeting this condition. In order to simplify the argument, major feedbacks from the rest of the system (mostly from the public sector) will be treated as exogenous shocks, and the focus will be solely on the banking system.

II. The Present State of Turkish Banking

In evaluating the outcome of the banking reform program in the autumn of 2003,¹⁰ fairness requires following two points to be taken into account:

1. The program demands banks to restructure their balance sheets as well as modify their mode of operations. No doubt that it will take some time for banks to apprehend the required changes, adapt their systems accordingly and implement them fully. Thus a two-year period is too short to achieve the desired results in a reform program.
2. The program was implemented under a rather tight financial constraint. The fiscal crisis of the state in Turkey effectively limited the set of feasible alternatives for a banking reform.

A. State-Owned Banks

Presently, in Turkey, three state-owned commercial banks are operating. An attempt was made to privatize only one of them, i.e. *T. Vakıflar Bankası*,¹¹ but not

10 Although the discussion in the text is mostly focused on December 2002 figures, references will also be made to June 2003. Developments in the banking system between December 2002 and June 2003 are summarized through a set of indicators given in the Appendix.

11 *T. Vakıflar Bankası*'s high non-performing loans, large holdings of non banking assets and its ambiguous ownership structure seems to be factors that hinder its privatization.

for the other two banks, i.e. *T.C. Ziraat Bankası* and *T. Halk Bankası* (respectively, the first and sixth largest banks in Turkey, in terms of asset size in December 2002). Privatization of these banks, notably *T.C. Ziraat Bankası*, requires not only their restructuring but also substantial institutional arrangements elsewhere in the system to create new institutions that can assume their quasi-fiscal responsibilities. However, in spite of the stated objective of privatization, very little progress seems to be taking place in preparing these banks to this end.

The figures in Table 3 indicate that the two state-owned banks that seem to remain so, *T.C. Ziraat Bankası* and *T. Halk Bankası*, are constrained in extending loans. Their loan-to-asset (as well as loan-to-deposit) ratios are significantly low when compared with private banks and even with *T. Vakıflar Bankası*.

The securities portfolio of these banks is rather high in comparison with private banks (58% and 33.3% respectively, for December 2002) and the share of investment securities held to maturity is also higher (84% versus 33.1%, of total securities portfolios for December 2002). The mutual-fund-like appearance of state-owned banks reflects the transfer of the duty losses to the Treasury. However when this is combined with the unduly high shareholders' equity to total risk weighted assets ratio, (50.2% versus 19.7% for private banks for December 2002), it manifests a rather conservative attitude to keep the balance sheet structure of these banks unchanged, possibly until the completion of their restructuring.

Table 3

Loan and Deposits Ratios of Banks 2002

	Loans/ Total Assets	Deposits/ Total Assets	Loans/Deposits
T.C. Ziraat Bankası	0.13	0.74	0.17
T. Halk Bankası	0.07	0.66	0.11
T. Vakıflar Bankası	0.27	0.74	0.36
STATE BANKS	0.14	0.72	0.19
PRIVATE BANKS	0.31	0.70	0.44

Source: BAT (2003).

B. The SDIF Banks

As can be seen from the following Table 4, the SDIF was successful in reducing the number of the banks it controlled as well in downsizing them. At the end of 2002 the share of the SDIF banks in total assets of the banking system was 4.4%. However, again at the end of 2002, the SDIF banks' non performing loan to total loans ratio was still very high, 69.4%, and their capital adequacy ratio was negative, -7.5%.

Table 4

SDIF Banks

	2000	2001	2002
# of Banks	11	6	2
# of Branches	1073	408	203
# of Employees	19895	6391	5886

Note: The two remaining SDIF banks are *Bayındırbank* and *Pamukbank*.

On 3 July 2003, a medium size private bank, the *T. İmar Bankası*, was transferred to the SDIF. With this decision the number of banks under the SDIF increased to three. It must be accepted that the occurrence of the *T. İmar Bankası* incident one year after making all banks subject to triple audit was disappointing. The allegations that the bank was able to hide huge amount of deposits that it collected from the authorities also raised questions concerning the supervisory capabilities of the BRSA. In response, the BRSA drew attention to the unusually sophisticated nature of the fraudulent methods allegedly used.¹²

C. Private and Foreign Banks

At the end of 2002 the structure of the private banking (i.e. private domestic and foreign banks) was as in the following Table 5. The most visible change between 2000-2002 was the sharp decline in the number of private banks. Number of branches and employment followed the trend but the rate of decline was lower.

12 The BRSA and new management of the *T. İmar Bankası* have served notices of crime against majority shareholders and former managers of the bank due to offences including understating the deposit figures notified to the public authority, illegal transfer of funds between the bank and *İmar Bank Off-shore Ltd.*, collecting funds from the public under the guise of selling, non-existent, government securities, through using fraudulent presentation methods having transactions unrecorded, interfering the course of supervision and not providing information requested by the authorities.

Table 5

Private and Foreign Banks in Turkey

	2000	2001	2002
PRIVATE BANKS			
1. Commercial Banks			
# of Banks	28	22	20
# of Branches	3783	3523	3659
# of Employees	70954	64380	66869
2. Non Deposit Banks			
# of Banks	12	9	8
# of Branches	16	12	12
# of Employees	1021	822	691
FOREIGN BANKS			
1. Commercial Banks			
# of Banks	18	15	15
# of Branches	117	233	206
# of Employees	3805	5395	5416
2. Non Deposit Banks			
# of Banks	3	3	3
# of Branches	3	3	3
# of Employees	79	77	77

Source: BAT (2003, pp. I-35/36).

The developments in post-recapitalization era indicate that the capital adequacy problem is not over for private commercial banks in Turkey. First of all, the static nature of the capitalization program is far from securing capital adequacy over time. Although the methodology adopted for evaluating the financial status of banks at the initial point (i.e. at the end of December 2001) was using the rules to be applied henceforth,¹³ it was designed to find a solution to the capital adequacy problem for the initial point of a dynamic process. This framework assumes that banks will be able to comply the new capital adequacy rules after the initial

13 A parallel can be drawn between the BRSA's decision of using the rules to be applied after the initial date and taking the right hand derivative (characterization of the financial structure of a bank) of a function at a point of kink (point of change in regulatory environment).

adjustment. It is clear that banks can satisfy this requirement by raising capital, by curbing their activity level or a combination of both.

The figures in Table 6 indicate that private banks shareholders' capital to risk weighted assets ratio increased considerably at the end of 2002 when compared with the previous year. However, their shareholders' equity, normalized by the GNP, slightly declined and all banking activity indicators exhibited significant decreases. In other words, capital injection played much less of a role than the program designers had hoped.¹⁴ The developments in the first half of the 2003, although not fully comparable with the previous yearly figures, indicate only minor and partial improvement.¹⁵

Table 6

Private Commercial Banks (%)

	2001	2002	2003/June
Bank Assets/GNP	49.09	38.27	36.61
Deposits/GNP	34.76	26.68	25.33
Loans/GNP	13.75	11.79	12.28
Shareholders Equity/GNP	5.27	4.87	5.56
Shareholders' Equity/ Total R-W Assets	16.50	19.70	19.00

Source: BAT (2003) and State Institute of Statistics (SIS) and BAT data bases. For 2003/June, the GNP is calculated by summing the last four quarters nominal GNP figures.

These results, although not encouraging, are not unexpected at least for two reasons. Firstly the figures above reflect an initial response in disequilibrium. As was indicated above, one year is too short for the banking system to find its new equilibrium state. Secondly the BRSA, for understandable reasons, was acting as an

14 This point manifests itself more clearly if *free capital* (i.e. shareholders equity less investment and associates, subsidiaries, property and equipment loans under follow up-specific provisions) which is a more relevant concept than the regulatory capital, is used to calculate the capital adequacy ratio for private commercial banks. In fact, the free capital to total risk weighted assets ratio is only 0.3% for private commercial banks in 2002 after recovering from its -5.6% level in 2001, BAT (2003, p. II-25). Although 2003 June figures indicate a further improvement in this ratio to 1.4%, it is still low. See Table A.3 in the Appendix for other bank groups.

15 Shareholders equity to GNP ratio increased 14.2% between 2002 December and 2003 June. However loans/GNP ratio only improved 4.2%, bank assets to GNP and deposits to GNP ratios declined.

ultra-conservative regulator/supervisor. It is therefore natural for the system to react in a rather conservative manner.

Even after taking these two caveats into consideration, the initial reaction of the banking system requires a thorough examination. Memories of the recent past as well as the introduction of tougher standards in risk taking may lead banks to become more inclined to practice credit rationing.¹⁶ This may adversely affect the growth prospects of the economy by effectively restricting new firms' entry through asymmetric availability of bank loans.

The low profitability of the banking sector may be an impeding factor for growth.¹⁷ As the sector remains unattractive for new capital, under the regime of stricter capital requirements, the banking sector may not be able to support the economy to grow at full capacity. Filling this function of the domestic banking system continuously through external borrowing can neither be desirable nor feasible.

Foreign banks physical existence remained almost unchanged during this process. Their share in banking activity only increased in credits, remained the same in total assets and deposits.

D. Other Systemic Issues

It is not surprising that the required changes in the legal environment have not been completed yet. On the one hand, the process itself, to a degree, is based on learning-by-doing. The reform process itself creates its own demand for changes in laws and regulations. On the other hand full implementation of new regulations requires time.

In the BRSA (2003a; pp. 21-24), it is reported that the current judicial process can hardly be considered conducive for achieving the desired results in a reasonably short time period. The BRSA, therefore, advocated major amendments in many laws. One major source of complaint was the outdated *Execution and Bankruptcy Law* (Law # 2004) of 1932. The parliament accepted a new law to replace it on 18 July 2003.

In order to enhance the efficiency of the banking system two further systemic issues need to be dealt with. The first issue is transparency. The BRSA placed a

16 Chiuri, Ferri and Majnoni (2001) provides empirical evidence that supports the view that the imposition of capital standards negatively affects the supply of bank loans in emerging countries. Using capital standards to ensure bank soundness in such countries have been challenged by many researchers, including Rojas-Suarez (2001), Powell (2002) and Balzarotti, Castro and Powell (2002). In Turkey, where authorities are keen on implementing the capital standards rule, the practice of assigning zero risk weights to government securities induces banks further to curb their loans to private agents.

17 The rate of return on assets for private commercial banks was -3.7% in 2001, increased to only 2% in 2002, BAT (2003, p. II-25).

heavy emphasis on market discipline and therefore on transparency. For this purpose the BRSA closely monitored the quality and the appropriateness of the information released by banks. On the other hand the BRSA continuously informed the public about the developments in the banking system, its decisions and the SDIF's financial position.

A second systemic issue is the high costs of intermediation in the Turkish Banking system. There are two separate reasons that lead to high intermediation costs in Turkey. The first is high taxes (and quasi-taxes) on bank transactions. The ease in collecting such taxes made them attractive for the tax authorities, which tend to undermine the cost elasticity of such transactions. Presently the BRSA and the BAT are jointly working on the possibility of devising a scheme to reduce tax rates on bank transactions with minimal negative effect on the budget balance.

The second issue is related to the efficiency of banking in Turkey. The researchers found very little evidence that indicate the existence of economies of scale in Turkish banking. One explanation for this may simply be that even the scales of Turkish large banks are not sufficient to benefit from economies of scale. If this is the case, further mergers and acquisitions need to be encouraged and supported to enable the Turkish banking industry to be competitive in the globalized environment of banking.

III. Epilogue

Franz Schubert's Symphony No. 8,
Unvollendete (Unfinished), in B minor, D. 759,
has two movements. The first movement is
Allegro Moderato and the second
is *Andante con Moto*.

The Turkish banking reform program was designed as having two phases: In the first phase, measures were taken to prevent further deterioration of the financial health of banks. This was achieved rather swiftly. The second phase was aimed at restructuring banks to enable them to reproduce themselves in line with the requirements of the economy in its new sustainable growth path. The second phase of the program is flowing, albeit at a considerably lower tempo than the first phase. And... the program is not completed yet...

Just like Schubert's *Unfinished Symphony*...

The similarity is not expected to extend further. Schubert's *Unfinished Symphony* is a masterpiece in its genre... The Turkish bank-restructuring program can at its best be in line with the world practice... and... hopefully it will not remain unfinished...

This hope can only be realized if the performers on the stage, i.e. banks, respond to the measures thus far taken in line with the expectations. In this context

it is possible to consider banks' expected responses to reforms at two different decision-making levels.

The first is at the managerial level and it is concerned with risk management. The question is the following: Will Turkish banks be able to manage risks in line with the new rules imposed by the regulations *and* still be able to play their indispensable role in financing private sector activity? Notice that the sustainability of the growth strategy of Turkey requires these two conditions to be satisfied simultaneously.

Recent Turkish banking history evidences the danger of regulatory forbearance. However, excessively cautious banking practices, under present regulations, may lead banks to shy away from financing private activity. This may also lead banks to hold more government securities in their portfolios and/or reduce their asset size in order to comply with the capital adequacy constraint.

Banks' efforts to improve their risk-management capability and the enthusiasm of the young staff in relying on analytical techniques are quite encouraging. It is clear that the real test for banks' ability and willingness in improving their risk management capability will be when they face strong demand for credit coming from the corporate sector. However, first signs of increase in corporate sector credit demand after the 2001 crisis were observed as late as September 2003. Therefore satisfactory evidence concerning banks' risk management practices is not yet available.

The second type of banks' response is at the ownership level. Both the capital needs of banks at their present level of operations and the necessity of increasing their scale to be viable in a globalized financial environment require present controlling-share-owners to open way for mergers and acquisitions. It is evident that such a decision requires a radical change in the perception of controlling-share-owning on banking and has implications on their non-financial business practices. Losing the advantage of being closer to a bank, will force present bank holding companies to prepare themselves to compete with others on more or less in an equal footing. However, despite its short-term 'negative' effects, such bank holding companies may actually benefit from their own restructuring and also from the advantages that only the resulting larger banks can offer for them.

One special type of controlling the owner, the state, requires specific attention. The existence of state-owned banks, with their special, in many respects, privileged configuration works against the aspiration of creating a competitive environment in banking. 'Privatization' of the state-owned banks, in the sense of transforming them into profit seeking entities working in a competitive environment under strictly enforced budget constraint, has the utmost urgency.

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Appendix

Table 7

Banking Sector Indicators for December 2002 (%)

December 2002	Assets/GNP	Deposits/GNP	Loans/GNP	Equity/GNP
Banking System	77,77	45,62	18,06	8,23
Commercial Banks	64,79	45,61	16,12	7,27
State-Owned	21,73	15,66	3,00	2,16
Private	38,27	26,68	11,79	4,87
SDIF	2,98	2,17	0,61	-0,20
Foreign	2,12	1,11	0,72	0,44
Non Deposit Banks	3,02	0,00	1,94	0,96

Source: BAT (2003) and State Institute of Statistics (SIS) Database.

Table 8

Banking Sector Indicators 2003 (%)

June 2003	Assets/GNP	Deposits/GNP	Loans/GNP	Equity/GNP
Banking System	67,81	44,17	18,53	9,66
Commercial Banks	64,80	44,17	16,64	8,51
State-Owned	22,86	16,35	3,30	2,64
Private	37,61	25,33	12,28	5,56
SDIF	2,32	1,52	0,35	-0,20
Foreign	2,02	0,96	0,70	0,51
Non Deposit Banks	3,01	0,00	1,89	1,14

Source: BAT and SIS Databases. For 2003/June, the GNP is calculated by summing the last four quarters nominal GNP figures.

Table 9

(Shareholders Equity-Permanent Assets) to Total Assets Ratio

	2001	2002	2003 June
Banking System	-3.1	1.9	4.1
Commercial Banks	-4.1	0.8	2.8
State-Owned	1.8	4.0	5.8
Private	-5.6	0.3	1.4
SDIF	-41.3	-27.1	-18.1
Foreign	17.4	16.1	18.4
Non Deposit Banks	18.7	26.9	33.3

Source: BAT (2003) and BAT Database.

Table 10

Asset and Liability Structure (as % in Total Assets)

December 2002	Loans	Securities	Deposits	Equity
Banking System	26,51	40,49	66,95	12,08
Commercial Banks	24,87	42,17	70,41	11,23
State-Owned	13,80	57,86	72,06	9,95
Private	30,80	33,33	69,70	12,72
SDIF	20,39	50,00	72,87	-6,72
Foreign	33,94	23,46	52,19	20,95
Non Deposit Banks	64,26	8,87	0,00	31,74

Source: BAT (2003).

Table 11

Asset and Liability Structure (as % in Total Assets)

June 2003	Loans	Securities	Deposits	Equity
Banking System	27,33	43,78	65,14	14,24
Commercial Banks	25,67	45,36	68,16	13,14
State-Owned	14,44	60,76	71,56	11,57
Private	32,66	35,67	67,35	14,79
SDIF	15,10	67,20	65,37	-8,77
Foreign	34,93	26,29	47,79	25,45
Non Deposit Banks	62,98	9,80	0,00	38,06

Source: BAT Database.

Quantifying the Impact of EU Accession

Sübüdey Togan

With accession to the EU, Turkey will complete the harmonisation of technical regulations, achieve progress in privatization of its public enterprises, liberalize entry/exit into various sectors of the economy, impose hard budget constraints on all public and private enterprises, adopt the CAP, liberalize its trade with the EU in services, and will be part of the European single market. Furthermore joining the EU will require Turkey to adopt and implement the whole body of EU legislation and standards—the *Acquis Communautaire*. According to the EU membership criteria, new members must be able to demonstrate the ‘ability to take on the obligations of membership including adherence to the aims of political, economic and monetary union.’ Thus Turkey will be expected to adopt the euro when it will be ready to do so, but not immediately upon accession.

I. Welfare Effects of Integration

When considering the effects of integration on the Turkish economy, it is important to keep in mind that the customs union in industrial goods was established in 1996 and that a period of perhaps ten years or more will precede full membership and Turkish participation in the internal market. The impact of the customs union in industrial goods on Turkish welfare has been estimated by Harrison *et al.* (1997). The authors estimate that the gains to Turkey will amount to 1.1% of its GDP per year. If liberalizing trade in industrial goods can affect the GDP, then there should be comparable gains from liberalizing agriculture and also services.

A. Agriculture

Since the impact on agricultural markets and incomes of EU enlargement to Turkey has been studied thoroughly by Togan *et al.* (2003), we briefly summarize the main points derived by the authors. According to the authors adoption of the CAP will lead to substantial changes in the agricultural incomes of producers, welfare levels of the consumers, and budget revenues of the government. Since the prices for many major agricultural prices in Turkey will have to be reduced at some point between now and accession, consumers will derive great benefits. The authors estimate that, in the medium- to long-term, EU-like policies will lead to a 1.87% increase in real household incomes in Turkey amounting to 2.916 billion Euros. Furthermore, lower income households (rural households) will experience a more significant increase in real income. On the other hand the adoption of CAP will require substantial adjustments on the part of Turkish farmers, and the effect on farmers' incomes will be mainly driven by the amount of CAP-like compensation payments granted to the farmers. Farmers' income will decrease considerably under Agenda 2000 policies without direct payments, and will increase under Agenda 2000 policies with direct payments. Table 1 shows that agricultural value added will increase by 2.145 billion Euros under Agenda 2000 policies with direct payments equal to those applied in the EU, and to 0.341 billion Euros under Agenda 2000 policies with direct payments at a level of 35% of payments granted in the EU member countries. The budgetary costs to Turkey of adopting EU-like agricultural policies will depend on whether Turkey will or will not receive compensation from the EU budget for introducing these policies. When Turkey will not receive any compensation from the EU budget, the cost will amount to 2.998 billion Euros under Agenda 2000 policies with direct payments equal to those applied in the EU and to 1.2 billion Euros under Agenda 2000 policies with direct payments at a level of 35% of payments granted in the EU member countries.

Table 1

Impact of Agenda 2000 with Direct Payments

(million Euro)	
Effect on Real Income	2.916
Effect on Agricultural Value Added	2.145
Effect on Government Budget	-2.998

Source: Togan *et al.* (2003).

B. Services and Network Industries

Since joining the EU will require Turkey to liberalize its services and network industries, in the following paragraphs, we consider the banking, telecommunications, and electricity to be representative sectors of the services and network industries in Turkey.

1. Banking Sector

Prior to 1999, Turkey lacked crucial components of financial markets, namely competent supervisory authorities, a regulatory framework and legal and institutional infrastructure. Regulations in Turkey were also lax and poorly enforced. In February 2001, Turkey faced a currency crisis. The cost of this crisis in terms of its effect on the banking sector is estimated to be, as emphasized by Pazarbaşıoğlu (2003), \$46 billion, i.e. about 27-30% of the Turkish GDP. Following the crisis, Turkey changed its legislative, regulatory and institutional framework. As of 2003, Turkish prudential requirements, regarding the capital adequacy standards, loan classification and provisioning requirements, limits on large exposures, limits on connected lending and requirements for liquidity and market risk management, have generally become in conformity with the EU's.

To study the welfare effects of policies followed by Turkey in the banking sector during the 1990's we compare the situation of the Turkish economy in the base case with the case when Turkey adopts and implements in the banking sector all of the rules and regulations of the EU. As the 'base case' we consider the Turkish economy with rules and regulations in the banking sector as they have prevailed during the latter half of 1990s. We consider the 1996 Input-Output Table of the Turkish economy which has 97 sectors, where banking is sector 84. Noting that initially the prices of all commodities in the input-output table equal unity we express the value of total consumption expenditure evaluated at base prices as $C = u \text{ CONS}$ where u denotes the 1×97 unit vector and CONS the 1×97 consumption vector. Next we determine the price of banking services that will prevail in Turkey after it adopts and implements EU rules and regulations. Using this price we determine the equilibrium prices of the other 96 commodities from the price equations derived from the input-output system. The value of total consumption expenditure evaluated at the prices that will prevail in Turkey after the country adopts and implements the EU rules and regulations in the banking sector is given by $C^* = \pi \text{ CONS}$, where π denotes the price vector of 97 commodities obtained when Turkey adopts and implements in the banking sector all of the rules and regulations of the EU. The effect on consumer welfare measured by the equivalent variation in consumer income is then calculated as $(C - C^*) \times 100/C^*$.

To study the effect of the adoption of EU rules and regulations in the banking sector on the price of banking services we turn to the study by McGuire and Schuele (2000), who has developed index values of restrictiveness in financial

services for a number of countries. McGuire and Schuele (2000) extending the work of McGuire (1998) base their analysis on 1997 data and distinguish between prudential and non-prudential requirements. The authors note that prudential requirements aimed at ensuring the stability of the banking system by preserving solvency, limiting risks and protecting bank deposits are in general similar across economies. Therefore they abstract from consideration of prudential requirements and concentrate on non-prudential requirements. The index values of the non-prudential variables considered by McGuire and Schuele (2000) are shown in Table 2 where scores range from 0 (least restrictive) to 1 (most restrictive). In the table the restrictions have been divided into two groupings: those affecting 'commercial presence' and other restrictions called 'restrictions on ongoing operations'. Whereas the first group indicate the restrictions on the movement of capital, the latter group is modelled as restrictions on trade in banking services. The commercial presence restriction grouping covers restrictions on licensing, direct investment, joint venture arrangements, and the permanent movement of people. The other restrictions grouping covers restrictions on raising funds, lending funds, providing other lines of business, expanding banking outlets, the composition of the board of directors, and the temporary movement of people. Given the scores shown in Table 2 for each variable considered, the authors assign weights to the variables and obtain first restrictiveness index values for the two categories and then the overall restrictiveness index values for the economies considered.

Table 2 reveals that the Turkish banking system is more restrictive than the banking system in the EU. Kalirajan *et al.* (2002) use this information to study the effects of restrictions in the banking sector on the performance indicators. The authors note that banks provide a wide range of financial services including deposit-taking, lending, insurance and securities. But they emphasize that although banks are diversified entities, their core business remains the matching of depositors and lenders. Thus, the price of banking services can be measured by the net interest margin (NIM), the difference between the interest rate banks charge on their loans and the rate they pay on their deposits. Restrictions on trade in banking services is expected to increase the interest margin. The effect of these restrictions in the banking sector on the net interest margin is shown in columns 3 and 4 of Table 2 for the EU countries and Turkey.

The table reveals that as a result of restrictions in the banking sector net interest margin in EU increases relative to the free trade net interest margin by 5.3203%, and that the increase amounts to 31.541% in the case of Turkey. One could thus infer that the net interest margin in Turkey will decrease by 26.2207% when Turkey would adopt and implement the EU rules and regulations on banking services. Taking the value of 26.2207% decrease as the percentage change in the price of banking services due to the adoption of the EU rules and regulations in the banking sector we determine that the welfare of the society will increase by 1.36%

after the adoption of the EU rules and regulations in the banking sector. The change in consumer welfare amounts then to 2.12 billion Euros.

Table 2

Restrictiveness Index Scores and Price Effects for Banking Services

	Restrictiveness Index		Price Effect	
			EU	Turkey
	EU	Turkey	%	%
Licensing of banks	0,0100	0,2000	0,7515108	16,847931
Direct investment	0,0100	0,0100	0,7515108	0,8423965
Joint venture arrangements	0,0050	0,0525	0,3757554	4,4225818
Permanent movement of people	0,0085	0,0119	0,6402872	1,0024519
<i>Restrictions on establishment total</i>	<i>0,0335</i>	<i>0,2744</i>	2,5190641	23,115361
Raising funds by banks	0,0075	0,0075	0,5636331	0,6317974
Lending funds by banks	0,0075	0,0075	0,5636331	0,6317974
Other business of banks - insurance and securities services	0,0050	0,0525	0,3757554	4,4225818
Expanding the number of banking outlets	0,0025	0,0131	0,1878777	1,1056455
Composition of the board of directors	0,0119	0,0120	0,8973039	1,0125606
Temporary movement of people	0,0028	0,0074	0,2130533	0,6212674
<i>Restrictions on ongoing operations total</i>	<i>0,0373</i>	<i>0,1000</i>	2,8012564	8,4256501
Index Value	0,0708	0,3744	5,3203206	31,541011

Source: Australian Productivity Commission website www.pc.gov.au.

2. Telecommunications

The telecommunications industry in Turkey has been dominated by Turk Telecom, a national monopoly with exclusive rights to all fixed line voice operations. In

addition, cable services have been provided by Turk Telecom which has also been responsible for the radio and television transmitters. Turk Telecom has a monopoly over the provision of international calls, and prices for local calls through fixed lines were cross subsidized by national long-distance and international calls. Reforms since the early 1990s have led to the introduction of four new mobile telephone companies and a series of private companies providing value added services, such as internet access and cable television. As emphasized by Akdemir *et al.* (2003), the Turkish Parliament has approved a legislation to reform the telecommunications sector in 2000, which was amended in May 2001. The reform program was quite successful in modernizing the Turkish telecommunications system. The objective of the legislative and regulatory reform was to bring the regulatory and supervisory regime for the Turkish telecommunications sector up to the level of international practice in line with EU standards. The objective has been achieved partially by opening the mobile telecom market to competition. With accession to the EU, Turkey will have to introduce full competition in telecommunications and adopt and implement the EU legislative measures centring on liberalization of all telecommunications services and infrastructures, adoption of open network provision measures to the future competitive environment, maintenance and development of minimum supply of services and the definition of common principles for financing the universal service.

To study the welfare effects of policies followed by Turkey in the telecommunications sector during the 1990s we compare the situation of the Turkish economy in the base case with the case when Turkey adopts and implements in the telecommunications sector all of the rules and regulations of the EU. As the 'base case' we consider as in the case of banking services the Turkish economy with rules and regulations as they have prevailed in the telecommunications sector during the latter half of 1990s. We consider again the 1996 Input-Output Table of the Turkish economy where telecommunications is sector 83. We then determine the effect on consumer welfare by calculating the equivalent variation in consumer income.

To study the effect of the adoption of EU rules and regulations in the telecommunications sector on the price of telecommunications services we note that the telecommunications sector is a heterogeneous service industry, and that its services include fixed voice services (e.g. local, domestic and international long distance telephony, and enhanced voice services), mobile services (mobile access, calls, and messaging services), internet services (e.g. dial-up and web hosting), data services (e.g. leased-lines, asynchronous transfer mode (ATM) services, public data network services), and content services (e.g. pay-TV, online information and entertainment). Thus the price of telecommunication will be an index of all these prices. We next turn to the study by Warren (2000a), who considers four types of impediments to trade in telecommunications services: restrictions on cross border

trade, restrictions on establishment, restrictions on direct investment in fixed and mobile network services, and restrictions on ongoing operations. In each case Warren derives index values, where higher values indicate greater restrictions. While the index of restrictions to cross border trade captures policies that discriminate against all potential entrants (domestic and foreign) seeking to supply cross border telecommunications services, the index of restrictions on establishment captures policies that discriminate against all potential entrants (domestic and foreign) seeking to supply the telecommunications services via investment in the country. The index of restrictions on direct investment is designed to capture policies that discriminate against potential foreign entrants seeking to supply telecommunications services via investment in the country. Finally, the index of restrictions on ongoing operations captures policies that discriminate against potential foreign entrants seeking to supply cross-border telecommunications services. Given the index values derived from an international survey undertaken by the International Telecommunications Union (1999) for 136 countries, Warren (2000b) estimates first the impact of impediments to trade and investment in telecommunications services on the penetration of fixed and mobile telecommunications network and thereafter the price impact. The results are shown in Table 3.

The table reveals that Finland and the United Kingdom follow liberal trade and investment policies in telecommunications and that as a result of restrictions in trade of telecommunications services Turkish telecommunications prices are 33.5328% higher than the prices in Finland and United Kingdom. Taking the value of 33.5328% decrease as the percentage change in the price of telecommunications services due to the adoption of the EU rules and regulations in the telecommunications sector we determine that the welfare of the society will increase by 0.587% after the adoption of the EU rules and regulations in the telecommunications sector. This change amounts to 0.915 billion Euros increase in real income of consumers.

3. *Electricity*

The Turkish electricity sector is dominated by state owned enterprises. The two largest firms are TEAS, the state owned generation-and-transmission company, and TEDAS, the state owned distribution company. Recently, TEAS was separated into three separate companies covering generation, trading and transmission activities. There are also privately owned firms, which have entered the industry through build-operate-transfer (BOT), build-operate-own (BOO) or auto-generator schemes. Today they account for more than 21% of electricity generation. Under the regulations prevailing in Turkey the private operators signed long-term power purchase agreements with the state owned generation enterprise in which the latter committed itself to buy the output of the plants for a period of, say, 20 years at a

Table 3

Restrictiveness Index Scores for Telecommunications Services

	Restrictiveness Index				Price effect			
	Restrictions on establishment	Restrictions on cross-border trade	Restrictions on ongoing operations	Index Value	Restrictions on direct investment in fixed and mobile network services	Restrictions on establishment total	Restrictions on cross-border trade	Restrictions on ongoing operations total
Austria	0.1333	0.0000	0.0000	0.1333	0.8480%	0.8480%	0.0000%	0.0000%
Belgium	0.1334	0.0667	0.0667	0.2001	0.8710%	0.8710%	0.4353%	0.4353%
Denmark	0.0333	0.0000	0.0000	0.0333	0.1985%	0.1985%	0.0000%	0.0000%
Finland	0.0000	0.0000	0.0000	0.0000	0.0000%	0.0000%	0.0000%	0.0000%
France	0.2100	0.0000	0.0000	0.2100	1.4298%	1.4298%	0.0000%	0.0000%
Germany	0.0493	0.0000	0.0000	0.0493	0.3195%	0.3195%	0.0000%	0.0000%
Greece	0.1609	0.3000	0.3000	0.4609	1.5778%	1.5778%	2.9424%	2.9424%
Ireland	0.3533	0.0000	0.0000	0.3533	2.6655%	2.6655%	0.0000%	0.0000%
Italy	0.1369	0.0000	0.0000	0.1369	1.0019%	1.0019%	0.0000%	0.0000%
Luxembourg	0.1667	0.0000	0.0000	0.1667	1.0458%	1.0458%	0.0000%	0.0000%
Netherlands	0.0300	0.0000	0.0000	0.0300	0.2025%	0.2025%	0.0000%	0.0000%
Portugal	0.1100	0.4000	0.4000	0.5100	1.3473%	1.3473%	4.8992%	4.8992%
Spain	0.1793	0.2333	0.2333	0.4127	1.7099%	1.7099%	2.2247%	2.2247%
Sweden	0.1000	0.0000	0.0000	0.1000	0.6530%	0.6530%	0.0000%	0.0000%
U.K.	0.0000	0.0000	0.0000	0.0000	0.0000%	0.0000%	0.0000%	0.0000%
Turkey	0.3987	0.4000	0.4000	0.7987	16.7384%	16.7384%	16.7944%	16.7944%
								33.5328%

Source: Warren, T. (2000)

Note: The restrictiveness index scores range from 0 to 1. The higher the score, the greater are the restrictions for an economy.

fixed price in foreign currency. In those contracts the price has ranged on average between eight and nine US cents per KWh for the first five to ten years of operation. This contract, guaranteed by the Treasury, assured the investor that the project would be profitable irrespective of the demand for power. Recently, the government in Turkey has passed, as emphasized by Atiyas and Dutz (2003), a new Electricity Law. The law provides for the establishment of a new independent Energy Market Regulatory Authority. With the new law the government is introducing a market model as in the EU that will transfer most of the task of supplying and distributing electricity and the associated market risks to the private sector, eliminate the need for additional state-guaranteed power purchase agreements, and minimize costs through competitive pressures on producers and distributors along the EU model.

To study the welfare effects of policies followed by Turkey in the electricity sector we compare the situation of the Turkish economy in the base case with the case when Turkey adopts and implements in the electricity sector all of the rules and regulations of the EU. As the 'base case' we consider as in the cases of banking and telecommunications services the Turkish economy with rules and regulations as they have prevailed in the electricity sector during the latter half of 1990s. Next, we consider the 1996 Input-Output Table of the Turkish economy where electricity production, transportation and distribution is sector 69. We then determine the effect of the adoption of EU rules and regulations in the electricity sector on consumer welfare by calculating the equivalent variation in consumer income.

To study the effects of regulation on the price of electricity we make use of Table 4 which summarizes the status of the regulatory environment and market structure in the electricity sector in selected EU countries and Turkey as of 1998. In the electricity markets competition can be secured as long as the principle of 'Third Party Access' (TPA) is observed. This principle is based on the idea that the owner of the network is obliged to give access to all the delivery requests through the network by the production and sales operators. The table shows that by 1998 Finland, Germany and Britain had liberalized access to transmission and distribution networks, and that access liberalization in Finland and Britain had taken the form of regulated TPA, which is a legal obligation to provide network access under non-discriminatory conditions. Germany has chosen the negotiated TPA arrangement, where consumers and producers contact directly with each other and then negotiate with the transmission and distribution companies for access to the network. Turkey on the other hand did not observe the principle of TPA by 1998, and introduced this principle only in 2001 under the regulated TPA regime.

But TPA is not a sufficient condition to secure competition in the electricity sector. The owner of the network could charge high access prices which can put the competitors in the final market at a disadvantage. The achievement of competition requires that access charge be non discriminatory and cost-reflective, giving

Table 4

Country Data on European and Turkish Electricity Sectors, 1998

	Finland	Germany	United Kingdom	Turkey
Regulatory Reform				
Third Party Access	regulated TPA	negotiated TPA	regulated TPA	none
Electricity Market	Finnish Electricity Exchange (1995)	none	English and Wales market (1990)	none
Transmission Price Regulation	cost-based	cost-based	price cap	-
Consumer Choice Thresholds	1995 500 KW, 1997 0 KW	1998 0 KW	1990 1 MW, 1994 100 KW, 1998 0 KW	no choice
Vertical Integration in the Industry				
Degree of Vertical Integration	unbundled	unbundled	unbundled	Integrated
Generation separate from Transmission	separate companies	accounting separation	separate companies	Integrated
Ownership in the Industry	Mostly public	Mixed	Private	Mostly public
Privatisation in Electricity generation	1/2/1997, Komijoki Oy, 25 %	5/7/1994 Rhein-Main Donau, 75.5 % 31/12/1995 Neckar, 99 %	6/3/1991 National Power, 60 % 6/3/1991 Power Gen, 60 % 1/3/1995 National Power, 40 % 1/3/1995 Power Gen, 40 % 10/7/1996 British Energy, 87.73 %	private participation, not privatisation

Source: Steiner (2000).

appropriate incentives to the network owner to maintain and develop the infrastructure so that the system avoids bottleneck problems. In this case we note that the two dominant models are cost-based (rate of return) pricing and loosely regulated prices, where the latter is more prevalent in countries with a decentralized electricity supply industry and a tradition of regulation and control at a more localized level. Under the rate-of-return regulation the government sets the transmission prices to effectively guarantee the firm a 'fair' rate of return. In contrast, under price cap regulation, prices are indexed to a moving indicator such as the Producer Price Index, less a portion which provides incentive for innovation and improved efficiency. Under the latter type of regulation, firms could realize negative returns in the short run if they were operating inefficiently. Table 4 reveals that while Finland and Germany have introduced cost based pricing and Britain price cap regulation, Turkey did not have an explicit transmission pricing regulation during 1998.

The separation of generation and transmission, in concert with expanded TPA, is crucial to encourage competition. Without it the network owner has very high incentives to preclude, or at least limit, the access of competitors in the downstream market, vanishing the perspectives of liberalization. If the network owner does not participate in the downstream markets, it is neutral towards the applicants. Thus, 'Unbundling' is important. The allocation of transmission rights must be separated from transactions between upstream and downstream firms. Where generation and transmission have been unbundled, there may be either an accounting separation, legal separation or propriety separation into different companies. It is emphasized that accounting separation is the weakest form of separation, that legal separation is achieved through the creation of different companies under a common holding, and that propriety separation is the preferred alternative. Table 4 shows the degree of overall integration, from generation, through transmission and distribution, to supply, as well as the presence and type of separation of generation from transmission in each of the countries under consideration. While Finland and Britain have separated generation and transmission into legally distinct firms, Germany has introduced accounting separation. The table shows in addition that distinct from liberalization, countries also vary in the degree of private ownership that has developed over time, as well as the decision regarding privatization at the time of liberalization. The table shows the current status of ownership in the generation segment of the electricity sector, and it provides details about privatization in electricity generation at the firm level for countries in the panel. We note that the decision to privatize is not necessarily correlated with the degree of liberalization. While Germany has mixed ownership in the industry, Britain has made privatization a central feature of reform.

A further requirement for the liberalization of the electricity markets is the 'Opening of the Demand Side'. This principle promotes the idea that eligible

customers have the right to seek the most convenient supplier. The table reveals that while Finland and Britain introduced consumer choice initially for large consumers, phasing in full consumer choice gradually, Germany introduced full consumer choice immediately in 1998, and that Turkey had not opened the demand side by 1998.

Finally, competition requires as a fourth requirement the existence of exchange markets, which should yield prices in line with marginal costs covering the fixed costs. Regarding the establishment of these markets we note Finland and Britain had introduced markets for electricity by 1998, allowing for prices and quantities traded to be determined by the equivalence of supply and demand, while Germany and Turkey did not have such a market by 1998.

Steiner (2000) using basically the data summarized above for 19 OECD economies over the period 1986-96 develops indexes of regulatory indicators and using these indexes investigates empirically the linkages between regulatory regimes, market environments and performance in electricity supply. The author uses as indicators of performance measures of productive efficiency of generation plants and retail electricity prices, and concludes that unbundling of generation and transmission, expansion of TPA, and introduction of electricity markets reduce the industrial end-user prices. The results obtained by Steiner (2000) were later extended by Doove *et al.* (2001), by increasing the number of countries under consideration from 19 to 50 economies. The results are shown in Table 5, which shows that as a result of restrictions Turkish electricity prices are 20.7% higher than the prices in Finland and United Kingdom, which follow liberal policies in the electricity sector.

Taking the value of 20.7% decrease as the percentage change in the price of electricity due to the adoption of the EU rules and regulations in the electricity sector we determine using the input-output table of 1996 the equivalent variation in consumer income. Noting that electricity production, transmission and distribution is sector 69 in the input-output table we estimate following an approach similar to those used in banking and telecommunications sectors that the welfare of the society will increase by 0.527% with the adoption of the EU rules and regulations in the electricity sector. This is equivalent to the change consumer welfare amounting to 0.822 billion Euros.

Table 5**Price Impact of Regulation**

in Electricity Supply (%)	
Austria	13,2
Belgium	15,4
Denmark	8,5
Finland	0,0
France	16,0
Germany	8,3
Greece	16,6
Ireland	13,9
Italy	17,1
Luxembourg	13,8
Netherlands	15,5
Portugal	17,9
Spain	9,5
Sweden	0,0
United Kingdom	0,0
Turkey	20,7

Source: Doove *et al.* (2001).

II. Economic Challenges

Under economic challenges we consider issues related with membership in the European Economic and Monetary Union, labour markets, and complying with EU environmental directives.

A. Membership in the European Economic and Monetary Union

Participation in the European Economic and Monetary Union (EMU) is a must for Turkey since the *acquis* is expected to be taken in full, including EMU participation, and in due time all the requisite ‘Maastricht Criteria’ for Euro Area integration. Turkey will not be expected to adopt the euro immediately upon accession. Upon accession Turkey, according to Article 122 of the Treaty establishing the European Community (the ‘Treaty’), will be treated as a ‘country with a derogation’ until it fulfils the convergence criteria.¹ Consideration of the

¹ A new Member State can initially only have the statute of ‘Member State with a derogation’. There are, according to Italianer (2002), two formal reasons for this. First, the procedures foreseen in Article 121(1) for the assessment of the conditions for the adoption of the euro cannot be applied prior to accession. Secondly, one of these conditions cannot possibly be met upon accession because it requires participation in the Exchange Rate Mechanism (ERM II) and this is not open to non-members. More importantly, the economic rationale for

Central and Eastern European (CEE) countries reveals that these countries, when signing up to the accession treaty, have accepted the goal of monetary union as part of the *acquis communautaire*. In order to become members of EMU, the CEE countries have to fulfil the convergence criteria, which involve conditions on price stability, interest-rate convergence, budget deficit, government debt, and exchange-rate stability.

Price stability requires that, over a period of one year before the examination, a country's inflation rate not exceed the average rate of the three best performing EU member states in terms of price stability by more than 1.5 percentage points. Interest-rate convergence requires that the average long-term interest rate not exceed that of the three EU countries with the best inflation performance by more than two percentage points. Budget deficit criteria requires that the ratio of general government deficit to GDP not exceed 3%. The government debt criteria requires that the ratio of general government debt to GDP must not exceed 60%. Finally, the exchange-rate stability criteria requires that the country observe the normal fluctuation margins of the Exchange Rate Mechanism (ERM) II for at least two years without devaluing. In ERM II, the euro is the anchor currency. Although the standard fluctuation band for the exchange rates of the partner countries is +/-15% around the central rate, narrower bands are possible.

Based on the Treaty, three distinct phases for the adoption of the EMU *acquis* by accession countries can be identified, namely: (i) the pre-accession period, (ii) the period from accession to the adoption of the euro, and (iii) euro area phase, after adopting the euro.

During the pre-accession phase, accession countries carry out the economic reforms and policies needed to fulfil the Copenhagen economic criteria—the existence of a market economy and the capacity to cope with competitive pressure and market forces within the Union. In addition the accession countries will adopt the required EMU legislation to be able to have the status of 'Member State with a derogation' as regards the adoption of the euro (Article 122). These are as stated by Italianer (2002):

- Completion of the orderly liberalisation of capital movements (Article 56)
- Prohibition of any direct public sector financing by the Central Bank (Article 101)
- Prohibition of privileged access of the public sector to financial institutions (Article 102)

(contd.)

the construction of EMU presupposes participation in the internal market before the adoption of the euro. The free movement of goods, freedom to provide services, free movement of persons and full liberalisation of capital movements are expected to be accomplished before adoption of the euro, except for negotiated transition periods in a limited number of areas.

- Alignment of the national central bank statutes with the Treaty, including the independence of the monetary authorities (Articles 108 and 109).

Upon accession, the new Member State will have the statute of 'Member State with a derogation' granted in the accession treaty. It will have to show adherence to the aim of economic and monetary union and compliance with the relevant parts of title VII of the EC Treaty and the other EMU *acquis*. These are:

- Treatment of exchange rate policy as a matter of common interest and, eventually, participation in the exchange rate mechanism (Article 124)
- Treatment of economic policies as a matter of common concern and co-ordination of economic policies between the Member States through participation in Community procedures (Articles 98 and 99)
- Avoidance of excessive government deficits and adherence to the relevant provisions of the Stability and Growth Pact (SGP) (Article 104)
- Further adaptation of the national central bank's statutes with a view to integration in the European System of Central Banks (ESCB) (Article 109)
- Progress towards the achievement of a high degree of sustainable convergence (Article 121)

The adoption of the euro will add two key elements to the macroeconomic framework of 'Member States with a derogation'. One is the single stability oriented monetary policy, and the ensuing single exchange rate policy. Secondly, the implementation of the sanction parts of the SGP, by which Member States surpassing the 3% ceiling in their deficit will be subjected to substantial fines.

As emphasized by the Commission (2003) Turkey during the pre-accession period has to adopt the required EMU legislation to be able to have the status of 'Member State with a derogation' as regards the adoption of the euro. In particular Turkey needs to take relevant measures to liberalize the capital movements completely, prohibit privileged access of the public sector to financial institutions, and attain the political and economic independence of the monetary authorities. Upon accession the common macroeconomic policy framework will get more constraining, with a strong reinforcement of fiscal discipline and the integration of other economic policies. Budgetary policy and outcomes will become subject to the excessive deficit procedure and the non-punitive parts of the SGP. The Maastricht Treaty specifies that the country will have to progress towards the fulfilment of the Maastricht criteria, and under conditions of the Stability and Growth Pact it will have to endeavour to avoid excessive deficits. Furthermore, the exchange rate policy will become a matter of common interest. Finally, the adoption of the euro will require that Turkey becomes part of the single stability oriented monetary policy and of the ensuing single exchange rate policy. Furthermore, Turkey will become subject to the sanction parts of the SGP. Once Turkey adopts the euro it will replace its domestic currency with the euro at an irrevocably fixed exchange rate, confer the bulk of its reserves to ECB, and will be bound by the SGP.

Table 6

EMU Convergence Criteria

	Inflation Rate %			Budget Deficit % of GDP			Government Debt % of GDP			Interest Rates 10Y bonds	Exchange Rate Rate against Parity	Currency Regime
	2000	2001	2002	2000	2001	2002	2000	2001	2002			
Czech Republic	3.9	4.7	1.8	-4.0	-3.2	-4.6	29.2	29.0	22.4	Last 3.8	Max (2Y) -5.0	Managed Float (EUR reference)
Estonia	4.0	5.8	3.6	-0.7	1.1	1.2	6.6	6.2	5.4	2.9	-1.5	Currency Board (EUR)
Hungary	9.8	9.2	5.3	-3.5	-5.0	-9.6	56.1	51.5	50.4	6.5	-6.0	Target Zone (EUR)
Latvia	2.7	2.5	1.8	-2.8	-1.9	-2.7	10.0	12.2	13.9	7.8	-14.4	Peg (SDR)
Lithuania	1.0	1.3	0.3	-2.8	-1.4	-2.8	28.3	29.0	25.0	6.4	-5.8	Currency Board (EUR)
Poland	10.1	5.5	1.9	-2.7	-6.3	-5.4	43.8	38.0	48.0	5.4	-15.5	Float
Slovakia	12.0	7.3	3.3	-6.8	-7.2	-1.9	32.9	42.7	32.0	5.0	-5.0	Managed Float (EUR reference)
Slovenia	8.9	8.5	7.5	-1.4	-1.3	-1.1	25.1	25.4	32.2	7.2	-5.6	Managed Float (EUR reference)
Bulgaria	10.1	7.9	5.8	-1.1	-1.0	0.2	83.8	72.5	60.9	6.4	-0.4	Currency Board (EUR)
Romania	45.7	34.5	22.5	-4.1	-3.7	-1.7	29.2	31.2	25.7	29.7	-32.7	Managed Float (USD reference)
Turkey	54.9	54.4	45.0	-5.8	-26.9	-10.0	63.1	125.8	105.3	51.0	59.0	Float
Reference Value	2.8	3.3	3.0	-3.0	-3.0	-3.0	60.0	60.0	60.0	5.5	+/- 15%	

Source: Deutsche Bank, EU Enlargement Monitor, April 2002, Turkish State Planning Organisation (2003), Central Bank of Turkey website www.temb.gov.tr.

Note: Parity refers to last 3-year average exchange rate against EUR. In the case of Turkey, the interest rate is the annual compound interest rate on government bonds of one year duration obtained in the latest auction of treasury bills.

The above considerations reveal that besides legislative changes and thorough implementation of this legislation Turkey will be faced with the problem of attaining over time sustainable development while simultaneously satisfying the Maastricht criteria. The country realizes that in the long run, price stability and fiscal discipline create the best conditions for sustained, robust economic growth. But currently the situation is problematic as evidenced by the data in Table 6, which shows the EMU convergence criteria for Turkey and the CEE countries. The table reveals that the CEE countries are about to satisfy the criteria, but that Turkey is far away from satisfying the conditions. In 2002 the inflation rate was 45% compared to 3%, the reference value for inflation in EU; budget deficit as a percent of GDP was 10% compared to 3%, the reference value of budget deficit in EU; debt to GDP ratio was 105.3% compared to 60%, the reference value of debt/GDP ratio in EU; and interest rates were 51% compared to 5.5%, the reference value of long term interest rates in the EU.² Although the annual inflation rate as of October 2003 has been reduced to 20.3%, the rate is still high compared to the reference value in the EU. Similar considerations apply for the government deficit/GDP ratio, debt/GDP ratio and interest rates for the year 2003.

The challenge facing Turkey is how to move from current state of affairs to a state when Maastricht criteria will be satisfied. The issues facing Turkey are:

- Although the country has reduced the inflation rate considerably during 2002 and 2003 through strict implementation of the IMF economic program, the reduction was achieved partially through decreases in the cost of imported goods achieved as a result of real appreciation of the Turkish lira. But reducing the inflation rate through real appreciation of the currency is not sustainable in the long run as the real appreciation of the currency will lead to problems of sustainability of the current account.
- Although the country has reduced the debt/GDP ratio substantially during 2002 and 2003 by achieving surpluses of government revenues over non-interest expenditures amounting to 7.8% of GDP during 2001 and 6.2% of GDP in 2002, the reduction was achieved partially through real appreciation of the currency. But reducing the debt/GDP ratio through real appreciation of the currency is not sustainable in the long run as the real appreciation of the currency will lead to problems of sustainability of the current account.
- Since debt/GDP ratio over time can be decreased by achieving surpluses of government revenues over non-interest expenditures amounting to at least 6.5% of GDP over the coming years, the government will be constrained in its use of fiscal policy to decrease the unemployment rate in the economy,

2 The figures for government deficit/GDP and debt/GDP ratios have been obtained from State Planning Organization (2003). These figures have been harmonized with the deficit and debt definitions of the EU.

which in 2003 runs at about 10%. The constraint may have political implications.

- Consideration of the issues related with the sustainability of current account reveals that the choice of the exchange rate policy during the pre-accession period will be of prime importance for Turkey. The policy of real exchange rate appreciation pursued during the last two years is not sustainable in the long run under rather realistic values of foreign real interest rates. Sustainability of the current account requires the depreciation of the real exchange rate over time.
- The reduction in inflation rate from its current level to the level required by Maastricht criteria can only be achieved at some cost. The costs of fulfilling the Maastricht inflation criteria when estimated by expected output losses will turn out to be quite substantial.³

B. Labour Markets

Taymaz and Özler (2003) show that the Turkish labour market is flexible. The reason behind the flexibility lies primarily in the fact that the labour market is not homogeneous. It has different wage setting mechanisms in formal and informal sectors. The informal sector is largely free from most type of labour regulation and does not pay most of the taxes and related charges. Activities in this sector rely mostly on provision of labour services without formal employment contracts. Job insecurity is pervasive and workers get very few benefits from their employers. Labour regulations are observed by the formal sector and this sector also pays all taxes and related charges such as social security contributions and payments to various funds. According to different studies the share of informal sector in total employment is about 60%.⁴ The reasons for the relatively high share of the informal sector in total employment are (i) the very high tax rates on wage income, high tax related charges and substantial payments to various funds that have to be paid in the formal sector as a requirement of social security law and the laws regulating the taxation of personal incomes, (ii) the relatively high firing costs imposed by labour law and the stringency of the various clauses of the labour law, and (iii) lack of enforcement mechanisms of respective laws in the economy.

Studies reveal that Turkish population increases on average at one million persons per year and that over time Turkey has to create continuously new jobs. In the past Turkey has successfully solved the unemployment problem through the

3 The expected output losses can be determined with the use of a 'sacrifice ratio' defined as the cumulative loss in output, measured as a per cent of GNP, associated with a one percentage point permanent reduction in inflation. On the sacrifice ratio see for example Ball (1993).

4 Taymaz and Özler (2003) report that the share of informal sector is 40% in manufacturing. The share is much higher in agriculture and services sectors.

existence of a large, flexible informal sector where wages are free to equilibrate demand and supply and through labour migration from Turkey.

With Turkish accession to EU Turkey will have to enforce the rule of law uniformly in the country. It can no longer tolerate the lack of enforcement mechanisms of different laws and regulations in the economy. But this will have to be done without increasing the unemployment rate in the economy. Taymaz and Özler (2003) estimate that when all informal sector firms in manufacturing sector start to pay taxes and social security contributions at the same rates as in the formal sector and when informal sector firms lose half of their market shares due to the change, employment in manufacturing sector will decline by 8.9%. Thus about 300,000 jobs will be lost. But the effect of the policy change on employment, when all informal sector firms in all sectors of the economy start to pay taxes and social security contributions at the same rates as in the formal sector, will be much more drastic as one has to consider also the effects on employment in agricultural and services sectors. The number of jobs lost will far exceed the 300,000 level estimated by Taymaz and Özler (2003). Thus, the country in order to avoid an increase in unemployment has to introduce a comprehensive labour market reform. Such a reform will probably entail substantial decreases in tax rates on wage income, tax related charges and payments to various funds, decreases in the firing costs and making various clauses of the labour law less stringent in Turkey.

C. Complying with EU Environmental Legislation

Joining the EU will require that Turkey adopts and implements the entire body of EU legislation and standards on environmental protection. This means that Turkey will have to bring its environmental protection system, infrastructure and standards up to Western European levels, which in turn will require substantial investments by both the public and private sectors as well as changes in regulations and supporting institutions.

Consider the EU regulations on wastewater collection and treatment. According to the urban wastewater directive (91/271/EEC) all urban areas with a total wastewater discharge of 2000 population equivalent are required to be connected to the sewer system, and the discharges of sewers that has been collected must receive at least secondary treatment. The directive allows for exceptions for towns with population less than 10,000 in cases when sewers would produce no environmental benefit or would involve excessive cost.

According to the 1997 general census of population total population of Turkey was 62.87 million. Out of this population 13.75 million were living in areas with population of 2,000 and less, 49.12 million were living in areas with populations of more than 2,000, 22.57 million were living in areas with population of 10,000 and less, and 40.3 million were living in areas with populations of more than 10,000. In 1997 there were 2,835 municipalities with a total population of 48.2 million.

7.3 million were living in rural municipalities. According to State Planning Organization 72% of population living in municipalities was not connected to sewer treatment. For an additional 23% of population sewer systems were under construction. Upon the completion of sewer systems under construction the percentage of population connected to sewer systems will go up to 51% of population living in municipalities. Furthermore 2% of the municipalities have waste water treatment facilities, and 14% of the population living in villages have sewer connection with septic tanks.

Assuming that the sewer systems under construction will be completed during the coming years we could conclude that out of the 48.2 million living in municipalities 24.5 million would be connected to sewer systems in the near future, leaving 23.7 million with no connection to sewer system. In the villages 11.8 million have no sewer connection.

The costs for sewer needs will depend on three parameters: (i) proportion of rural population living in towns that would be classified as agglomerations with a population of more than 2,000 population equivalents, (ii) proportion of towns between 2,000 and 10,000 that will be exempted from constructing sewer systems on the grounds of no environmental benefit or excessive costs, and (iii) proportion of rural population that must have sewer. Once the Commission and Turkey agree on these parameters during the negotiations the cost of compliance to EU directive could be determined. Rough estimates of investment costs to comply with the directive could run up to more than US\$10 billion. Adding the additional operating, maintenance and replacement costs would increase this cost even further.

The above considerations reveal that environmental protection presents challenges for Turkey. The costs will be substantial when one would consider in addition to the costs of complying with regulations on wastewater collection and treatment, the costs of complying with EU regulations on drinking water, industrial pollution, dangerous chemicals, fuel standards, air quality and waste management. Markandya (2003) estimates that the total amount would come out at between €28 and €49 billion. He notes that outlay will be over a long period (around 17 years), so the annual amount will be more manageable. Furthermore, he shows that annual investments would amount to around €2-3 billion in the 'fast reform' (i.e. low cost case) and €3-5 billion in the slow reform (i.e. high cost) case. In the initial years this would amount to 1-1.5% of GDP in the low cost case and 1.5 to 2.5% in the high cost case. To this one would have to add the extra annual operating costs that will be incurred, which would be in the range of €5-8 billion. He notes that according to the OECD, Turkey's capital spending on the environment is around 0.5% of GDP. Thus with accession this would have to double, or more likely increase by a factor of three or four. In addition, a much higher level of current spending would also be required. These costs, although substantial by any standards, could be considered as a price for joining the EU. One could also argue

that these investments would have been made in any case by Turkey. Only the timing of the investments would be different, as EU directives may not correspond to Turkey's priorities at this stage of its development.

III. Conclusion

Joining the EU will require that Turkey attains macroeconomic stability, adopts the CAP, and liberalizes its services and also its network industries. Integration will be beneficial for Turkey as it will remove the distortions in the price system, boosting the allocative efficiency in the economy, which in turn will make the country a better place to invest. Furthermore, with accession Turkey will be eligible for EU structural funds. The increase in infrastructural investments will contribute to economic growth in Turkey. In addition, Turkey will reap benefits from monetary integration. The above considerations reveal that the welfare gains from integration will amount to approximately €9 billion.⁵ However, the welfare gains that will be derived by Turkey from integration will have a price. The price will be the adjustment costs associated with the attainment of macroeconomic stability, adoption of CAP, adoption of EU's labour market rules and regulations, and complying with EU environmental directives. From Togan (2003) we know that the budgetary cost of adopting EU like agricultural policies will amount to €2.998 billion when Turkey will not receive any compensation from the EU budget. The annual costs of complying with EU environmental legislation could amount to about 7 billion Euros, which would be incurred by Turkey only after accession. After accession, while Turkey will contribute to the EU budget it will also receive payments under CAP and structural funds from the Brussels. These payments after deduction of contributions to the EU budget could amount, as emphasized by Togan (2003), to about 8 billion Euros annually. Thus Turkey is expected to benefit substantially from EU accession. Even in the pre-accession period Turkey would benefit considerably from adopting the EU rules and regulations in agriculture, services and network industries. The main costs of adjustment would come from adopting the EU labour market rules and regulations and also from attaining the macroeconomic stability.

5 Here we assume that Turkey follows Agenda 2000 policies with direct payments equal to those applied in the EU. We should note that annual welfare gains derived from integration will increase to 10.6 billion Euros as we consider in addition the transportation and natural gas sector. For a discussion of issues of adjustment in these two sectors see François (2003) and Mazzanti and Biancardi (2003).

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PART FOUR

REFORMS AND CHALLENGES IN THE SPHERE OF JUSTICE AND HOME AFFAIRS



Reappraising Migration on the EU-Turkey Agenda

Philippe Fargues

Population matters in the EU-Turkey relationship for it shapes actual exchanges as well as mutual perceptions. Migration, first, is a crucial dimension of actual flows between the EU and Turkey, but it has become one of the most delicate issues for governments. Behind migration, population dynamics are at play. Demographic changes contribute to determine, not only the supply and demand for migrants, but their very profile. Beyond migration, demographics is a key dimension of imbalances between Turkey and member states of the EU. Because neither the conditions that produce migration nor demographic differentials will disappear overnight, one has to wonder how to turn population into an advantage and to make migration a politically acceptable issue. This paper briefly reviews the four above facets of migration and population on the EU-Turkey agenda: a critical dimension of actual exchanges, a problem for governments, a rapidly evolving phenomenon, and a potential source of mutual benefit.

I. Migration as a Crucial Link between the EU and Turkey

Three million Turkish immigrants currently live in the EU where they represent by far the first single non EU national community (35% of all non-EU citizens: see Table 1). Conversely, the EU is by far the first destination of Turkish emigrants (87% of all Turks abroad). Remittances sent back home by Turks living in Europe amount to 5 billion\$ per year on average, and they come before any single Turkish export of good or services and far before the aggregated amount of foreign direct investments. Because they are channelled by families (not by states or companies)

and thus arrive at the very places from where migrants come—i.e. places of high migratory pressure—, remittances are believed to have a powerful potential for development. In addition to remittances, other flows generated by migration—from international trade to goods carried by travellers—make migration a key dimension of the EU-Turkey relationship (Koç and Onan 2002).

Migration forces are still very much at work. A clear indication of this is the fact that workers' remittances—which are commonly found to decline with the passing of time—have been continuously increasing over the last few years (from 3 billion\$ in the early 1990s to 5 billion \$ in the 2000s). In fact, the number of Turkish expatriates living in the EU has continued to grow, from 2,3 million in 1990 to 2,7 in 2000 (see Table 2), not taking into account the 700,000 former Turks who were granted the citizenship of a EU country during the same decade (see Table 3). Even though the Turkish expatriate community now grows primarily as a result of demographic reproduction in the EU, fresh migration from Turkey remains significant. Two thirds of the increase recorded during the last decade are due to the balance of births and deaths, and one third to the balance of immigration (850,000 from 1991-2000: see Table 4) and return migration (465,000 from 1991-2000: see Table 5). Return migration had once peaked, during the 1980s, as a result of strong incitement policies (320,000 returnees from Germany in 1983-84), but since then it has declined.

Since the closure of Europe to labour immigration in 1974, the vast majority of immigrants come for reasons other than work. From 1983 up to 1994, a total of 1,589,700 Turks migrated to Western Europe, 77% for family reunification (1,220,000) and 22% as asylum seekers (346,400), the remaining 1% being shared between almost insignificant numbers of workers (12,800) and students (10,500). It is during this period that the Turkish Employment Office found a temporary outlet for labour migrants in Arab countries, where 208,274 Turkish immigrants have been recorded from 1990-95 (İçduygu and Sirkeci 1998; İçduygu 1996).

Irregular migrants are not taken into account into the above figures, since no reliable estimate of their numbers have been produced. One can simply assume that they are in significant numbers: according to a NIDI-Eurostat survey of 1999, 22% of Turkish immigrants in Europe say they have tried to enter undocumented (12%) or to overstay their visa or resident permit (10%) (EUROSTAT 2000).

How big could be the Turkish potential for emigration? A tentative estimate has been produced by the NIDI-Eurostat survey. The proportion of adults declaring that they have the intention to emigrate has been found to be as high as 27% in Turkey: varying from 26% among persons who had never been migrants to 38% among return migrants from Europe. Enlarged to the national population of Turkey, such a proportion leads to an enormous figure of around 10 million potential emigrants (even though very few of the interviewed persons declared that they had already applied for an entry visa in the EU: 14%). According to this survey, rising tides of

would-be migrants are ready to leave. For 64% of those would-be migrants, Germany is the preferred destination (EUROSTAT 2000).

However, one has to interpret cautiously such a result. The survey has been made in areas of Turkey selected for their high rate of emigration, and it happens that people living in such areas are not representative of those living in other areas, for the former have a much stronger exposure to migration than the latter, whether they have themselves a personal experience of it or not. If there are 'many international migrants out of few places, and few international migrants out of most places' (Faist, 2000), it is precisely because migrating is a matter of social capital and transnational networks. For those who are not linked with such networks (and are thus predominantly found in regions of Turkey not covered by the NIDI-Eurostat survey) migration simply is not a realistic option.

II. Migration as a Bone of Contention on the Euro-Mediterranean Scene

Migration was soon perceived as a losing game by both parties. In Europe, first. As it happened with other migration flows initiated during the years of industrial boom in Western Europe, Turkish migration began as a guest workers' movement in response to bilateral agreements (the first with Germany in 1961), but it later continued under various unwanted forms after the boom had given way to a protracted economic crisis in industrial countries. Starting from 1974, France, Germany and soon other European countries denounced the bilateral agreements regulating labour migration.

The end of legal admission of migrant workers into Europe produced two unwanted consequences. The first was that sojourners became settlers. Because workers could no longer travel back and forth and only family reunification remained a recognised motive for migration, the two-way mobility of men which had been prevailing beforehand was replaced by a one way immigration of women and children. A decade or two later, when immigrant girls and those of the second generation reached the age of marriage, men became brought in by family reunification.

The second unwanted consequence was that irregular migration gained momentum. Workers continued to enter the EU, but they had to circumvent the law: whether by entering irregularly or by overstaying a regular visa of entry. At the same time, the number of asylum seekers increased, both for political reasons linked with the military coup of 1980 or the activity of Kurdish movements, and for disguised economic reasons.

On the Turkish side, migration also produced disenchantment. The government had initially favoured emigration with great expectations: it would relax the

pressure on the Turkish labour market and bring financial resources to development. By fastening development, migration would therefore become a means for reducing migratory pressures: at the end it would have been a self depleting process. Not only this optimistic scenario did not happen, but migration produced a feeling of discomfort among many Turkish expatriates, subjected to discrimination and by places to xenophobia in the EU.

The emergence of Turkey as a new country of immigration added another cause of discontent at the EU-Turkey negotiating table. The collapse of the Soviet Union on one side, and the rise of insecurity and conflicts across Central Asia on the other, made Turkey an attractive place for hundreds of thousands in search of a work or a shelter. No accurate figure exists on foreigners currently present in Turkey, whose number was roughly estimated at 1.5 million persons in 2000, including refugees. Official figures are only available on regular work permits, which amounted to more than 200.000 issued in 2001: 1/3 from Bulgaria, the rest from Azerbaijan, Greece, Russia and Moldova.

Of course, official numbers do not include irregular migrants, whether they are destined to stay in Turkey, or temporarily stuck in the country waiting for crossing the EU border. The geographic diversity of irregular migrants apprehended in Turkey shows that the country has become a hub far beyond its borders: out of 322,438 cases apprehended in 1995-2001, one third only come from bordering countries (77,643 from Iraq, 22,704 from Iran, 19,409 from Moldova) and the rest from more remote countries (22,158 from Afghanistan, 11,336 from Bangladesh, 16,543 from Pakistan, etc.), including countries that have their own direct border with the EU, such as Morocco (7,033) or Yugoslavia (6,340) (İçduygu and Toktas 2002; İçduygu 2003).

A majority of irregular migrants found in Turkey are trying to reach the EU. They are transiting through Turkey because it is a country to which they cannot be sent back if they are caught after their arrival in Europe, since Turkey has no readmission agreement with the EU. Turkey, as the other partners of the EU in the Barcelona Process, is thus invited to keep the gate of Europe. But contrary to other Med partners, Turkey is also a candidate for EU membership. As such, it is required to improve its observance of human rights. Barring the way to huge numbers of undocumented migrants while respecting human rights is a delicate requirement that even several countries of the EU find difficult to comply with.

III. The Demographic Window of Opportunity and Migration

Economic differentials between the EU and Turkey and transnational networks established by former migrants make the continuation of migration a likely scenario for the coming years. However, due to demographic changes in Turkey, migration

is unlikely to continue the same way it has occurred until now. A radical change of the profile of would-be migrants is to be expected.

Turkey is indeed amidst a process of dramatic demographic change due to the fall of birth rates. With a total fertility rate (TFR) of 2.4 children per woman in 2000-2005, young Turkish generations can expect to have less than half of the fertility of their mothers (TFR was 5.2 in 1970-75). A drop of the birth rates translates into a relaxed demand for labour, but only 20 to 25 years later. According to demographic perspectives, the decade 2000-2010 witnesses the arrival at working age of the largest generations ever born in Turkey, but the maximum is almost reached and absolute numbers at 20-30 years will begin to decline as soon as 2010. The demographic competition for employment remains fierce, but it is the conditions in which this competition takes place that are radically changing.

Due to demography, there is a far-reaching difference between the situation of young people entering the labour market today and that of their elders. The new generation bears an exceptionally light demographic burden, by comparison with past as well as with future generations (see Table 6). It has, and will have, only few children thanks to its own low fertility rate, but many brothers and sisters to share the burden of old persons, thanks to the high fertility rate of the previous generation. This is an unprecedented gift that will last for just one generation.

Such a situation could have two opposite impacts on migration. It could first open a demographic window of opportunity. Young people are entering active life knowing that the future benefits of their work are not mortgaged in advance to support the preceding generation, and this is favourable to savings and investment. In addition, they can now expect that the latter will be economic rather than demographic investments, that they will help improve the quality of life rather than meet, as until recent past, the demand effect of population explosion. From this perspective, demographic changes would soon reduce the desire to emigrate among the youth.

If this theoretical asset is to be transformed into tangible benefits, these young people need obviously to have the possibility to save, that is to work and earn a sufficient income. If they are not offered such a possibility, then demographic changes might well produce the opposite result and eventually increase the availability of young people for emigration. Indeed, one facet of the new contract of the generations entailed by a dramatic decline of the birth rates is that many of the family constraints of earlier times are lifted, which means greater personal freedom of movement. From this second perspective, demographic changes are liable to increase the potential migration.

The only certainty is that the demographic profile of young Turkish generations has completely changed. Those of the recent past were burdened with large families

while those of today are almost free of family constraints. They have an availability for risk, which an employment policy can tap as well as a migration policy.

IV. Playing Complementary Demographic Endowments

The EU and Turkey have contrasted demographic conditions. Schematically, the former suffers rapid ageing and the latter excessive youth. Prospects would be depopulation on one side, and too rapid growth on the other (see Table 7 and Table 8). The question asked is whether migration can bring a balance and offer a way to take advantage of demographic differentials for a mutual benefit.

Could migration bring a solution to ageing in Europe? Three years ago, the UN Population Division released a study entitled *Replacement Migration: is it a solution to declining and ageing populations?* Using population projections it answered the question ‘what level of migration from less developed countries would be required to compensate for negative demographic trends in more developed countries?’ One scenario was to maintain the potential support ratio [15-64/65+] over the period 2000-2050, that is to stop the process of ageing. The results are impressive : to reach this goal, 674 million immigrants would be needed in the EU (15 countries). In other words, 14 million per year would be the volume of net migration that the EU should consider from now on so as to neutralise the effects of its demographic ageing on the balance between the working-age and the retired-age population.

The result is nonsense. Why? Simply because demographic ageing—that is the extraordinary lengthening of the average duration of life—is universal. The immigrants called to maintain the active/inactive ratio are themselves subject to the same ageing process as the native populations: the greater their number, the greater the number of immigrants needed to compensate for the ageing of the preceding generation of immigrants. Migration could not offset ageing in Europe. Calling immigrants is not a panacea for the pitfalls of current pension systems in Europe, which require that the contract of the generations and the economic life cycle of individuals be redesigned.

On the contrary, a policy primarily aimed at offsetting ageing through migration would rapidly introduce social problems. Schematically, immigrants have a younger age pyramid than natives, but the two are linked by the same system of inter-generational solidarity. The result is an asymmetrical pattern of social transfers. The native working population contributes over-proportionally to the cost of educating the children of immigrants, while the immigrant working population contributes over-proportionally to the cost of retirement and health care of the native population. As inter-generational transfers are thus resulting in inter-ethnic transfers, there would risk emerging a stratified society in which tensions stemming from the contract of generations in an ageing population would fuel ethnic tensions.

The process of population reproduction, in which intermarriages blur ethnic origins as from the second generation, could avert such tensions over the long term. In the short term, it would be up to policy makers to do this.

If migration cannot sustainably curb ageing itself, could it help to solve ageing related problems on European labour markets? Ageing is not only the long term and universal lengthening of human life which migration cannot compensate for. It is also the delayed impact that a sudden rise of the birth rates after World War II and their subsequent fall below replacement levels have produced on labour markets, a temporary situation which is specific to Europe. To some of the problems created by this second sort of ageing, migration can bring a solution. Starting from 2006, the post-World War II baby-boom generations will be getting into retirement. In a very short period, some professions are going to be deserted, resulting in a sudden rise of the demand for labour in specific sectors where there is a shortage of European supply. Opportunities should be open for international labour mobility. Current policies—particularly in the frame of the Euro-Mediterranean partnership—are primarily aimed at preventing illegal migration. Instead, managing legal channels for migration should rapidly become a priority, notably on the EU-Turkey agenda.

V. Conclusion

Most politicians distrust migration. They favour a protectionist approach of people's movement and affirm their unequivocal hostility to wide open borders. Governments put more obstacles than channels to the circulation of persons, that is of labour. Yet economic and demographic forces clearly play in the opposite direction. International differentials in welfare create strong motivations for migration and well established transnational networks of former migrants make it easier for new migrants to move, while complementary endowments in capital and labour make south to north migration a potential source of benefits for all parts. What is more, future needs and opportunities are possible to forecast, since age pyramids of today largely bear the raw figures of the demand and supply of labour for the 20 to 25 coming years. Confronted with imminent as well as foreseeable imbalances on labour markets, European governments will soon change their position regarding migration. Even though migration has become a global affair in which distance matters less than in the past, Turkey keeps the most strategic position for responding to any call for migrant workers at its border. Not only Turks form already the first expatriate community in Europe, but their number is most probably destined to increase in years to come. While the full admission of Turkey in the European Union is still debated, migration is the most tangible dimension of a *de facto* integration.

Table 1

Turks and Other Foreigners Residing in Countries of the EU-2000

Country of Residence	Year	Turks	Other MED Countries*	EU Countries	Total Foreigners
Austria	2001	127,226		106,173	710,926
Belgium	1999	70,701	140,402	564,134	891,980
Denmark	2001	35,232	8,676	54,310	258,629
Finland	2001	1,784	1,407	16,656	91,074
France	1999	208,049	1,159,560	1,195,498	3,263,186
Germany	2000	2,053,564	226,381	1,858,672	7,343,591
Greece	1998	3,210	14,028	44,108	165,444
Ireland	2000			92,200	126,500
Italy	2000	5,810	280,240	141,441	1,270,553
Luxembourg	2001			143,350	164,700
Netherlands	2000	100,688	125,836	195,886	651,532
Portugal	2000	89	859	52,429	190,896
Spain	2001	491	217,807	306,203	895,720
Sweden	2001	15,846	13,036	176,390	477,312
UK	2000	43,000	37,000	855,000	2,450,000
Total, EU 15		2,665,690	2,225,232	5,802,450	18,952,043

Sources: National statistics of countries of residence.

*Non-European countries of the Barcelona Process: Morocco, Algeria, Tunisia, Egypt, Israel, Lebanon, Palestine, Jordan, Syria.

Table 2

Turkish residents in the EU, 1991 and 2000

Country of Residence	1991	2000	Difference
Austria	118579	127226	8647
Belgium	84935	70701	-14234
Denmark	29680	35232	5552
Finland	310	1784	1474
France	197700	258817	61117
Germany	1612623	2053564	440941
Greece	11088	3210	-7878
Ireland	n.a.	n.a.	n.a.
Italy	2428	5810	3382
Luxemburg	n.a.	n.a.	n.a.
Netherlands	203519	100688	-102831
Portugal	35	89	54
Spain	158	491	333
Sweden	25475	15846	-9629
United Kingdom	19000	43000	24000
Total, EU 15	2305530	2716458	410928

Sources: National statistics of countries of residence.

Table 3
Acquisition of citizenship by Turks in selected countries of the EU, 1991-2000

Country	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Austria	1809	1994	2688	3379	3209	7499	5068	5683	10350	6732
Belgium	879	3886	3305	6273	6572	6609	6884	6177	4402	17282
Denmark	376	502	560	915	797	917	1036	1243	3154	2787
France	1124	1296	1515	3197	2143	3447	3977	4530	6018	7209
Germany	3259	7377	12915	19590	31578	46294	40396	56994	31694	82861
Netherlands	6110	11520	18000	23870	33060	30700	21190	13480	5210	4708
Sweden	1358	1569	4201	2742	2836	2030	1402	1694	1833	1398
Total	14915	28144	43184	59966	80195	97496	79953	89801	62661	122977

Source: National statistics of countries of residence.

Table 4
Annual inflows of Turkish citizens in selected countries of the EU, 1991-2000

Country	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Austria								5.9	7.2	7.4
Belgium	2.9	2.7	2.5	3.6	2.5	2.5	1.4	2.2	2.2	2.8
Denmark	1.8	1.1	0.7	0.6	0.8	1.2	1.0	1.2	1.1	1.1
Finland		0.3	0.2	0.1	0.1	0.1	0.2	0.1	0.1	0.1
France	9.2	9.2	6.8	4.7	3.6	3.4	5.1	6.8	5.7	6.6
Germany	81.9	80.6	67.8	63.9	73.6	73.2	56.0	48.0	47.1	51.5
Greece							0.8			
Netherlands	12.4	9.1	7.8	4.3	4.8	6.4	6.5	5.1	4.2	4.5
Sweden	1.5	1.1	0.8	1.1	1.1	1.1	0.8	0.8	0.8	0.7
U.K.									1.9	2.1
Total	109.7	104.1	86.6	78.3	86.5	87.9	71.0	70.9	70.3	76.8

Sources: National statistics of countries of residence.

Table 5
Annual outflows of Turkish citizens in selected countries of the EU, 1991-2000

Country	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Austria								3.8	3.7	3.9
Belgium	0.7	0.6	0.6	0.8	0.6	0.5	0.5	0.6	0.6	0.4
Denmark	0.2	0.2	0.2	0.2	0.2	0.1	0.2	0.2	0.2	0.3
Germany	36.1	40.3	45.5	4.64	43.2	43.5	46.0	45.1	40.9	41.8
Netherlands	1.7	1.8	1.7	1.6	1.6	1.5	1.1	0.9	0.7	0.6
U.K.									1.9	1.9
Total	38.7	42.9	48.0	49.0	45.6	45.6	47.8	50.6	48.0	49.0

Sources: National statistics of countries of residence.

Table 6

Demographic competition and demographic burden among the new generations in Turkey and in the EU

Generation born year t	Arrival on the labour market	Intra- generational competition (1)	Demographic burden	
			Old age (2)	Children (3)
Turkey				
1980	2000	3.64	0.47	2.02
1985	2005	3.41	0.51	1.96
1990	2010	2.48	0.71	1.91
1995	2015	2.25	0.80	1.87
European Union				
1980	2000	1.69	1.15	1.57
1985	2005	1.57	1.24	1.62
1990	2010	1.50	1.30	1.69
1995	2015	1.44	1.35	1.73

Source: Author's calculation from population data and perspectives given by Youssef Courbage (2001) *New demographic scenarios in the Mediterranean region*, Paris: Editions de l'Institut national d'études démographiques.

(1) TFR x probability of survival at 25.

(2) Number of surviving mothers and fathers / population aged 25.

(3) Projected TFR year t+30.

Table 7

Population numbers in 2000 and 2025

Age group	EU25	Turkey	Total	% Turkey / Total
2002				
0-20	105682	28561	134243	21.3%
20-65	275064	35984	311048	11.6%
65 +	71329	3736	75065	5.0%
Total	452075	68281	520356	13.1%
2025				
0-20	87694	25779	113473	22.7%
20-65	265381	55161	320542	17.2%
65 +	101342	8056	109398	7.4%
Total	454417	88996	543413	16.4%

Source: Same as Table 6.

Table 8

Age structure of the population in 2000 and 2025

Age group	EU25	Turkey	Total
2000			
0-20	23.4%	41.8%	25.8%
20-65	60.8%	52.7%	59.8%
65 +	15.8%	5.5%	14.4%
Total	100.0%	100.0%	100.0%
2025			
0-20	19.3%	29.0%	20.9%
20-65	58.4%	62.0%	59.0%
65 +	22.3%	9.1%	20.1%
Total	100.0%	100.0%	100.0%

Source: Same as Table 6.

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**Asylum, Immigration and National Identity:
Challenges to Turkish Harmonization of
Policy and Practice with that of the EU**

Kemal Kirişci

I. Introduction

A hotly contested issue as the date, December 2004, when the European Union will decide whether to start negotiations for accession with Turkey, is prospects of Turkish immigration to the EU. Today, it is estimated that there are approximately 3,6 million Turkish nationals living abroad, of which about 3,2 million are in European countries, a substantial increase from 600,000 in 1972 (İçduygu, 2002: 12). Turkey's population is approximately 70 million. Many in Europe believe that large numbers of Turkish immigrants have failed to integrate into their host communities. This is seen as a factor that has exacerbated anti-immigrant feelings in a number of EU member countries and fuels concerns about further immigration. At the same time, there are also those who recognize that many Turkish nationals have actually integrated well and even joined the ranks of elected politicians at the level of local and national government as well as to the European Parliament. Turkish immigrants are also seen to be contributing to employment creation, as many run their own businesses. Nevertheless, one major concern that many in the EU have is that, if Turkey were to become a member, large numbers of Turks would immigrate to the EU. They fear this could exacerbate anti-immigrant and xenophobic feelings in Europe. Yet, there are also those who argue that as the Turkish economy expands with EU membership, the pressure to immigrate would diminish and that, as had been the case with a number of previous member states and current accession states, there would be a long transition period during which the right to free movement for Turkish nationals within the EU would be curtailed.

There are even those who argue that, just as was the case with Greece, Portugal and Spain, there could even be a reverse migration trend whereby some Turkish immigrants might choose to return to Turkey. In any case the issue whether Turks will or will not immigrate to EU countries remains a contested issue that deserves a study in its own right. The purpose of this paper, meanwhile, is to focus on an issue that deserves as much attention as Turkish immigration to the EU, which is immigration into Turkey and whether Turkish immigration policies and practices actually square up to an emerging EU 'common' asylum and immigration policy.

During the course of the last few years, Turkey has taken on to itself to adopt a series of reforms mandated by the EU. The most widely known are the ones that fall under the Copenhagen Criteria and require the adoption and implementation of legislation to improve the rights of minorities, human rights in general and the freedom of expression and association. However, the EU is also demanding other reforms including in the area of justice and home affairs that covers issues of asylum and immigration. The adoption and implementation of these reforms inevitably will result in a significant revision of how the Turkish state defines Turkish national identity. The traditional conception of Turkish national identity that emphasized the notion of a homogenous nation has long been challenged politically and socially. However, these reforms and the sheer weight of reality in Turkey is leading to a gradual reconsideration of this national identity to permit public space for a more multi-cultural and civic conception of the Turkish nation. A case in point is the adoption of reforms that allows for education and broadcasting in minority languages in Turkey. Once in Turkey the public use of such languages and in particular Kurdish had been banned. The ban was lifted in April 1991. However, it was only after a long decade marked with violence over the Kurdish problem and followed by long years of acrimonious relations between the EU and Turkey, that Turkey set out on the paths of these significant reforms. These reforms have brought the Turkish state closer to recognizing and adjusting itself to the cultural and ethnic diversity of Turkey. An area where the traditional conception of Turkish national identity continues to dominate existing legislation and practice is asylum and immigration. However, even if falling short of EU standards, this too is just beginning to change and this change deserves greater attention.

The purpose of this paper is fourfold. Firstly, a brief survey of 'immigration' into Turkey is offered with a particular attention to the manner in which 'old' patterns of immigration has been replaced by a 'new' one. Secondly, and briefly, the definition of national identity in Turkey and how this manifests itself in existing legislation and policy practice in respect to immigration and asylum will be introduced. Thirdly, the broad outlines of an emerging 'European' common immigration policy will be offered and contrasted with current and evolving Turkish immigration policy. Lastly, in conclusion the need for a debate on the

relationship between 'immigration' into Turkey and Turkish national identity in the light of Turkey's EU membership aspiration will be highlighted.

II. From 'Old' to 'New' Patterns of Immigration into Turkey

In the empirical sense of the word, the Turkish Republic from the very first day of its establishment in 1923, has always been a country of immigration. However, both in academic literature as well as public opinion, Turkey has long been known as a country of emigration. Until recently, academic literature overwhelmingly focused on Turkish labour emigration to west European countries in general and West Germany/Germany in particular. Literature on immigration into Turkey has been much more limited. An important part of this literature centred on immigration during the Ottoman period (İpek, 1994; Karpas 1985; Loizos, 1999; McCharty 1998; Saydam, 1997; Şimşir 1989; Shaw, 1991). There were some exceptions in respect to the republican period. These were the works of Benzanis (1994), Eren (1966), Geray (1962), Svanberg (1989). However, in the 1990s this situation began to change. Undoubtedly the momentous events unfolding with the end of the Cold War and the collapse of the Soviet Union played a role in this. Interest in immigration into Turkey particularly from Balkan countries grew. The massive influx of refugees into Turkey from Bulgaria and northern Iraq in 1988, 1989 and 1991, also precipitated an interest in studying asylum in Turkey (Kirişçi, 1991 and 1993; Kaynak *et al.* 1992; Tekeli, 1990). Interest in the population exchange between Greece and Turkey during the 1920s also increased (Ari, 2000). The phenomena of illegal migration and labour immigration into Turkey are also two other growing areas of research (Erder 2000; İçduygu 1996 and 2003; İçduygu and Keyman, 2000). The 1990s and particularly the early 2000s also became a period during which interest in the long-ignored topic of emigration of minority groups and Turkish asylum seekers expanded (Aktar, 2001; Bali 2001 and 2003; Böcker 1996).

In the case of immigration into Turkey it is possible to talk of a major difference between traditional or 'old' immigration and more recent immigration. Traditional immigration was typically composed of immigration from primarily Balkan countries and was governed by legislation and practices that very much reflected in the nation-state building concerns of the 'founding fathers' of the Turkish republic. Exclusive priority was given to encouraging and accepting immigrants that were either Muslim Turkish speakers to start with or were considered by the officials to be people belonging to ethnic groups that would easily melt into a Turkish identity (Kirişçi 2000 and Çağaptay, 2002). Traditional immigration also included refugee movements into Turkey. Turkish refugee policy was heavily shaped by the existing legislation and policies on nation building in general and immigration in particular. Hence, Turkey a drafter and signatory of the 1952 Geneva Convention Relating to the Status of Refugees accepted it with a 'geographical limitation' and implemented the Convention in a manner that encouraged the resettlement of

recognized refugees to third countries rather than their integration in Turkey (Kirişci, 1991). The overwhelming majority of these refugees came from the Soviet Bloc during the Cold War. Turkey also experienced mass influxes of refugees in 1952, 1988, 1989 and 1991. The influxes in 1952 and 1989 involved Turks and Pomaks from Bulgaria. They were basically permitted to stay and settle in Turkey. In contrast the 1988 and 1991 ones involved primarily Kurdish refugees and these refugees were mostly repatriated while a small number was resettled out of Turkey (Kirişci, 1993). In the case of the estimated 20-25,000 Bosnian Muslim refugees that came to Turkey between 1992 and 1995 a large number eventually returned home while some were permitted to stay on.

More recent or 'new' immigration into Turkey is product of roughly the last two decades and over the last few years has become much more conspicuous. It has become complex because only a very tiny portion of it involves immigrants of the traditional kind. Legal immigration from the Balkans, for example, has dropped to a trickle. If anything there is an interesting trend in which a growing number of refugees and immigrants from Bulgaria are returning to seek their Bulgarian citizenship. The democratization and liberalization that Bulgaria has gone through has helped to improve the status of the Turkish minority in the country. This is attracting immigrants and refugees back to Bulgaria. Bulgaria's pending accession to the European Union constitutes an additional motivation for this trend. Furthermore, there are also a small number of former refugees from Western Thrace that are seeking to reacquire their Greek citizenship as Greek-Turkish relations improve. Against this background there are also an increasing number of irregular immigrants such as Albanians, Bosnians, Chechens, Pomaks, Azeris, Turkmen, and other Turkic people that in the past could have enjoyed immigrant status. Nowadays, these people are often not granted official immigrant status but are allowed to stay in the country in a grey twilight zone between legality and illegality. Particularly, in the case of those coming from Balkan countries they are encouraged to return and not seek Turkish citizenship.

There is also another group of immigrants who benefit from a relatively liberal visa policy implemented for the nationals of Armenia, Georgia, Romania, Ukraine, the Russian Federation and Iran. These are people that enter the country legally but engage themselves in economically lucrative activities ranging from petty trade to household work and prostitution and often overstay the duration of their visa. Furthermore, there are also immigrants that enter the country illegally. Some of these illegal migrants seek employment and stay in the country while an important proportion of them try to transit the country in an attempt to reach western European countries. It is very difficult to estimate the numbers of illegal immigrants in Turkey. However, figures ranging from one million to 150,000 are often cited (İçduygu, 2003). To these groups one must also add trafficked persons, particularly women. These are persons that have either been coerced or deceived into travelling to Turkey for prostitution purposes and

remain in Turkey against their wish. Furthermore, there are also an increasing number of European Union member state nationals and spouses engaged in professional activities settling in Turkey particularly in Istanbul as well as retirees in some of the Mediterranean resorts. This too constitutes a relatively new phenomenon in terms of immigration into Turkey and their numbers are estimated to be around 100,000 to 120,000 (Kaiser, 2003).

Lastly, there are the asylum seekers and refugees increasingly coming from countries of Asia and the Middle East. This pattern began to emerge in the early 1980s. The regime change in Iran and instability in the Middle East as well as Africa and Southeast Asia led to an increase in the number of asylum seekers in Turkey. For along time the government allowed the UNHCR considerable leeway as long as these asylum seekers would be recognized and resettled out of Turkey. However, the growth in the number of illegal entries into Turkey and in the number of rejected asylum seekers stranded in Turkey led the government to tighten its policy (Kirisçi, 1996). This led to an increase in the number of deportations and attracted criticism from refugee advocacy and human rights circles. Subsequently, the UNHCR succeeded in developing in close cooperation with Turkey a new system of asylum that today handles approximately 4,000 to 4,500 asylum applications a year. Refugees continue to be resettled out of Turkey. However, as part and parcel of Turkey's ambitions to accede to the European Union the government is expected to put into place a new asylum policy that would have to open the possibility of at least some recognized refugees to stay on in Turkey and even become integrated (Kirişçi, 2002).

III. Turkish National Identity and Current Immigration Policy

The founding fathers of the Turkish republic had envisaged a typically civic definition of citizenship and national identity. This was reflected in a conspicuous manner in the 1924 Constitution of Turkey. According to Article 88 of this constitution, all citizens of Turkey irrespective of their religious or ethnic affiliations were defined as 'Turks'. However, the practice especially from the late 1920s onwards developed very differently (Aktar 2001; Bozdoğan and Kasaba 1997; Oran 1990; Parla 1992; Poulton 1997). Concerns about the territorial and political unity of the country in the face of Kurdish rebellions and Islamic fundamentalist uprisings against secularism played an important role in deviating from this civic understanding of national identity to one emphasizing homogeneity and 'Turkishness'. The identifying features of 'Turkishness' was not solely Turkish ethnicity but the ability and willingness to adopt the Turkish language and to be members of Muslim Sunni ethnic groups closely associated with past Ottoman rule. Hence, Bosnians, Circassians, Pomaks, Tatars *etc.* were very much included into this definition while Gagauz Turks, who are Christian, and members of other

Christian minorities, Alevis and unassimilated Kurds were excluded. Initially, Albanians were also excluded on the grounds that they had too strong sense of nationhood. However, subsequently many did immigrate to Turkey and assimilated into 'Turkishness'. Furthermore, the international context of the time which put heavy emphasis practically all across Europe on national homogeneity and unity did influence the Turkish elite too.

Such a definition of national identity was deeply reflected in Turkey's immigration, settlement as well as for example employment legislation. The major piece of legislation governing immigration into Turkey is Law 2510 of 1934. This Law constituted the legal basis of a massive social engineering project aiming to sustain the construction of a homogenous Turkish national identity. In the words of one deputy, the law aimed at creating 'a country which would speak one single language, think and feel alike' (*TBMM Zabıt Ceridesi*, 1934, 141). The drafters of the law put it even more bluntly. They argued that with this law they hoped that 'the Turkish state would not any more have to suspect the Turkishness of any Turk (Turkish citizen)' (*TBMM*, 1934, p.8). In a most conspicuous manner the Law limits the right to immigrate to Turkey only to people of 'Turkish descent and culture'. Similarly, the current laws (Turkish Passport Law of 1950 No. 5682 and Law on the Residence and Travel of Foreigners of 1950 No. 5683) governing residence in Turkey is biased against foreigners who are not of 'Turkish descent and culture'. Until the adoption of the new Law on Work Permits for Foreigners (No. 4817) in February 2003 there was an infamous law (Law 2007 of 1932) which reserved certain jobs and professions only to Turkish citizens. The practice that developed in the 1930s and 1940s was one that would deny some of these professions to Turkish citizens belonging to non-Muslim minorities not to mention public sector professions such as employment with the security forces and the judiciary (Aktar, 2001). This practice of giving priority and privileges to people considered to be of 'Turkish' ethnicity survived well into recent times. As late as in 1981 the then military government introduced a law (No. 2527) enabling foreigners of Turkish descent facilitated access to employment in Turkey including in the public sector usually reserved to Turkish citizens.

In a similar manner the state's preferred national identity definition is also reflected with respect to asylum. According to Law 2510 only asylum seekers of 'Turkish descent and culture' can acquire a refugee status with the ultimate possibility of settling in Turkey. This is also reflected in the manner in which Turkey has adhered to the central international legal instrument on refugees, the 1952 Geneva Convention. Turkey was among a group of countries who took an active role in the production of a definition of 'refugee' and is likely to have been among those countries who pushed for the introduction of a geographical and time limitation to the Convention as expressed in Article 1.B(1)(a) (Jackson, 1999: 68). Accordingly, Turkey accepted to be bound by the terms of the Convention for

refugees fleeing persecution only in Europe as a result of events prior to 1951. In 1967, when signing the 1967 Additional Protocol relating to the Status of Refugees, Turkey accepted to lift the time but chose to continue to maintain the geographical limitation. This 'geographical limitation' has been a central characteristic of Turkey's asylum policies. This in practice has meant that Turkey is under no legal obligation to grant refugee status to asylum seekers coming outside of Europe. Although, it did allow the UNHCR to receive asylum applications from such persons as long as these persons were resettled out of Turkey if recognized as refugees. In this way, a form of temporary asylum was granted. On the other hand, as mentioned earlier, refugees from European countries were not expected to remain in Turkey and integrate. Here too, national identity consideration has played an important role besides factors such as economic and social ones. Only a very small number of refugees fleeing events in Europe were allowed to stay on in Turkey, and often this was as a result of marriages with Turkish nationals.

These immigration and asylum related policies of Turkey are under pressure for reform. Turkey's aspiration to become a member of the EU is one important factor behind this change. In December 1999, at the Helsinki European Council, a major turning point was achieved when the EU extended applicant status to Turkey. Subsequently, the EU issued an *Accession Partnership* document detailing the legal harmonization necessary in Turkey prior to membership. Among the long list of measures, are those which fall within the domain of justice and home affairs of the EU. These include measures pertaining to immigration and asylum. In turn Turkey in March 2001 issued its initial *National Program* for the adoption of the EU *acquis*. Since then the Turkish parliament has introduced a series of reforms. Some of these reforms if properly implemented will bring about a major transformation in the Turkish state's approach to national identity. In this respect most important among these reforms has been the one that makes it possible to broadcast and receive education in mother tongue languages other than Turkish. This is a critical development in terms of graduating from an understanding of a national identity that emphasizes homogeneity to one that acknowledges Turkey's cultural and ethnic diversity. This is bringing Turkey much closer to coming to terms with the Kurdish problem (Kirişci and Winrow, 1997) and enabling the country to distance itself from the days when Kurds were defined as 'mountain Turks'.

Even if in a limited manner, some of these reforms have also touched upon immigration related issues. Legislation that opens the way for some improvements particularly in the area of employment and settlement procedures for foreign nationals, including asylum seekers, have been put into place. There has also been legislation that should improve combating the problem of trafficking in human beings. There is also a commitment to lift the 'geographical limitation' in respect to the implementation of the 1951 Geneva Convention. Furthermore, there is also a concerted effort between the EU, the UNHCR and the Turkish government to

improve Turkish asylum policy and prepare Turkey to develop a fully fledged status determination capacity. Most significantly, the parliament is currently considering a draft legislation to replace Law 2510 from 1934 that has played such a central role in shaping Turkish national identity but also asylum and immigration policies. The new reforms may well open the way to reform current Turkish policies from one that emphasizes a homogenous national identity and 'Turkish' ethnicity to one that is genuinely civic and rule based.

IV. Emerging 'European' Common Immigration Policy and its Impact on Turkish Practice

Issues concerning who can and can not enter the territory of a state remain jealously guarded even in the EU. Nevertheless, the effective implementation of free movement of people within a borderless EU has induced member countries to recognize the need to 'communitarize' immigration and asylum policies. The Amsterdam Treaty of 1997 commits EU members to adopt common policies in these areas by 2004. This commitment was reiterated at the Tampere meeting of EU governments in 1999. In this context, the Schengen agreement that entered into force in 1995 has become part of the EU *acquis* hence common law for thirteen of the fifteen member states. The Agreement ensures the implementation of a borderless Europe and adopts common visa policy for third country nationals. The European Commission has been authorized to issue a number of binding directives on for example reception centres for asylum seekers and illegal migrants, standards for family reunification and on the residence rights of third country nationals. Although the EU may still seem a long way from introducing a fully fledged 'common' immigration policy, the basic outlines and norms that would govern such a common policy seems to be pretty much clear.

The emerging common EU asylum policy would respect the 1951 Geneva Convention and will develop a common definition of a 'refugee'. The policy already defines common principles for the reception of asylum seekers and is working towards harmonizing status determination as well as the economic and social rights granted to asylum seekers. Current common policy also includes the Dublin Convention from 1990 which identifies the duty of status determination to be performed by the country of first asylum within the EU. This is however accompanied with an expectation that there will be burden sharing among member countries in respect to the cost of implementing this Convention and particularly in respect to the integration of recognized refugees. Common policy also requires that asylum seekers whose cases are rejected do have access to an effective appeal procedure. Many EU governments are also implementing the practice of 'safe country of origin'. This is a list of countries which are considered to be safe from persecution. Asylum applications from such countries are either considered to be

manifestly unfounded or such applications are put through an accelerated status determination procedure. Furthermore, some EU governments also implement the practice of 'safe country of first asylum' outside the EU geography. In this case asylum seekers are returned to such a country that the asylum seeker transited. There are also countries that have been implementing policies, hindering asylum seekers ability to reach these countries to seek asylum. Such practices include carrier sanctions, the practice of fining airlines that carry potential undocumented passengers or passengers without proper visas to enter the country. These are controversial practices that attract criticisms of refugee advocacy groups and appear to be short of constituting a basis for an emerging 'common' policy that is currently being developed by the European Commission.

No European Union country considers itself an immigration country like Australia, Canada or the United States. Yet, in practice large numbers of immigrants enter and live in the EU. Each member country has its own specific immigration policies. The details of these policies vary from country to country significantly. Nevertheless, there is an effort to develop a common EU policy. The 'common' immigration policy is still along way from being adopted. However, a number of common basic principles are emerging. One of them is the right for an immigrant to acquire permanent residence status after fulfilling a predetermined reasonable number of years. This is in contrast to the practice putting the immigrant through the uncertainty about the future, not to mention the inconvenience of each year dealing with the bureaucracy of yearly renewals. Another emerging important right is the right to family reunification. Some progress has already been achieved with respect to adopting broad principles guiding family reunification. Another principle is the right for permanent residents to enjoy similar privileges to free movement, employment, social security and residence rights as EU nationals. Some progress has also been achieved in this respect. Some countries are also granting political rights to immigrants such as the right to participate in local elections and government. Most importantly there is a shared view within the EU for a 'common' immigration policy to be non-discriminatory. In other words, this is the need to have an immigration policy that does not discriminate in favor of one or another group on the basis of ethnicity, race or religion.

The last principle is particularly important because Germany's traditional immigration policy, in a manner very similar to the Turkish one, favored the immigration and integration of people of German descent and culture. West Germany after the end of Second World War and the onset of the Cold War had adopted legislation encouraging the immigration of Germans from East Germany and the Soviet Bloc, particularly Rumania and the Soviet Union. These people were known as the *Aussiedler*, descendents of German settlers. In contrast to the *Aussiedler*, the millions of *guest workers* that came and settled in West Germany were never really seen as immigrants. Hence little effort was put into their

integration. The absence of integration had dire consequences socially and politically by engendering resentment among especially immigrants who failed to integrate and sections of German society (Chapin, 1997 and Martin, 1998). It is only after the arrival in 1999 of the Social Democrat government of Gerhard Schröder that the German government became more willing to recognize the existing reality and redress the bias in favour of German descendents in current legislation and immigration policies. The new legislation makes it more difficult for the *Aussiedler* to immigrate to Germany and introduces measures facilitating the integration of current immigrants by making the acquisition of German citizenship easier than in the past. The new legislation clearly has, among other reasons, been influenced by the norms that the EU wishes to base the development of its 'common' immigration policy. However, in January 2003 the German Supreme Court struck out the new law on a technicality. Currently, it is awaiting to be reintroduced.

There are many who argue that European immigration and asylum policies are increasingly aiming to keep asylum seekers and immigrants out of Europe. They argue that Europe is trying to create a 'fortress Europe' (Geddes, 2000). The rise of right wing anti-immigrant movements has played an important role in this. Yet, on the other hand, it is also possible to argue that the EU is moving towards a policy that is based on the rule of law, equality, multi-culturalism and civic norms rather than ethnically driven considerations. Furthermore, increasing priority is given to opening the way for immigrants to participate in politics and enjoy the right to vote and be elected to office at least at the local level of government. Even if this 'common' policy is still far from having been adopted and considerable governmental resistance continues to exist against the ideas and policy recommendations developed by the European Commission the direction appears to be one that is away from a nationally based narrowly defined policy.

Turkish practice is still far from meeting the minimum standards that the EU is in the process of adopting in these areas. The Turkish asylum system has improved significantly over the last few years (Kirişci, 2001). Most importantly all administrative decisions concerning asylum decisions have been open to judicial review since 1997. These court rulings have been supportive of the rights of asylum seekers and have severely restricted the government's ability to carry out deportation orders in violation of the *non-refoulement* principle. This is the principle that prohibits governments to send back a recognized refugee or an asylum seeker back to his country of origin without hearing the case and concluding it. Although, in this respect Turkish practice is much closer to the European one, the most critical deviation remains the 'geographical limitation' to the application Convention. EU *acquis* requires every member to have in place the capacity to run their own status determination and also be able to integrate those asylum seekers that are recognized as refugees and remain in the country. All of the

candidate countries have had to go through these adjustments and develop the capacity to implement the 1951 Geneva Convention in full (Lavenex and Uçarer (eds.), 2002). Turkey is required to make these adjustments before membership. Such an adjustment would mean a major departure from a well established practice. The government, however, both in the *National Program for the Adoption of the Acquis* of 2001 as well as the updated one from July 2003 is committed to lifting the 'geographical limitation' as long as the right conditions are put into place. These include the development of an institutional capacity to manage and receive asylum seekers and run a status determination. In this regard there is also a draft asylum law that is pending in the parliament.

However, the unwritten issue in respect to the lifting of the 'geographical limitation' hinges on the credibility of the European Union in the eyes of Turkish officials. Their greatest nightmare scenario is one in which they would find themselves lifting the 'geographical limitation' without Turkey's membership being taken seriously by the EU. Many Turkish officials as well as a large proportion of the public opinion in Turkey do not trust the European Union and do not believe that the EU is serious about Turkey's membership. Therefore it is unlikely that Turkey will take any concrete steps to lift the 'geographical limitation' until they are convinced that the EU actually means business. Many officials would consider the opening accession negotiations or the fixing of a clear date as an important confidence building measure. This is one major reason why the draft law on asylum is still pending.

A second critical issue in this respect is burden sharing. Turkish officials are concerned that Turkey because of its geographical location risks becoming a buffer zone or a dumping ground for the EU's unwanted asylum seekers and refugees. Hence, in this case Turkey will expect reliable burden sharing measures to be put into place. One such measure will be based on the expectation that EU member countries continue to accept refugees for resettlement from Turkey. This will be particularly critical at a time when Turkish officials perceive a tendency in Europe in the direction of creating a 'fortress Europe'. In other words a Europe that tries to complicate if not deny access to asylum seekers to reach the EU. This creates a major credibility problem. Many Turkish officials fail to understand why they are expected to raise standards and introduce more generous policies when Europe itself is closing its doors.

The EU also expects Turkey to develop a capacity to house asylum seekers in reception centres. The practice so far in Turkey has been to assign asylum seekers, whose dossiers are being processed, to satellite cities. In these cities, asylum seekers and their families live by their own means rather than housed in a camp. Refugee advocacy groups consider this system to be more humane than one based on reception centres. The development of an administrative capacity to process application as well as to provide social services and humanitarian assistance will

also constitute a major financial challenge. The willingness and ability of the EU to extend financial assistance to Turkey will be a critical factor. The image of the EU in this regard is a very poor one as the EU has failed to meet many of its financial obligations towards Turkey. Hence, inadvertently the EU is also slowing down reform prospects in this area that would help to readjust Turkey's current asylum policies from one emphasizing national security and identity concerns with one stressing civic and international legal standards.

Traditionally, Turkish migrants have benefited extensively from family reunification programs in EU countries. Since legal labour migration to Europe stopped in the 1970s outside the asylum path this has been the only legal way for Turkish nationals to enter and settle in EU countries such as Germany. Immigration into Turkey through the family reunification has occurred through the existing immigration procedures based on the Law on Settlement restricting immigration to people of 'Turkish descent and culture'. Nevertheless, in the early 1990s in an attempt to prevent the immigration of Bulgarian Turks from Bulgaria the authorities were refusing to allow family reunification. At the time there were numerous heartbreaking stories of broken up families. Though this situation has drastically changed since then, Turkey currently does not have provisions for family reunification in relations to the 'new immigration' trends. This will be an area which will require the development of new legislation and new outlook to immigration. This would also require the introduction of completely new approach to who can immigrate to Turkey. In other words, Turkey would have to completely overhaul its 'Turkish' centred approach to one that might be more 'civic' driven. This would allow individuals and families wanting to establish themselves in Turkey and meet European type standards of immigration regulations to enjoy the opportunity to have their application processed.

An area where Turkish practice is considerably far from the emerging 'common' European policy is immigration. The Settlement Law of 1934 that discriminates in favour of immigrants of 'Turkish descent and culture' is still in force. Currently, there is new draft law to replace the existing one in the parliament. However, this draft while offering an improvement in other respects, continues to maintain its discriminatory nature and does not make it possible for people who are not of 'Turkish descent or culture' to immigrate to Turkey. Furthermore, Turkey does not have the practice of granting permanent residence. The notion of non-nationals enjoying political rights is not even an issue of debate in Turkey. Only recently, the possibility of acquiring a five-yearly residence permit was introduced for some foreign nationals working in Turkey. Previously, these permits needed to be renewed on a yearly or two-yearly basis. There has also been an improvement in respect to the procedures for obtaining work permits in Turkey with the adoption of new legislation early in 2003.

Illegal or irregular migration into and particularly through Turkey has increased significantly over the last few years. There are no statistics for their numbers. Turkey has come under tremendous pressure to tighten up control and sign readmission agreements with EU countries as well as countries of origin. As the EU tightens its regular immigration and asylum policies, third country nationals from third world countries have been increasingly resorting to illegal migration. A lucrative business in smuggling illegal migrants into Europe has sprung. This is one area where Turkey has introduced new measures including the introduction of articles to the Turkish Penal Code making human smuggling and trafficking serious crimes. This way Turkish legislation has been aligned to international standards determined by the UN Conventions of 2000 concerning trafficking and smuggling of humans. Increased control and cooperation with EU countries has already culminated in a drop in the number of illegal migrants apprehended in Turkey as well as in the numbers of ships captured carrying illegal migrants.

The number of irregular migrants apprehended in Turkey increased from 11,362 in 1995 to 94,514 in 2000 and since then has fallen to 82,825 in 2002. Officials recognize this as a sign that Turkey is becoming a much more difficult country to transit. In August 2002 the government introduced new articles to the Penal Code criminalizing human smuggling and trafficking. This has also had a deterring effect against irregular transit migration through Turkey besides stricter control at borders and ports. Turkey has been severely criticized by the *Victims of Trafficking and Violence Protection Act of 2000: Trafficking in Persons Reports* and put into a category of countries (Tier 3) that are threatened with sanctions for not doing enough to combat trafficking in humans. In these reports the focus has been more on trafficking rather than smuggling. These reports were expecting a more vigorous prosecution of traffickers and the extension of social assistance and protection to victims of traffickers who are often women and prostitutes. The Ministries of Foreign Affairs and Interior in cooperation with the Gendarmerie have put into place a program supported by non-governmental organizations as well as sections of the Turkish bureaucracy dealing with women rights a program to extend protection and social services to trafficked foreign women. The ability of the state bureaucracy to cooperate with civil society in an effort attend to the problems of foreign prostitutes is remarkable. These improvements were acknowledged by the US State Department that in September 2003 when it announced the decision to move Turkey out of the group of countries threatened by sanctions.

As a part of Turkey's harmonization of its laws with the EU, Turkey is expected to replace its current visa policy for third country nationals. Traditionally Turkey has followed a relatively liberal visa policy especially towards the nationals of neighbouring countries and nationals of the former Soviet Union. Turkish officials have argued that this visa policy allowed people of the region to engage in border and what is called 'suitcase' trading alleviating the pressure to migrate to Western

Europe for economic reasons. Nevertheless, pressure for controlling borders and movement of people into the EU has forced Turkish authorities to introduce preparations to adopt the Schengen visa policy. Once put into place this will put Turkey's policies in this area in harmony with that of the European Union. However, this will also complicate Turkey's links with countries with which it has traditional cultural and linguistic ties. Furthermore, it is also possible that such a visa policy may have the adverse effect of increasing illegal migration as well as an increase in asylum applications.

V. Conclusion

Traditional immigration into Turkey was closely related to the Turkish state's conception and understanding of Turkish national identity. The founders of the Turkish republic aspired to a civic definition of national identity. However, the practice evolved in the direction of a national identity that emphasized homogenous definition of 'Turkishness' emphasizing Turkish ethnicity, the Turkish language and Sunni Islam. This definition did not allow for the separate and public manifestation of Kurdish, non-Sunni Muslim and non-Turkish speaking identities. This was clearly reflected in Turkey's immigration and asylum policies. The laws and the practice with respect to who could immigrate to Turkey was one that excluded those identities that were deemed by the state unlikely to assimilate or melt into a homogenous Turkish identity. While large numbers of Albanians, Bosnians, Circassians, Pomaks, Tatars, Turks *etc.* mostly from the Balkans were encouraged to immigrate to Turkey, individuals belonging to non-Sunni Muslim minorities, ranging from Armenians and Assyrians to Greek and Jews as well as Kurds found themselves emigrating sometimes as guest workers to Germany and Europe and sometimes as asylum seekers and immigrants.

'New' immigration has a very different composition. Many individuals from neighbouring countries are entering Turkey increasingly for sometimes short term and sometimes for long term duration. Many are illegally present in Turkey. There are also large numbers of individuals from distant countries of the Third World transiting Turkey while some either get stranded in Turkey or choose to stay on in Turkey. Their presence too more often than not is illegal. Some of these individuals seek asylum in Turkey. Turkey grants them only temporary asylum until the UNHCR can resettle refugees to third countries while the rejected ones are either deported or join the ranks of illegal immigrants in Turkey. There are also a growing number of foreign nationals, many from EU member states, who are settling in Turkey for employment, retirement and other reasons. The rights of such immigrants are much more limited than what their counterparts enjoy in EU countries. The position of the Turkish state in respect to this new immigration is deeply marked by the state's conception of Turkish national identity.

Turkey's efforts to meet the Copenhagen Criteria and harmonize its legislation with the EU *acquis* are bringing about significant changes and a gradual improvement. This improvement is most conspicuous in the area of asylum. Compared to the mid-1990s when Turkey's asylum policies used to receive bitter criticism from refugee advocacy and human rights circles is today much closer to the standards set by the UNHCR. However, Turkey's implementation of the 1951 Geneva Convention remains constrained by the 'geographical limitation' with which it applies the Convention. The EU requires Turkey to lift this limitation and put into place an asylum system that is in alignment with the one in the EU. There have also been some improvements in respect to residence permits and access to work for foreign nationals in Turkey. Most significant is the manner in which the Turkish state has been able to put into place a program in cooperation with civil society to extend protection for trafficked women and prostitutes in Turkey. By contrast the new draft law due to replace the one from 1934, steeped in a spirit of homogenous Turkish nation-building, continues to restrict immigration into Turkey to people of 'Turkish descent and culture'. Such a practice will continue to run against the EU practice of basing immigration policies on civic norms and standards rather than on ethnic and cultural grounds. Furthermore, Turkey unlike EU countries does not grant to foreign nationals a permanent residence status nor does it allow any political rights, even if of a limited nature, comparable to the ones in many EU countries. Undoubtedly, the most significant improvement with respect to recent reforms being introduced is the possibility for the Turkish society to be able to express its rich cultural and ethnic diversity under the protection of law. This may well be the first manifestation that the Turkish state is increasingly willing to adopt a posture that is much more civic in its approach to national identity and more at ease with multi-culturalism. This in the longer term may well open the possibility to develop a more contemporary management of 'new immigration' that is compatible with an emerging 'common' EU asylum and immigration policy.

In the meantime, a much better understanding of 'new' migration in Turkey is necessary. More attention by academics needs to be focused on questions related to 'new' migration. What is the exact composition of this migration? What proportion of it is temporary or transitory, compared to those who would want to actually stay on and integrate into Turkish society? What measures would be needed to legalize 'new' immigration in Turkey? What would actually be the consequences of these new policies both in terms of Turkey and the EU? These are questions that await answers in Turkey. However, what is also important is to have a debate on how the challenge of 'new' immigration impacts on Turkish national identity? Will Turkey open its doors to individuals from ethnic and religious backgrounds that have not traditionally being considered 'Turkish'? How prepared is Turkish society for this, let alone politicians and officials? How is this related to Turkey's aspirations to

become a member of the European Union? From comparative perspective, what has been the experience of some of the other EU member countries? What transformations have their policies and national identity experienced over the years? What lessons are there for Turkey to learn from these experiences?

The answers to these questions will be heavily influenced by developments in the EU. Turkish public opinion will adversely be affected by a Europe that itself is closing its doors and taking an increasingly xenophobic attitude. Clearly, the manner in which the issue of Turkey's membership to the EU evolves will be critical too. A Turkey that becomes increasingly integrated with the EU is more likely to take a more liberal attitude towards 'new' immigration than a Turkey that is shunned. Such a Turkey is more likely to become nationalistic and more xenophobic. In such a situation, EU calls to revise Turkish immigration policy will be seen, at best, as examples typical of EU double standards and, at worst, an attempt on the part of the EU to continuously interfere with Turkey's domestic affairs and keep its membership at bay. Hence, there is also room for an improved understanding of the place of immigration in its broadest sense of the word in Turkish-EU relations. Will immigration issues become a basis for cooperation and further integration or an issue that will fuel mistrust and scepticism?

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PART FIVE

CHALLENGES AND OPPORTUNITIES IN FOREIGN POLICY



Turkey and the Middle East: Antecedents and Prospects

Ahmet O. Evin

‘In the late 20th century,’ wrote Dankwart Rustow, one of the most sophisticated scholars of Turkish politics, ‘Turkish and American interests in the Middle East converge and coincide more closely than ever. Turkey remains a crucial barrier to Soviet expansion. Historically and strategically, culturally and commercially, Turkey is the West’s bridge to a more peaceful Middle East.’¹ Dankwart Rustow’s forceful concluding paragraph of his 1987 book points to the two important factors that brought Turkey and the United States into close collaboration within the Western alliance: (i) containment of Soviet influence and, its corollary, (ii) strengthening NATO’s southeastern flank.

Turkey’s foreign policy priorities with respect to the Middle East, informed by a complex array of historical and cultural considerations, differed in many significant respects from those of its NATO allies, including the United States. Yet, it was Turkey’s overriding concern with the Soviet threat (a concern which also had long historical antecedents going back to two centuries of Russian imperial designs on Ottoman territory as well as to Russia’s attempts to gain control of the Orthodox Church and become the protector of the Greek subjects of the Ottoman Empire) that found its complement and support in Washington’s policy of containment. Their mutual preoccupation with the communist threat (McCarthyesque approach

1 Rustow, Dankwart A. (1987) *Turkey: America’s Forgotten Ally*, New York: Council on Foreign Relations, p. 126.

to stem the perceived tide of communist conspiracy became the cornerstone of the Turkish state's security policy) eclipsed the differences between the policy priorities of Turkey and those of the United States.

Arguably, it was the United States that had the greatest influence on Turkey's Middle Eastern policy after World War II. The United States, eager to control Soviet access to the Mediterranean, began showing strong signs of support to Turkey. The visit in 1949 to Istanbul of the US battleship Missouri, for example, was a clear signal to Moscow not to pursue its policy of pressuring Turkey to cede control of the Straits. In 1947, Turkey had signed an agreement on military aid and cooperation with the United States and had begun receiving aid under the Marshall Plan beginning in 1948. The same year, it was admitted as member of the Organization of European Economic Cooperation (predecessor of OECD), followed next year by its membership of the Council of Europe at its inception.²

Integration into key Western institutions was consonant not only with Turkey's own security interests but also with its European vocation. When the Korean War broke out in 1950, Turkey did not hesitate to send troops in support of the UN operations there. Turkey's cooperation with the United States in Korea marked the beginning of a special relationship between the two countries and Turkey, in return, was rewarded membership of NATO. Citing Turkish contribution to the Korean War, the United States had made a strong argument against British and French objections, to bring Turkey, along with Greece, into the Atlantic alliance. On February 18, 1952, Turkey came under the Western world's security umbrella.

Turkey was concerned not only with direct Soviet threat on its territory but also with Soviet influence in the Middle East.³ Where the United States and other NATO allies considered Turkey to be 'the flank,' of the Western alliance, Turkey saw itself as a critical actor in a dangerous neighbourhood. The Middle East, for Turkey, was 'a gap in the line of defence which must be filled.'⁴ It, therefore, proceeded to establish in 1955 'a pact of mutual cooperation with Iraq,' that 'became the nucleus of the Baghdad pact, which was enlarged to include Britain, Iran and Pakistan later the same year.'⁵

Turkey's desire to enhance its security went hand-in-hand with its ambitions to play a leading regional role in linking NATO with South-East Asia Treaty Organization (SEATO) by means of the Baghdad Pact (which was appropriately

2 Shaw, Stanford J. and Ezel Kural Shaw (1977) *History of the Ottoman Empire and Modern Turkey*, Vol. 2, Cambridge: Cambridge University Press, p. 400.

3 Robins, Philip (1991) *Turkey and the Middle East*, London: Royal Institute of International Affairs, p. 25.

4 Summary of speech by President Celâl Bayar on November 8, 1955, and reported by the British Embassy, Ankara, FO371/117722, cited and quoted in Philip Robins, *op.cit.*, p. 25.

5 *Ibid.*

renamed the Central Treaty Organization: CENTO), thus establishing a key link in the chain of Soviet containment. In the mid-1950s, the hackneyed phrase referring to Turkey's role as a 'bridge' rather than NATO's 'flank' took on a new meaning.

Those security arrangements however, were not destined to last long. The Suez crisis, followed by Egypt's and Syria's rapprochement with the USSR, pointed to the rise of Soviet influence in an increasingly unstable environment: while the civil war in Lebanon precipitated direct American intervention in 1958, the overthrow in the same year of the Hashemite dynasty left the Baghdad pact devoid of Iraq's membership. The 1957 Soviet economic and technical assistance agreement with Syria heightened Turkey's sense of vulnerability and drew Turkey into closer partnership with the United States, which became the dominant Western power in the region after the British and French retreated, under American pressure, from interfering militarily during the Suez crisis.

In dealing with its Middle Eastern neighbours, Turkey adopted, over the next several decades, a *modus operandi* that best suited its own narrowly defined security and foreign policy priorities in that geography. The activist approach with which Turkey had offended its Arab neighbours in the 1950s was abandoned in favour of the distanced but benign neighbourly approach.⁶ Turkey's aggressive pursuit, as the leading regional actor, to forge anti-Soviet pacts in the area had rekindled memories of the Ottoman past and met with Arab indignation, especially at a time when Arab nationalism increasingly came to express itself in anti-imperialist, therefore anti-Western, rhetoric. Moreover, Turkey's Arab neighbours were becoming more and more distrustful of its principal ally, the United States, which had become the main guarantor of Israel's security. It is with these considerations that Turkey ceased to approach its Middle Eastern neighbours as a member and representative of the Western alliance and began pursuing bilateral relations with them as a regional player.

Turkey had three reasons for emphasizing bilateral relations with each of its Middle Eastern neighbours. One was, and continues to be, economic: Turkey does not wish to lose the benefit of any of its neighbouring markets as a result of being perceived by one country to be an ally of a rival country. Turkey benefited from this policy, for example, during the Iran-Iraq War when its trade with both adversaries substantially increased. Second, carefully managed bilateralism allowed Turkey to maintain close relations with Israel without being singled out as an enemy of the Arab world. Third, bilateralism was consistent with Turkey's concern with preventing the formation of an economically strong and politically influential Arab coalition in the region. Turkey did not perceive the creation of a coherent Arab alliance, backed by oil revenue, to be in its national interest.

6 The main features of Turkey's foreign policy towards the Middle East from the 1960s to the Gulf War have been summarized by Philip Robins, *op.cit.*, pp. 65-67.

Keeping the status quo became Turkey's policy priority in the region. Turkey would be careful not to interfere, or even perceived to be interfering, in the internal affairs of any of its neighbours, lest they felt they had the reason to interfere in those of Turkey. Turkey's balancing act vis-à-vis its neighbours also included separating tricky questions from one another and considering 'each issue on its own merit.'⁷ The issue of Palestine and refugees, for example, were addressed in such a way as not to be associated in any negative way with Israel's security to which Turkey attached great importance. The issue of water on one hand, and terrorism on the other, were carefully juxtaposed against upholding international respect for state sovereignty. A united Iraq, in short, was a guarantee against Kurdish autonomy, but Iraq as part of a united Arab state system would constitute a formidable rival power that could be potentially threatening for Turkey.

Turkey's quest to maintain the status quo continued until the Gulf War. It collaborated with the United States in supporting the military operations to contain Saddam and providing air bases to the British and American forces to guard the no-fly zone in northern Iraq, but successive Turkish governments were careful not to give vent to anti-Saddam rhetoric. While respecting the United Nations embargo on Iraq by shutting off the pipeline, Turkey quietly used Iraqi territory to the south of its border to dislodge and hunt PKK terrorists; it turned a blind eye on cross-border trade in the southeast, which benefited Kurds to the south of its border as much as Turkish citizens to its north.

In the past four decades Turkey used the threat of force in the region only once to compel Syria to expel the PKK leader Abdullah Öcalan. In all other instances recourse was made to established diplomatic procedures to counter undesirable acts of neighbouring countries or make a gesture of warning. In 1996, for example, eight Iranian diplomats were expelled from Turkey for aiding and abetting Islamist terrorists. The following year the Iranian ambassador to Ankara was expelled for making a provoking speech 'in which he openly praised antiseccular, fundamentalist positions' at a rally organized by the Islamist mayor of Sincan, a small town in the vicinity of Ankara, to condemn Israel in support of the Palestinian cause.⁸

Turkish security services had evidence of continued Iranian effort in the 1990s to export the Iranian revolution to Turkey and they were as concerned as the United States government about Tehran's program to develop nuclear capacity with Russian assistance. Yet, clearly, there were admirers of Iranian fundamentalists among members of Turkey's Welfare Party (RP) as clearly evinced by the Sincan

7 Quoted from Kalaycıoğlu, Ersin 'Post-Iraq Turkish Foreign Policy toward the Middle East,' presentation at a roundtable jointly organized by Istanbul Policy and the Centre for Liberal Strategies, Sofia, Bulgaria, 30 May, 2003.

8 Kramer, Heinz (2000) *A Changing Turkey: The Challenge to Europe and the United States*, Washington, D.C.: Brookings Institution Press, p. 142.

incident cited here and by the RP leader Necmeddin Erbakan's meaningful gesture of visiting Tehran and Tripoli, Libya, before any other foreign capital after becoming prime minister in 1996. Turkey's basic policy towards the neighbourhood, however, did not change. By means of expelling suspect diplomats, the Turkish state's policy of guarding the Republic's values and principles was maintained without precipitating a serious crisis with a neighbouring country.

On the basis of the foregoing discussion, it can be claimed that Turkey's Middle East policy has neither been innovative nor comprehensive. It was a policy guided more by defensive instincts than a broad strategic vision ever since Turkey's efforts to mobilize an anti-Soviet tier in the area came to naught in the 1950s. The memory of Ottoman dismemberment weighed heavily on the Turkish soul and it concentrated the Turkish mind on preventing Kurdish separatism. Out of its fear of weakening national unity Turkey reacted, it must be admitted, with little restraint in trying to suppress expressions of Kurdish cultural identity, and in the process, inadvertently helped to heighten polarization and escalate the conflict.

If the Turkish policymakers failed to distinguish between the PKK separatists and supporters of Kurdish cultural rights, EU policymakers in many capitals failed to see or acknowledge the difference between terrorists on one hand, and activist supporters of human rights in Turkey on the other. Turkey's relationship with Europe continued to manifest the same paradox that characterized its European vocation since the earliest period of Ottoman reforms in the eighteenth century. For the Turkish elites Europe represented, in equal measure, a model to take example from in order to achieve advancement and a potential threat to the integrity of the state. While both the United States and EU were putting pressure on Turkey to improve its human-rights record, Turkey remained deeply suspicious of Europe's sympathy for the Kurdish cause (Incidentally, such sympathy was expressed openly in many influential circles in Europe). The difference, for the Turks, between Europe and the United States was that the latter did not hesitate to condemn the PKK as a terrorist organization while many governments in Europe showed unwillingness or a lack of resolve to do so. Turkish policymakers viewed Europe's equivocation regarding the Kurdish insurgents as a veil that thinly disguised anti-Turkish sentiments as well as outright support for the PKK. Conspiracy theories on Europe's intention to divide up Turkey abounded and found a sympathetic hearing among decision and opinion makers representing a broad spectrum of political leanings from left to right. Some of the Turkish suspicions, incidentally, were proven to be not altogether unfounded, as evidenced by the fact that Abdullah Öcalan was apprehended at the Greek ambassador's residence in Kenya after stopping in various European capitals where the authorities declined to detain him.

The state of affairs prior to Abdullah Öcalan's capture by the Turkish special forces resulted in greater emphasis on three of Turkey's foreign policy priorities. First, it brought the United States and Turkey once again into closer cooperation,

and Ankara came to view Washington as a more reliable partner than Brussels or other NATO allies. Second, cooperation with Israel, including particularly cooperation in military and intelligence affairs, was deepened. Third, preventing Kurdish independence in Iraq as well as pre-empting regional support for Kurdish separatists became Turkey's overriding policy priority regarding its southern and south Eastern neighbours. To that end, Turkey supported US efforts to isolate Syria and demanded in return US assurances for maintaining Iraq's territorial integrity.

The terrorist attack of September 11, 2001, and the declaration in response by the American administration of war on terrorism signalled a final break from the modern conception of world order based on balance of power organized alliances among sovereign states. The predictable, if not comfortable or equitable, world of the Cold War years was over. The break-up of the Soviet Union had left the United States as the sole superpower, yet that superpower discovered that it was vulnerable to lethal attacks in its own territory for the first time in its history. The United States declared a global war on terror, the first stage of which was to clean up the failed state of Afghanistan from Al-Qaeda.

The term 'greater Middle East' came into usage in Washington to describe the territory that included Afghanistan, Pakistan, and even their immediate neighbourhood, in addition to countries conventionally counted as Middle Eastern. Turkey once more became the easternmost ally bordering on three countries in which, the US government declared, it wanted to see regime change. Because the Cold War borders in Europe had changed, Turkey now came to be defined by the American policymakers as the 'central front', not a 'flank' or 'bridge'. With this new transatlantic perspective, Turkey's policy of benign bilateralism would hardly be consonant with Washington's aims in the region.

The crisis came when the United States turned to Iraq as its main military target and requested Turkey's assistance in opening a northern front to invade Iraq from southeastern Turkey. The Turkish public opinion was overwhelmingly against a war in Iraq. 'For the majority of Turks the possibility of a military intervention in Iraq conjured up the memories of PKK terrorism. The power vacuum created in northern Iraq as a result of the Gulf War had paved the way for the escalation of the PKK terrorist campaign, which ultimately had led to the loss of almost 30,000 people in fifteen years. One of the consequences of the Gulf War,' moreover, would be 'the creation of a quasi independent Kurdish state in northern Iraq. The majority of the Turks were concerned that a military campaign in Iraq could further consolidate this entity in the North. The overwhelming view in the Turkish public opinion was that if the United States went to war, this could lead to the dismemberment of Iraq.' To the Turks, 'the military option meant chaos on all

fronts, dismemberment of Iraq, deepening the devastation of the already crisis ridden Turkish economy.⁹

Turkey's newly elected political leaders were confronted with a serious dilemma: supporting actively the American-led war in Iraq would be tantamount to political suicide in the face of domestic opposition to the war; not to engage in Iraq would be certain to result in Turkey's loss of influence over the shaping of post-war Iraq. Although the Justice and Development Party (AKP) had achieved a resounding victory in the polls on November 3, 2002, and won two-thirds of the parliamentary seats, the party leadership was not secure at the helm. The cabinet was headed by a caretaker, Abdullah Gül, because Tayyip Erdoğan, AKP's founding leader, had not been allowed to run in the elections on account of an earlier conviction. Yet, Erdoğan was the *éminence grise* behind the scenes and Gül's mandate was to get legislation through the new parliament to make Erdoğan electable so that he could take the helm after securing a seat at the earliest interim election. Another potential difficulty for Gül was to keep the AKP's rank-and-file under control so that the party would not be swept by anti-American sentiments at this critical time when the Turkish public opinion was preoccupied with Samuel Huntington's thesis on the 'Clash of Civilizations,' and was inclined to associate the US war on terrorism with a crusade against Islam.¹⁰

Because of its Islamist roots, moreover, the AKP was viewed with suspicion by the Turkish state elites. It had not been easy for Mr. Gül to put together his government; several of his choices for cabinet positions had been vetoed or their portfolio changed by the President of the Republic, former Chief Justice of the Constitutional Court, who would not compromise the secularist principles of the Turkish state in order to achieve political accommodation with the AKP. The military, too, had little sympathy for the Islamist cadres within the Justice and Development Party.

The officers, along with the top diplomats at the Ministry of Foreign Affairs, understood fully the implications of Turkey's acute dilemma. War would be a disaster; but if the US could not be dissuaded from attacking Iraq, then Turkey could not afford to be a bystander and be left out of the equation. Scenarios and policy options were prepared and submitted to the government. The cost to Turkey

9 Ergin, Sedat 'The Perfect Crisis Revisited,' presentation at the seminar on 'Turkey and the United States after the War in Iraq,' organized by the Brookings Institution, Washington, D.C., June 26, 2003.

10 Huntington, Samuel P. (1996) *The Clash of Civilizations and the Remaking of World Order*, New York: Simon and Schuster, is an expanded version of an earlier article by the same author 'The Clash of Civilizations?' *Foreign Affairs*, 72, No. 3, June, 1993. Here Huntington argued that following the Cold War a 'civilization-based world order is emerging' in which 'the West's universalist pretensions' would 'increasingly bring it into conflict with other civilizations, most seriously with Islam and China,' and 'at the local level fault line wars' would be largely between Muslims and non-Muslims' (p. 20).

of being left out was clearly explained at the National Security Council meeting of January 31, 2003. In the following weeks the government prepared a bill to send to the parliament, asking authorization of US troop movements through Turkey. The parliament scheduled to vote on the bill on 1 March, 2003.

At the regular National Security Council meeting on February 28, the day before the Parliament's vote on the bill, the military refrained from pushing for a strongly worded reaffirmation of the decision taken at the Council's previous meeting. With the president, who chairs the National Security Council, not being in favour of war, that meeting of the National Security Council failed to produce the kind of statement that the political leaders seem to have expected.

Tayyip Erdoğan, with whom both the White House and the Pentagon had established direct channels of communication contrary to established procedures in international relations, tried to rally support in his party as chairman of AKP and was convinced, as a result of a straw vote taken at the party group's meeting, that the bill would sail through the parliament. It was not clear which of the options Gül thought would cause more damage to Turkey; he had been spending a great deal of energy in carrying out shuttle diplomacy to get support from the Arab countries to convince Saddam to leave Iraq so that war could be prevented. The speaker of the parliament Bülent Arınç, however, showed no signs of support for the bill.¹¹

For months, the Turkish government had been unsuccessful in its efforts to explain the rationale of its opposition to the war on Iraq. Turkish diplomats engaged in the discussions in Washington claimed that their arguments fell on deaf ears. Turkey's efforts, on the other hand, to win concessions, particularly economic assistance from Washington, were interpreted by the Pentagon as delaying tactics and, worse, as 'horse trading' by the White House. In the course of lengthy negotiations the American side came to believe that Turkey would allow US troops to open a northern front. However, the bill sent to the Parliament to allow entry of US military forces into Turkey failed to garner the required majority of votes to pass. The US forces had waited in vain in troop ships bobbing around the Mediterranean. Washington's disappointment turned to anger, and a dark shadow was cast on Turkish American relations.

Now that Turkey has the United States as a neighbour in Iraq, what effect, if any, might this situation have on Turkey's policy toward the region? My assessment that will follow is predicated on the following assumptions.

11 The background story of Turkish-American negotiations prior to the Iraq war and the concomitant developments in Ankara, reported by the Ankara bureau chief of Radikal newspaper have been collected in Murat Yetkin, Tezkere (2004) *Irak Krizinin Gerçek Öyküsü*, Istanbul: Remzi Kitabevi.

First, Turkish foreign policy, in the foreseeable future, will focus primarily on the EU with a view to beginning negotiations for Turkey's eventual membership. Second, the serious setback in Turkish-American relations will be overcome and close cooperation between Washington and Ankara will resume in the near future. Third, Washington will continue to support Turkish membership of the EU which, in turn, will continue to be both helpful and, at times, unhelpful in the sense of triggering negative reactions from those European capitals that are sensitive to American meddling in European Union affairs. Fourth, as Turkey makes serious progress toward fulfilling the political criteria for EU membership, Western European concerns about the disadvantage to the EU of Turkey's membership will be assuaged to a greater degree than previously by an appreciation of Turkey's geostrategic importance for Europe's security.

Under these circumstances, it is difficult to foresee significant changes in Turkey's overall policy toward the Middle East. 'The policy of benign bilateralism will be maintained' as long as Turkey is not confronted with deliberate adversity, as will Turkey's 'policy of prevention of coalitions'¹² among the neighbouring Arab states. Economic relations with Iran are set to increase substantially, provided that Iran continues its reconciliation with the Western world and succeeds in achieving further regime liberalization without eliciting destabilizing reaction from its conservative clerics. Rapprochement with Syria would continue, barring acute differences over water issues. It is likely that Syria will promote good relations with Turkey, which is the best placed actor in the region to keep channels of communication open between Damascus on the one hand and both Israel and the US on the other.

Although Turkey was confronted with the difficulties and burdensome challenges in the wake of the US-led war in Iraq, the current situation is not devoid of opportunities for Turkey to develop a more imaginative, visionary foreign policy toward the greater Middle East. For one, Turkey understood well, *ex post facto*, the complexities of both the American and European policy objectives toward the Middle East. It is in a good position to take on the role of a bridge once more to explain to the actors in the region the West's security considerations and strategic thinking regarding how to achieve political stability and, concomitantly, the protection of economic assets in the region.

Second, having overcome a debilitating economic crisis and achieved improved prospects of EU membership, Turkey could conceivably adopt a more confident approach and play a constructive role in post-Saddam Iraq, politically and economically. Only time will show whether Turkish policymakers will devote the time and energy needed to craft a new, more activist and more adroit policy toward the region.

12 Quoted from Kalaycıoğlu, Ersin 'Post-Iraq Turkish Foreign Policy toward the Middle East,' No. 7, above.

**Turkey's EU Membership:
An Asset for the EU's Policy towards the
Mediterranean/Middle East?**

Raffaella A. Del Sarto

I. Introduction

The EC/EU has so far responded to Turkey's long-standing aspirations of becoming a full member with hesitations, incoherence, and the recurrent postponing of the final decision. Certainly, Turkey's future EU membership touches upon a number of difficult questions, and it has remained the subject of much discussion. Besides economic considerations, Turkey's entry into the EU has been made conditional on Ankara's implementation of political reforms according to the so-called Copenhagen criteria. Turkey's EU accession also raises a number of questions related to the EU's self-definition. As some claim, including a predominantly Middle Eastern country with a population of almost 70 million Muslims would contradict the EU's alleged Christian identity.¹ Supporters of Turkey's EU accession, on the other hand, point to the importance of ensuring Turkey's political stability following the successful examples of the EC accession of Greece, Spain, and Portugal in the 1980s.

This contribution would like to draw the attention to yet another set of questions that are related to the EU's external relations and its standing in international politics. In particular, it seeks to assess the possible implications of Turkey's EU

1 See for example the discussion on whether the EU constitution-in-the-making should contain references to Christian values and Christian heritage; see for example 'UE, approvata la bozza della Costituzione europea', *La Repubblica*, 20 June 2003.

membership for the EU's future policy towards the Middle East and the southern Mediterranean. In order to provide a background to the discussion, we will first consider the experiences of the EU's Mediterranean/Middle Eastern policy, along with the obstacles to the EU's ambitions to play a greater role political role in the region. In this context, Israel's relations to the EU will deserve a special attention. Subsequently, Turkey's relations to Israel and the Middle East will briefly be discussed.

It is argued that Turkey's EU membership has the potential of considerably improving the EU's influence in the southern Mediterranean/Middle East as well as its standing on the international stage in general. However, the question of whether Turkey's EU membership will be a foreign policy asset for the EU will be dependant on a number of developments that will either precede Turkey's entry into the EU or that are partly independent of the latter. Finally, much will depend on whether the EU will be able to use the potential that Turkey's EU membership offers as far as its Mediterranean and Middle Eastern policy is concerned.

II. Background

A. The EU, the Mediterranean/ Middle East, and Israel

1. The EU's Mediterranean Policy

The EC/EU has been seeking to develop a coherent and adequate policy towards its southern neighbours since the 1970s (Grilli, 1993; Tovias, 1996). The most important initiative in this regard is certainly the Euro-Mediterranean Partnership (EMP), launched in November 1995, which explicitly aims at promoting stability, economic development and political reforms in the EU's southern periphery (Barcelona Declaration, 1995; European Commission, 2000). But comparable to previous policy initiatives addressing the southern Mediterranean, the EMP has been characterised by high ambitions on the one hand, and a rather mixed record on the other hand. The fate of the Middle East peace process is certainly the most significant obstacle to the EMP's success, but it is by no means the only one. In fact, the EU has been encountering the suspicion of many southern Mediterranean states regarding its commitment and real aims. This is partly due to a number of inherent contradictions and an unclear set of priorities within the declared aims of the EMP. Indeed, as the example of Algeria has shown, economic and political liberalisation is not necessarily compatible with the objective of ensuring stability, at least in the short run. But the general sense of mistrust of many southern EMP partners is also nurtured by the EU's rather protectionist trade policy in agricultural products as well as by the EU's relatively modest financial means to support the reform process prescribed by the EMP.

In addition, there are a number of domestic constraints in southern Mediterranean states with regard to the EMP's economic and political reform process as well as to its regional design (Del Sarto, 2003b). This has resulted in a general lack of enthusiasm among the governing elites of southern Mediterranean states towards the EMP. Although in theory, the EMP's inherent region-building approach is a legitimate alternative to more traditional approaches to regional security, the composition of the southern EMP participants was problematic from the start. It will not be less problematic in the future. In fact, with three of the original southern EMP participants, that is Malta, Cyprus, and Turkey, entering the EU as full members in the very next or near future, the EU's 'southern Mediterranean' will be composed of seven Arab states, the Palestinian Authority, and Israel. In view of the economic and political inequalities between Israel and the other participants, and considering the current fate of the Middle East peace process, the EMP's regional design does not promise much success for the near future indeed. However, Israel has been critical towards the regional approach of the EMP from the very start. According to Israel's perspective, the EMP tends to disregard Israel's advanced relations to the EU as well as its 'special status' in view of its economic development, as the EU acknowledged with its 1994 Essen Declaration (European Union, 1994). In addition, much to Israel's annoyance, any success of the EMP has been dependent on the fate of the peace process (Del Sarto and Tovias, 2001). Thus, comparable to Turkey's position towards the EMP, for which the latter is a pale and only temporary substitution of EU membership (Yilmaz, 2002), Israel has been considering the EMP as neither corresponding to its features nor respecting its needs, particularly in economic terms.

At present, it seems questionable whether the EU will maintain the EMP framework for regulating relations to its southern periphery in the future. As will be discussed below, the Commission's recently launched concept of 'Wider Europe' (Commission of the European Communities, 2003) indicates that Brussels is reconsidering relations to those countries that are situated at its external borders, including southern Mediterranean states.

2. The EU, the Middle East Peace Process, and Israel

An important aspect of the EU's relations to its southern periphery is the Middle East peace process, or alternatively, conflict. Although the peace process is formally separated from the EMP, in practice the EU tends to subsume the former under its 'Mediterranean policy'.² Ever since the EC made its first steps on the

2 See for example the EU's electronic publications on Euromed, which regularly explain the EU's position on the Middle East peace process, on the EU's official website http://europa.eu.int/comm/external_relations/euromed/publications.htm (last accessed 9 November 2003).

international stage in the framework of European Political Cooperation (EPC) in the late 1970s, the Middle East conflict has been one of the most important issues on which the EC/EU has sought to develop a common foreign policy. Yet for more than a decade, these efforts predominantly produced common declarations and statements on the Middle East conflict.

With the start of the Middle East peace process in the early 1990s, the EC/EU increased its involvement in Middle Eastern affairs (Sachar, 1999). Besides being an important international donor, the EU was also actively involved in the multilateral structures of the Madrid peace process that had started in 1991. Subsequently, the EU became the most important financial supporter of the Oslo peace process, particularly by granting financial assistance to the Palestinian Authority in the realm of institution-building, infrastructure, education, economic reforms and the like.³ However, EU officials have never concealed the opinion that, considering its massive financial support, the EU ought to play a far more important political role with regard to the peace process, a role that has traditionally been reserved for the United States. By sending a permanent special envoy to the Middle East, the EU certainly demonstrated that it was serious about this aim.

Over the last decade, the EU further increased its political involvement in Middle Eastern politics. Along with a more visible presence at important Middle Eastern events, the EU was repeatedly involved in back-stage mediating efforts in the difficult periods of the Oslo peace process as well as in fact-finding missions after the outbreak of the second Palestinian *Intifada* at the end of September 2000.⁴ At present, and as is well known, the EU is among the initiators and supporters of the recent 'Road Map' initiative, acting in coordination with the other members of the so-called 'Middle East quartet', that is the US, the UN, and Russia.

However, the EU's political role in the region has remained difficult, to say the least. In those periods in which the peace process was proceeding, the EU successfully supported dialogue and increasing cooperation between the conflicting parties. In view of the EU's own experience, this is the role that it probably plays

3 Among the international community, the EU and its member states contributed 50% to the Palestinian Authority in grants and loans between 1994 and 1998, accounting for €1.5 billion. If the budget support to UNRWA, the UN organisation in charge of the Palestinian refugee camps, is included, the EU's financial aid between 1994 and 1998 accounts for €2 billion. From June 2001 to date, the EU has been contributing €10 million a month in direct budgetary assistance to the Palestinian Authority. Figures from the EU's website at http://europa.eu.int/comm/external_relations/mepp/index, (last accessed 11 November 2003).

4 For example, the EU played an important 'back-stage' role in the so-called Mitchell Commission, set up in spring 2001 with the aim of drawing recommendations for ending the violence between Israel and the Palestinians and reviving the peace process. For the Mitchell Report, see for example 'What Began as a Series of Confrontations...Excerpts from the Text of the Mitchell Commission's Report', *Ha'aretz*, English edition, 7 May 2001, p. 4.

best. In those times, Israel's resistance against a more active political role of the EU with regard to the Middle East peace process also notably diminished, and Israeli governments—mainly Labour governments—admitted that there was a clear advantage in having an additional, and complementary, international interlocutor in the difficult peace-making process. At the same time, and as an Israeli diplomat once put it to the author, Israel became used to the fact that former EU special envoy to the Middle East, Angel Miguel Morratinos, was to be seen on almost every picture taken at important peace process events.

But in accordance with the fate of the peace process, these periods were rather the exception. In times in which the peace process encountered difficulties of various kind or entered into stalemates, the EU's political role in the region was severely questioned and contested—and not only by Israel. Indeed, Arab states and the Palestinian Authority regularly criticise the EU for not exerting more pressure on Israel. In this vein, Syria and Lebanon have regularly called for a stronger political involvement of the EU in the peace process over the years. Similarly, Cairo repeatedly expressed criticism and disappointment regarding the EU's political achievements in the Middle East, which have fallen short of Egypt's expectations (Khalil, 1999; Ezzat, 2001). Even Jordan, which generally refrains from voicing loud criticism, and whom the EU has designated as exemplary Euro-Mediterranean country (*European Report*, 15 April 2000), expressed its dissatisfaction with Europe's 'long absence from taking part in the peace talks between the Palestinians and Israel and its neutral position in the Palestinian Intifada' (*The Star*, 29 November 2000: 1). And until present, the Palestinian Authority has not ceased to call on the EU to play a more active role in the search for peace in the Middle East (*BBC News*, 24 August 2003). Thus, for many Arab states and the Palestinians, the EU's repeated declarations on the Middle East peace process are nothing but an empty instrument, raising doubts on the EU's real commitment to solving the Middle East problem.

For Israel, on the other hand, the EU's declarations, along with its efforts to play a greater political role, were unmistakably outrageous. To give examples, the EU's 1997 Luxembourg Declaration that called on Israel to show more flexibility in order to reinvigorate the derailing peace process was decisively rejected by the Israeli government (Ministry of Foreign Affairs of Israel, 1997). And the EU's March 1999 statement defining Jerusalem as *corpus separatum* in accordance with the 1947 UN partition plan—and thus expressing a refusal to recognise Israel's sovereignty over the city—infuriated the Israeli government, and prompted an official complaint before the summoned European ambassadors to Israel (Netanyahu and Sharon, 1999). The EU's declarative actions or the threat to use economic tools in order to exert pressure on Israel's governments prompted quite similar Israeli reactions. They concern, for instance, the former practice of the EU Troika of visiting Palestinian officials in the 'Orient House' in East Jerusalem

(before the Israeli authorities shut it down), the EU's publications on Israel's human rights violations in the occupied territories,⁵ the 1998 EU presidency visit to the *Har Homa* Jewish settlement construction site near Jerusalem, or the longstanding controversial issue of how to treat Israeli products manufactured in the occupied territories.⁶

In short, for Israel, the EU's actions and declarations regarding the Middle East peace process have repeatedly confirmed Israel's scepticism towards 'the Europeans' and their foreign policy orientation, which dates back to the times of the 1980 Venice Declaration.⁷ There is a broad consensus among Jewish Israeli—which is intrinsically linked to the Jewish historical experience—that 'the Europeans' are biased and opportunistic and that they can therefore not be trusted when it comes to peace, war, and Israel's security (Sachar, 1999; Rubin, 2001).⁸

The historical legacy is certainly the main reason why Israel is reluctant towards the EU's ambitions of playing a greater political role in the region. It generally goes hand in hand with the widespread perception that the EU gives a far greater priority to Arab export markets as well as to the securing of oil imports, and therefore to favourable relations with Arab states, than to Israel's concerns. But there are also more rational considerations that explain Israel's dislike of the EU's political ambitions. Considering the close relations between Israel and the US, the traditional broker of the Middle East peace process, Israel's position can certainly not be considered illogical. Indeed, and to put it bluntly, why would any state exchange an entrusted conflict mediator with a far more critical one, or concede a greater influence to the latter? A second argument that is often heard in Israel concerns the EU's lacking institutional capabilities to successfully implement declarative politics in the realm of its external relations. This issue once more raises the problem of the EU's credibility and capability. According to this argument, issuing declarations and intentions is all very fine, but ensuring their

5 Since 1998, the EU produces a twice-year Human Rights Watch Report chronicling treatment of Palestinian prisoners, border closures, demolition of Palestinian homes and human rights violations.

6 For decades, Israeli products manufactured in the occupied territories entered the EU as 'Israeli products' under the bilateral free trade agreement. The EU started re-considering the issue in the aftermath of the first serious derailments of the Middle East peace process during the Netanyahu government, and reached a decision in 2001, namely that those products are not covered by the EU-Israel free trade agreement.

7 The Venice Declaration had a certain foresight as it stipulated that the PLO, recognised as legitimated representative of the Palestinians, should be involved in future peace negotiations. For Israel, the Declaration was outrageous, as it proposed to enter negotiations with an organisation that officially called for Israel's destruction.

8 Many Israeli scholars and observers of EU-Israeli relations have made these or similar comments, along with some Israeli officials—the latter off-the-record. In general terms, this position is assumedly shared by a majority of Jewish Israelis.

implementation, even with military means if necessary, is quite another issue. In this context, the EU's incapacity with regard to the war in former Yugoslavia is often mentioned as important case in point.

The EU's involvement in the recent 'Road-Map' initiative has certainly increased the EU's credibility in Middle Eastern affairs, particularly in the eyes of the Israeli government. However, one of the main reasons for this is that the EU acts in agreement with the most important external player in the region, the US, and in coordination with the UN and Russia. But the discord between Israel and the EU on Middle Eastern politics has been continuing. For example, it revolves around the EU's policy of continuing to pay high-level visits to Palestinian Chairman Yasser Arafat in his besieged *Muqata* headquarter, whereas the Israeli government—along with the current US administration—clearly aims at isolating him internationally.⁹ According to Israel's perspective, the EU fails to consider that Arafat is incapable and/or unwilling to stop terror. For Israel, thus, the EU's adherence to its '*Muqata* policy' is once more a proof of the EU's disrespect for Israel's security concerns. In addition, off-the-record Israeli officials accuse the EU of adhering to this policy mainly in order to differentiate itself from the US and demonstrate and independent standing in international affairs.

To sum up, in the eyes of many Middle Eastern/southern Mediterranean states, the EU lacks of coherence and credibility concerning its declared aim of wanting to play a greater political role in Middle Eastern affairs. But there can be no doubt that the main obstacle to the EU's political ambitions is Israel, who has repeatedly accused the EU of insensitivity, a basically pro-Arab policy, a detachment from Middle Eastern reality, and a lack of credibility.

B. Turkey, the Middle East, and Israel

After the end of the Cold War, Turkey started to play a much more assertive foreign policy which also includes an increased involvement in Middle Eastern affairs (Fuller, 1992 and 1997; Lesser, 2000). However, the most significant development in this context is certainly the strengthening of Turkey's bilateral relations to Israel. Indeed, since Turkey upgraded its diplomatic relations with

9 The disagreement between the EU and Israel revolves around the question of whether meeting with Arafat adversely affect the legitimacy of the Palestinian Prime Minister and thereby the chances of the peace process, as Israel and the US maintain, or whether Arafat's isolation will in fact hurt the chances for peace, as the EU argues. Israel's policy of refusing to meet EU officials who pay a personal visit to Arafat has partly absurd consequences: For instance, the EU's new Special Envoy to the Middle East had to delay his departure to the region since he could not meet both with Arafat (in accordance to the EU's official policy), and Israeli leaders (Primor, 2003a). At the same time, this policy has put a strain on the efforts of Israel's foreign ministry to improve the dialogue with the EU, and in general, on Israel's diplomacy (Aluf, 2003).

Israel to the ambassadorial level at the end of 1991, relations between Turkey and Israel expanded greatly. In 1996, the two countries concluded a strategic co-operation agreement, which has been termed 'one of the most important political developments in the region since the 1991 Gulf War' (Gresh, 1989: 203). A series of strategic agreements followed, giving way to a wide-spread military co-operation and a growing interaction between the defence industries of the two states. Military co-operation includes, for instance, Israel's upgrading of Turkish fighter planes and tanks, Turkey's granting of its airspace to Israeli training flights, as well as joint naval manoeuvres.

Water is an additional important issue within Turkish-Israeli bilateral relations. As is well known, the rare and therefore precious commodity in the Middle East has been nurturing tensions between a number of states, most notably Israel, the Palestinians, Jordan, and Syria. In view of the scarcity of sweet water resources in Israel, and Turkey's abundance of this resource, discussions between the two countries on the possibility of Turkish water exports to Israel have been going on for some years. One of the problems is the issue of transport, as the best solution, that is constructing a water pipeline from Turkey to Israel, is not viable in light of the political situation in the Middle East. Although the question of the transport is still not resolved, at the beginning of August 2003 the two countries reached an agreement under which Turkey will sell 50 million cubic metres of water annually for the next two decades (*BBC News*, 6 August 2003). For Israel, the possibility of importing water from Turkey means to reduce its dependency from disputed sources and is therefore of great geo-strategic importance.

The at first sight unusual alliance between Turkey and Israel—which both sides carefully avoid to call a 'military alliance'—was originally motivated by shared security concerns, such as developments in Iran, Iraq, and Syria. But probably more important was the shared sense of regional isolation that drew the two states towards each other. In addition, both states maintain close strategic ties to the US—regardless of recurrent disagreements with Washington on different issues. If geo-strategic consideration were the main motivation for developing closer ties between Ankara and Jerusalem, by now bilateral relations cover various areas of co-operation. Both countries regularly exchange high-level state visits and maintain an institutionalised political dialogue. Two recent agreements regulate bilateral academic cooperation, and the exchanges between people (tourism, professional, cultural and others) have notably increased over the last decade. Bilateral trade has also grown, and the number of joint ventures is constantly increasing (<http://ankara.mfa.gov.il>, 4 August 2003; *BBC News*, 6 August 2003).

With the outbreak of the second *Intifada*, however, Ankara has repeatedly criticised Israel's policy towards the Palestinians. But notwithstanding these differences, Israeli diplomats still consider the bilateral relations as excellent. And according to Israeli diplomatic sources, bilateral relations have even improved after

the change of government in Turkey following the November 2002 elections—notwithstanding the divergent positions on the some crucial issues, such as the 2003 Iraq war. The state visit of Israel's president Moshe Katzav in July 2003 is mentioned as a proof of the excellent status of bilateral relations. According to Israel's official position, both sides are deeply committed to deepen the bilateral ties even further.¹⁰ From an Israeli perspective, pursuing even closer ties with Turkey at a time when it is headed by a religiously-oriented party also has an important symbolic effect. As the Israeli daily *Ha'aretz* (7 November 2002) argued, this could 'signal Islamic governments and publics that religion need not be an obstacle in advancing relations between states'.

On the other hand, considering the triangular relationship between Turkey, Israel, and the US, Ankara received support from its Israeli ally in gaining influence in Washington on several occasions. This support became even more important after the rift between Ankara and Washington following the start of the 2003 Iraq war. Turkey explicitly asked Israel's foreign minister to use Israel's influence in Washington to buttress Ankara's position in the strained relations between Turkey and the US (*Ha'aretz*, 15 April 2003). More concretely, Israel and the pro-Israel lobby in the US apparently helped to campaign for Washington's granting of economic aid to Turkey, suspended because of Turkey's refusal to let American troops pass through the country in its military campaign against Iraq (*BBC News*, 6 August 2003).

In this context, it should be mentioned that Israel strongly supports Turkey's entry into the EU. Besides the economic benefits that Israel expects from Ankara's EU membership, there are a number of important political considerations that explain Israel's position. According to Israeli officials, Ankara's EU membership would not only contribute to the stability of Turkey, but also to the stability of the whole region. Moreover, considering the important but recurrently difficult political relations between Israel and the EU, Israel is obviously interested in having a close ally such as Turkey *inside* the EU.

Of course, the Turkish-Israeli 'honeymoon' (as one Israeli official once put it to the author) did initially not receive the blessing of most Arab states, as it promptly revived old fears of an 'anti-Arab alliance' (Gresh, 1998: 203). Turkey, however, succeeded in the last years in improving both relations to a number of Arab states and its standing in the Middle East in general. Whereas the 1998 clash between Turkey and Syria over Damascus' sheltering of former PKK leader Abdallah Öcalan almost lead to a war between the two countries (Sayari, 2000: 171 ff.), relations between the two states notably improved after the turn of the century. Indeed, the signing of a Turkish-Syrian declaration of principles in November 2000

10 Telephone discussion with Emanuel Nahshon, Deputy Head of Mission, Embassy of Israel in Ankara, 6 August 2003.

gave way to the signing of two military co-operation agreements in June 2002 (*BBC Monitoring Middle East*, 10 June 2002). And in the wake of the US intervention in Iraq in 2003, Damascus and Ankara even sought to co-ordinate their positions and proposed a common peace initiative to avoid the war. Similarly, relations between Jordan and Turkey also improved over the last decade. In this vein, Jordan has repeatedly been invited to join Turkish-Israeli naval exercises.

More important for our discussion, however, are Turkey recent efforts play a greater role with regard to the resolution of the Israeli-Palestinian conflict. Thus, former Turkish Foreign Minister Ismail Cem paid several mediating visits to the region, such as in September 2001, in which Cem met former Israeli Foreign Minister Shimon Peres and Palestinian Chairman Yasser Arafat in order to seek a ceasefire. In April 2002, Cem and his Greek counterpart George Papandreou sought to resolve the difficult situation involving the Nativity Church in Bethlehem by seeking to mediate between the two sides. The current Turkish government under Recep Tayyip Erdogan has renewed its offer to assist in bringing the Israeli-Palestinian peace process 'back on track'. In this vein, the Turkish government has repeatedly offered to host a Middle East peace summit (*Ha'aretz*, 11 June 2003). Although there has not been any concrete follow-up on this issue, it is important to note that, in principle, Israel warmly welcomes Turkey's offer to assist in the search for peace in the Middle East.¹¹

In this context, it is worth mentioning that since 1997 Turkey has been participating in the Temporary International Presence in Hebron (TIPH), a small multinational civilian observer force in the conflict-laden city of Hebron. Although the efficiency of TIPH is rather doubtful, it is nevertheless interesting to notice that the composition of the TIPH followed an agreement between Israel and the Palestinian Authority.¹² In fact, Turkey is the only Middle Eastern country that participates in the TIPH on which both sides could reach an agreement—the other five being the rather 'uncontested' European states Norway, Switzerland, Denmark, Sweden, and Italy.

11 Telephone discussion with Emanuel Nahshon, Deputy Head of Mission, Embassy of Israel in Ankara, 6 August 2003.

12 The multinational TIPH mission in Hebron was set up in February 1997, following Israel's partial redeployment from the city under the Hebron agreement. Its mandate is to monitor and report misconduct by either side in Hebron. It is forbidden to the non-armed staff to intervene in the almost daily incidents. In March 2002, two TIPH members, a Turkish and a Swiss national, were killed in a Palestinian ambush in the West Bank. Another Turkish staff member was injured in the incident.

III. Discussion

A. *Turkey's EU Membership as EU Foreign Policy Asset*

In view of what has been said thus far, Turkey's entry into the EU offers quite new perspectives for the EU's policy towards the Mediterranean/Middle East. Three points deserve special attention:

To begin with, accepting Turkey as full EU member would constitute the most significant and concrete decision in the realm of the EU's Mediterranean and Middle Eastern policy that the EU has ever taken. Certainly, the argument that in view of Turkey's potential of internal political instability (Ergil, 2000; Kasaba and Bozdoğan, 2000; Ozbudun, 2000), Turkey's EU membership would contribute to the political and economic stability of the latter is certainly not new. The precedents are the acceptance of Spain, Portugal, and Greece in the 1980s as full members of the then-EC, which considerably contributed to the democratisation, the political stability, and the economic development of these countries. But whereas enlargement within the European continent is generally not associated with the EU's foreign relations, the case looks slightly different with regard to Turkey. In fact, accepting Turkey as full EU member is foreign policy towards the Middle East/Mediterranean *in itself*. Adopting such a policy means to contribute to democratisation and stability in the area (Tovias, 1993), and it would thus constitute the concretisation of precisely those aims that the EU has been propagating within its Mediterranean policy and beyond.

Second, with Turkey's accession, the EU would cease to be a more or less detached observer of Middle Eastern politics from the other side of the Mediterranean. Instead, the EU would extend into the Middle East. To put it differently, while sharing a border with Iran, Iraq, and Syria, the EU would become part of the Middle East itself. Along with a number of new concerns that this scenario implies, the EU could reap the benefit of enjoying a far greater legitimacy in its involvement in Middle Eastern affairs, as it would no longer be alien to the region. Moreover, Turkey's EU membership would be the concrete proof that 'Islam' and 'Europe' (or 'the West' for that matter) are not incompatible, thus discrediting an overly superficial claim that has become fashionable in the aftermath of 9/11. Assuming that the EU knew how to play this card well, Turkey's EU membership could lead to a much stronger influence of the EU in the region as well as an improved standing in international politics at large.

Following these considerations, the EU's acceptance of Turkey as full member could be a powerful means of addressing the problem of credibility and coherence as far as the EU's Mediterranean/Middle Eastern policy is concerned. Moreover, becoming part of the Middle East/southern Mediterranean would certainly increase the legitimacy of the EU's ambitions of wanting to play a more important political role in the search for peace in the Middle East. At the same time, accepting

Turkey's EU accession would be an important counter-argument directed at those critics that accuse the EU of an ambitious, but mostly declaratory and thus 'empty' policy towards the region.

Third, the excellent relations between Turkey and Israel, coupled with Ankara's rather well-received mediating efforts between the latter and the Palestinian Authority, open new perspectives indeed. If, as discussed above, one of the main obstacles to the EU's Middle Eastern ambitions is Israel's reluctance towards them, having Turkey on board may well change this equation. In view of what has been said previously, it can at least be expected that Turkey speaking for the EU in difficult matters relating to the search for peace in the Middle East could meet a greater Israeli responsiveness. In other words, with Turkey's EU membership, the EU would not only incorporate Ankara's well-developed and multi-layered communication channels to Israel's political and military elites, but also an actor that apparently enjoys Israel's confidence. At the same time, Turkey's EU membership would somewhat counterbalance Israel's perception that the EU pursues a pro-Arab foreign policy in the region—irrespective of whether this perception is justified or not.

In terms of Middle East diplomacy, Turkey certainly finds itself in an advantaged position. Notwithstanding its good relations to Israel, Turkey remains a country with multiple identity layers and a predominantly Muslim population. As the wake of the 2003 Iraq war has demonstrated, Turkish governments must respect a public opinion that has become increasingly sensitive to the concerns of fellow Muslims.¹³ For this reason, and as Ankara's recurrent criticism of Israel's policy towards the Palestinians has shown, it can be excluded that Turkey will openly adopt any one-sided position as far as the Israeli-Palestinian conflict is concerned. Yet sensitivity to the plight of the Palestinians is also the most effective means to counter the traditional suspicion, and partly animosity that many Arab states harbour towards Turkey in view of Middle Eastern history. Turkey's real potential in serving as a double bridge between Israel and the Palestinians, Europe and the Middle East lies in the country's different types of affinities with both the conflicting parties and Europe.

It may be argued that that in light of the TIPH example, Israel may also be less reluctant of accepting Turkish observers participating under EU banner in multi-national monitoring and peace-keeping missions against the background of future peace accords. But in view of Israel's extreme sensitivity regarding the issue of foreign observers, this consideration appears rather far-fetched. In fact, it can be assumed that Israel's hostility towards the idea of foreign observers in the

13 It is worth reminding that in view of Turkish public opinion, it was the Turkish parliament that voted against the government on the question of whether to grant permission to US military forces in order to pass through Turkey on their way to Iraq.

framework of future peace accords will not diminish in the event that Turkey will be part of such a peace-keeping mission. However, in terms of diplomacy, Turkey's EU membership could be a clear asset for the EU's policy towards the Middle East.

B. Intervening Factors and Developments

In spite of the positive aspects, the question of whether Turkey's entry into the EU would be an asset for the EU's Middle Eastern and Mediterranean policy also depends on a number of intervening events and variables. Some of these will either precede Turkey's entry into the EU, or be independent of the latter. The developments and variables that deserve a special attention in our context are the next round of enlargement, the future of the 'Wider Europe' scheme, the future of the Kurdish problem, and the development of the Middle East conflict, or alternatively, peace process.

1. The 2004 Enlargement

In the context of our discussion, the first major event is the next round of enlargement, scheduled for the spring of 2004. With the entry of 10 new states from Central and Eastern Europe, the EU will not only profoundly change its outlook but also its set of priorities. The enlargement entails a profound change of what the EU used to be, namely a community mainly built around France and Germany, with the latter two states representing the EU's centre of gravity. As far as the EU's external relations are concerned, one has not necessarily to accept the simplistic (and incorrect) dichotomy of 'old Europe' versus 'new Europe', coined by US defence minister Donald Rumsfeld. But the eagerness to enter NATO of most of the accession countries, along with their predominant support for the policy of the US towards Iraq, indicates that the imminent enlargement is most likely to have an impact on the EU's future foreign policy orientation, and in particular on future transatlantic relations. Concerning the EU's policy towards the Middle East/Mediterranean, the next enlargement may, in the long term, well lead to a stronger co-ordination of EU policies with the US. Although the EU is interested in playing an *independent* role in Middle Eastern politics, the co-ordination of EU policies with the US has still the best chances of advancing peace in the Middle East in light of the political realities in the region.

The close relations between many new accession countries and Israel are an additional aspect of the next round of enlargement. In view of this fact, Israel's Foreign Ministry actually expects a shift in the balance of forces within the EU, in Israel's favour (Primor, 2003a). As a consequence, it is possible that even before Turkey's accession, relations between the EU and Israel may change. Thus, it is conceivable that the EU will develop a Middle Eastern policy that is more favourable towards Israel, which in turn will lead to a diminished Israeli reluctance against the EU's political ambitions in the region.

The third aspect of enlargement involves the Cyprus problem. Without entering into the details of this rather complex issue, it can be stated that the failure of solving the Cyprus problem in a satisfactory way for all sides will certainly not increase Turkey's quality as future foreign policy asset for the EU. Neither will it increase the EU's international credibility. Indeed, the failure of solving the Cyprus problem, an internal EU concern after enlargement, will raise serious doubts of whether the EU will be able to contribute to the settlement of conflicts that are *external* to it.

2. 'Wider Europe'

The second development that deserves consideration is the EU's recent 'Wider Europe' scheme (Commission of the European Communities, 2003). Conceived in the European Commission, this initiative has so far remained rather vague, and it has attracted far less attention than the statement of Italian Prime Minister (and then EU president) Silvio Berlusconi to support Israel's (and Russia's) EU membership. For a number of reasons related to Israel's domestic features and internal set-up (Del Sarto, 2003a), Israel's accession to the EU cannot be considered as a realistic option at present.¹⁴ But the concept of 'Wider Europe', which proposes a 'consolation prize' to those countries that are situated in the east and south of the EU's external borders, is expected to have important consequences for the EU's Mediterranean and Middle Eastern policy, if implemented. In fact, the 'Wider Europe' scheme includes the proposition of considerably upgrading political and economic relations and goes as far as offering the integration into the EU's single market to the most 'advanced' neighbouring states.

Thus, the 'Wider Europe' concept is based on a *differentiated* approach. Since among all countries that are or will be situated at the EU's external border, Israel, being well 'advanced' in its economic and political relations with the EU, will most likely enjoy an accelerated partnership within this new framework. As the 'leading star of "wider Europe"' (Primor, 2003b), as one observer has put it, Israel may thus soon attain a similar status as Switzerland and Norway in its relations to the EU. It is important to note that EU officials are already discussing these ideas with their

14 Berlusconi was not the first to propose Israel's EU membership. In fact, a number of Italian and European Parliamentarians as well as Israeli scholars have been supporting this idea well before that. For a good argumentation of why Israel should join the EU (or at least formally apply for membership), see Tovias, 2002. Others (both in Israel and the EU) consider the idea as absurd and argue that Israel is not 'in Europe'. But definitions of where 'Europe' starts and where it ends, so to speak, are fluid, and Israel's EU membership is no less 'absurd' than that of Cyprus or Latvia, for that matter. However, independent of the EU's position, this author maintains that Israel's EU membership is not an option at present since it would demand far-reaching changes regarding the self-definition of Israel as state and as society. For a variety of reasons, this author maintains that at present Israel is not willing or able to embark on such a path of far-reaching change.

Israeli counterparts. Indeed, during his visit to Israel in June 2003, EU Commissioner for Enlargement Günter Verheugen presented Israel's integration into the EU's single market as a likely scenario for future EU-Israeli relations (Chevallard, 2003). According to the Israeli daily *Ha'aretz* (10 July 2003), EU officials have also mentioned that 'wider Europe' implies that, unlike in the past, the future of EU-Israeli relations will no longer depend on progress in the Israeli-Palestinian peace process. The EU ambassador to Israel, however, was more cautious on this issue, declaring that 'progress in the peace process, in particular the implementation of the Road Map, will facilitate the presentation of a convincing case for substantial upgrading of bilateral relations' (Chevallard, 2003).

Thus, although the EU document on 'Wider Europe' stipulates that the initiative 'should not override the existing framework for EU relations with [...] the Southern Mediterranean Partners' (Commission of the European Communities, 2003), there is hardly a basis for such a recommendation. In fact, the differentiated 'Wider Europe' initiative is a departure from the EU's Mediterranean policy maintained thus far, and in particular from the regional design of the Euro-Mediterranean Partnership. Concerning Israel, it implies a return to the 'Essen logic' and a softening of the conditionality within EU-Israeli relations as far as the peace process is concerned. Of course, the EU may still want to introduce some sort of 'soft conditionality', as the above-mentioned statement of the EU's ambassador to Israel indicates. The EU may also want to limit the offer of integration into the EU's internal market to Israel's territory within the 1967 borders, thus excluding Israeli settlements in the occupied territories. With it, the EU would act in accordance with its recently adopted policy regarding the settlements and its products,¹⁵ while setting a clear political sign. At any rate, a considerable upgrading of EU-Israeli relations, based on the recognition of Israel's 'advanced' status, may be the most effective way of reducing Israel's reluctance towards an increased political role of the EU in the region.

At the same time, tying the advancement of relations between the EU and other southern Mediterranean/Middle Eastern countries to their political and economic performance may be an effective means of promoting economic and political reform in the region. It may not necessarily contribute to the EU's popularity in the region. However, 'Wider Europe' may well imply that the EU will start to coherently implement the principle of conditionality, and most notably a conditionality that is based on merit. With it, the EU could efficiently use its potential and influence in the region in order to advance its declared objectives—with a 'typically European' foreign policy profile.

15 See footnote 6.

3. *The Kurdish Problem*

Turkey's standing in the Middle East, and consequently, its quality as foreign policy asset for the EU's external relations with the region, will also depend on the future of the Kurdish problem. Certainly, Ankara has notably improved the treatment of its Kurdish minorities in recent years. And as noted above, the conflict between Turkey and Syria over Kurdish independence has been resolved for the time being.

But the Kurdish problem retains the potential of profoundly disturbing Ankara's relations to other neighbouring states in which there are Kurdish minorities, most notably Iraq and Iran. In spite of the relative autonomy of Iraq's Kurdish population at present, the situation in Iraq remains highly volatile, and formulating any predictions on the future of Iraq is not a serious undertaking at the present. Thus, incorporating Turkey into the EU is tantamount to importing the high conflict potential of the Kurdish problem into the EU, with all its risks and possible complications (Kuniholm, 1996). Thus, Turkey's role as an asset for the EU in terms of foreign relations to the Middle East/southern Mediterranean will be dependent on the salience of the Kurdish problem as well as on the future of Turkey's policy towards its Kurdish minorities.

4. *The Future of the Peace Process*

Finally, the question of whether Turkey's EU accession will be an asset for the EU's policy towards the Middle East/Mediterranean will obviously also depend on the future of the Israeli-Palestinian conflict, or alternative, peace process. If the current spiral of violence and the bloodshed continues, for the reasons noted above the EU's prospects of assuming a more important and independent political role will remain limited at any rate—with or without Turkey. Conversely, if we should witness a development towards 'peace-talking' and peace-making in the region, the EU could play an important role in the consolidation of peace. In this case, and as discussed above, Turkey's EU membership may well make a difference.

IV. Conclusion

By way of conclusion, Turkey's EU membership could help addressing a number of major flaws that have characterised the EU's policy towards the southern Mediterranean/Middle East thus far. These flaws could be termed coherence, credibility, and commitment. With Turkey's EU accession, the EU would become anchored in, and part of, the Middle East, while the EU would concretise its declared aim of wanting to contribute to stability, democracy, and economic development in the region. Turkey's EU accession could thus notably increase the consistency and credibility of the EU's Mediterranean and Middle Eastern policy. In addition, with Turkey 'on board', the EU's ambitions to play a greater political

role in the region would attain a higher legitimacy, and probably face fewer obstacles, particularly as far as Israel's traditional reluctance to the EU's ambitions is concerned. At the same time, with regard to the Middle East conflict, the EU could effectively use Turkey's excellent communication channels to Israel's political and military elites in its mediating efforts as well as in future peace-building endeavours. Finally, in the post-9/11 climate, incorporating a state with a predominantly Muslim population into the EU has an enormous potential for the EU's policy towards the Middle East/southern Mediterranean, and actually far beyond this. From this perspective, Turkey's EU accession offers the possibility of 'mending fences' and preventing real or imagined 'clashes' of civilisations, in terms of both symbolic and concrete politics.

However, the importance of Turkey's EU membership in terms of foreign policy asset will also depend on a number of developments that either precede or are partly independent of Turkey's EU membership. First, the imminent enlargement can be expected to have a significant impact on the EU's external relations in general, and to the Middle East/southern Mediterranean in particular. Second, the implementation of the 'Wider Europe' scheme—*de facto* entailing a new orientation of the EU's Mediterranean policy—is most likely to deeply affect the EU's relations to the region. Third, the question of whether Turkey will be a foreign policy asset for the EU with regard to the Middle East/southern Mediterranean will also depend on the salience of the Kurdish problem, and fourth, on the future of the Middle East conflict, or alternatively, peace process.

Finally, it should be noted that Turkey's potential for the EU's Mediterranean/Middle Eastern policy will also be dependent on the EU's attitude towards Turkey's accession itself. Following this reasoning, the question of 'how' Turkey enters the EU may well be more important than the question of 'if'.¹⁶ To put it differently, Turkey's EU entry will not be of any advantage for the EU's external relations if it will not be conducted in the 'right spirit'. Indeed, it is crucial that the EU will know *how to use* the vast potential that Turkey's EU membership offers for its Mediterranean/Middle Eastern policy. This implies that the EU must be able to present the advantages of Turkey's EU membership as such and effectively employ them in the formulation of its external relations. Yet in order to do so, the EU must be convinced of the benefits resulting from Turkey's EU membership. Half-hearted decisions and hesitations will certainly not be helpful in this regard.

16 I owe this observation to Emanuel Adler.

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**Dance In – Walk Out:
Turkey, EU Membership and the
Future of the Barcelona Process**

Tobias Schumacher

I. Introduction

Since the inception of the Euro-Mediterranean Partnership (EMP) in November 1995 and the decision of the European Council in Helsinki only four years later to accord Turkey the status of a candidate for EU membership, Turkey is *de facto* in a hybrid and rather peculiar position. On the one hand, the Presidency Conclusions of the European Council of Copenhagen in mid-December 2002, where Turkey was explicitly encouraged ‘to pursue energetically its reform process’,¹ have ultimately made clear that the EU will open accession negotiations with Turkey ‘without delay if the European Council in December 2004, on the basis of a report and a recommendation from the Commission, concludes that Turkey fulfils the Copenhagen political criteria’.² Whilst this decision has strengthened Turkey’s claim for EU membership enormously, Turkey, on the other hand, however, is formally still a member of the EMP, i.e. a process that was originally inaugurated to initiate security, economic and social/cultural cooperation between the EU and those third countries of the Mediterranean (TCM) that—*grosso modo*—were actually ruled out of EU membership. That Turkey was included in the intergovernmentally-structured Barcelona Process, as the EMP is also called,

1 Presidency Conclusions of the European Council of Copenhagen 12/13.12.2002.

2 *Ibid.*

occurred in spite of both the association agreement of 1963 containing a membership pledge, and the Customs Union agreement of 1996.

In light of this anachronism and the ongoing debate as to whether Turkey should become a member of the EU, it is the objective of this chapter to discuss the impact the final EU decision, i.e. a granting or a refusal of a Turkish EU membership, may have on the future of the EU's Mediterranean policy and its underlying objective to contribute to economic and social stability in the Southern Mediterranean. With this in view, this paper is guided by the assumption that while a possible Turkish EU membership is bound to have strong repercussions on the geographical dimension of the EMP and its scope of policies, it will hardly affect the latter's one-sided power structure and intergovernmental character. In addition, it will also be argued that irrespective of whether Turkey will be granted EU membership, the final decision by the EU decision-making bodies will hardly lead to a further *Mediterraneanisation* of Turkey's foreign policy. Hence, the paper is structured as follows: The first section will provide for a debate of Turkey's special place in the EMP, thereby analysing Turkish perceptions of the EMP and Turkey's involvement in the latter's three cooperation baskets since the end of 1995. This is followed by a second section where two scenarios shall be discussed in light of the above mentioned assumption. The first scenario assumes that the EU will enter into accession negotiations with Turkey in 2005, which, in turn, would bring about a Turkish EU membership sometime in the next decade, probably after 2015. In contrast, the second scenario will take a rejection of Turkey's EU membership bid as a theoretical starting point and presume that Turkey will not be part of the EU's next accession rounds. Finally, the paper concludes with a final section in which the results are put in a wider debate relating to the European Commission's recent 'Wider Europe' proposal and the EU's role as an international actor in the Mediterranean arena.

II. Neither Fish nor Fowl: Turkey in the EMP

Throughout the years, Turkey's participation in the EMP has always been conditioned by the political elite's efforts to portray Turkey as a European country, by Turkey's political and socio-economic specifics, by its geo-strategic location and, thus, by its particular security demands. As a former buffer to the communist Soviet Union and due to its pivotal position in a troubled area that stretches from the Balkans to the Middle East, the Caucasus and Central Asia, it has never ranked the wider (Southern) Mediterranean area, as it is currently represented in the EMP, high on its foreign policy agenda. Unlike the EU with its artificial notion of the Mediterranean as one region, the Mediterranean, from a Turkish point of view, is rather conceived as an extremely fragmented and heterogeneous area compartmentalised into different sub-regions and areas of interest. In spite of the

gradual Turkish-Egyptian *rapprochement* of the last years and the current negotiations on a bilateral free trade agreement,³ Turkey's contemporary foreign policy towards the south-western Mediterranean area and North Africa in particular, can be best characterised as a 'policy of benign neglect'.⁴ Instead, and with the exception of former Prime Minister Erbakan's unsuccessful attempt to set up an alliance of major Muslim countries (M-8), it is the Eastern Mediterranean that has preoccupied Turkish foreign policy-makers before and after the inauguration of the Barcelona Process. Hence, if Turkey could be said to have a Mediterranean policy of its own, such a policy would deserve to be labelled 'Eastern Mediterranean' and can not necessarily be considered as complementary to the EMP. In other words: Turkish activism in the Mediterranean is confined to the Greece and Cyprus issue, the Balkans and, to a lesser extent, the Middle East conflict. Lest to the possible spill-over effects that are inherent to these problem-circles and that are perceived by the Turkish foreign policy establishment as potentially detrimental to Turkey's national interests, it is no surprise that Turkey from the start of the EMP until today has given these regional issues full priority.

As the EMP in its existing shape is neither intended to be a forum for the discussion nor an arena for the resolution of these Turkish concerns, the various Turkish governments, almost right from the outset of 'Barcelona', have adopted a mixed attitude marked by indifference, scepticism, partial rejection and caution. This viewpoint is further motivated by Turkey's self-perceived image as a future EU member, by its position as an integral part of the European/Western system,⁵ and, thus, by its refusal of being treated as a southern TCM. Turkey, where

3 During the 1950s and 1960s Turkey's relations with the Nasser-led Egypt were tense due to Turkey's strong support of the U.S. containment policy in the Middle East and also due to its membership in the anti-Communist SEATO and the Bagdad Pact that was later transformed into CENTO. On Turkish-Egyptian relations in the 1980s, see Ihsan Gürkan, *Reflections on Recent Perspectives in the Eastern Mediterranean security: Defense Cooperation between Turkey and Egypt*, in *Studies on Turkish-Arab Relations* 3/1988, pp. 53-67. Current Turkish-Egyptian negotiations over a bilateral free trade agreement must also be seen in light of Egypt's putative mistrust of the Turkish-Israeli strategic partnership. On the latter, see Syria Times of January 15, 1998 and Philip Robins, *Turkish-Israeli Relations: From the Periphery to the Centre*, (The Emirates Occasional Papers 41).

4 In an editorial that was published by *Turkish Daily News* on December 12, 1997, İlnur Cevik maintained that 'Turkey has neglected the Islamic countries. Turkey should have increased its contacts with the Arab world, yet this has not been the case. On the contrary, Turkish officials have preferred to eye Europe as of 1993 and have forgotten the Islamic world.' See also Inbar, Efraim, *The Israeli-Turkish Strategic Partnership*, Ramat Gan: Bar-Ilan University Mideast Security and Policy Studies 53, p. 167.

5 On this point, see also Lesser, Ian O., *Growth and Change in Southern Europe*, (Santa Monica: RAND/RP-517), p. 12.

currently 75% of the population are allegedly in favour of EU membership,⁶ is in possession of a Customs Union agreement with the EU, is a former WEU associate, and also a full member of the Council of Europe, the OECD, NATO and the OSCE. Accordingly, it participates actively in the latter two's Mediterranean Dialogues, however, not as a neighbouring country, but, as was already indicated, purely in its capacity as a member of the *western* security community. Furthermore, Turkey is a deviant case within the framework of the EMP since it is one out of only four TCM that has a free market economy, and, more importantly, because it is the only secular, albeit defective democracy with a major Muslim population.

It is these distinctions that have led Turkey's foreign policy elite to develop a low profile both towards and within the EMP. Although Turkey has proven to be principally in favour of bi- and multilateral regional cooperation initiatives—a fact that is reflected in Turkey's pro-active engagement in the Mediterranean Forum for Dialogue and Cooperation (MFDC), the Economic Cooperation Organisation (ECO), and by its leading role in the creation of the Black Sea Economic Cooperation (BSEC)⁷—it has not yet really got used to the EMP.⁸ Too strong is the anxiety to be finally perceived as a non-EU country like all other TCM, too heavily weighs the anxiety that an EMP membership may serve as a pretext to be left outside the EU. Against this background, Turkey's involvement in the EMP can be divided into three phases.

A. Turkey in the EMP between 1995 and 1997

The very first phase lasts from the inception of the Barcelona Process in November 1995 until the European Council in Luxembourg in December 1997. When the EU, under the guidance of the German Presidency during the European Council in Essen in December 1994, decided to replace its 'Renovated Mediterranean Policy' (RMP) with a Euro-Mediterranean Partnership, Turkey reacted with reserve, but did not seem to have strong objections against the envisaged expansion as regards

6 See the interview with Prime Minister Erdogan in the German daily *Frankfurter Allgemeine Zeitung*, August 30, 2003.

7 Originally, the MFDC goes back to an Egyptian proposal that was presented during the foreign minister's meeting of the Mediterranean group of the non-alignment movement in Yugoslavia in 1987. It is the objective of the Forum to concentrate on economic cooperation issues within flexible governmental and non-governmental institutions. Since an inclusion of all Mediterranean rim countries was ruled out due to the unsolved conflicts in the area, the MFDC is only comprised of Turkey, Egypt, Algeria, Morocco, Tunisia, Malta, Greece, Spain, France, Italy and Portugal. Whilst the ECO only addresses issues of economic cooperation between Turkey, Egypt, Iran, Pakistan, Bangladesh, Nigeria, Indonesia, Malaysia and the Central Asian Republics, the BSEC, initiated by Turkey in 1992, has the objective to foster regional economic co-operation, stability and security in Turkey's neighbourhood, thereby promoting its members integration into the world economy.

8 Tayfur, Fatih, 'Security and Cooperation in the Mediterranean', *Perceptions* 3/2000, p. 37.

content and geographical scope. This was also the case during the following months when it became apparent that the new EMP would have a political and social/cultural dimension. Whilst decision-makers in the Maghreb and Mashreq complained about the modalities of the planned Euro-Mediterranean Free Trade Zone (EMFTZ), and entered into time-absorbing bargaining processes with the European Commission, the ruling Turkish elite literally took a step back and involved itself only in those cases where issues such as fight against terrorism, illicit drug trafficking or social and cultural cooperation were negotiated. This indifferent attitude can be explained by Turkey's strong concern with two different arenas at that time, namely with the final implementation of the Customs Union agreement with the EU and the country's struggle for EU membership.⁹ As a result of this preoccupation, Turkey had maintained its indifference throughout the EMP's first two years. This was particularly reflected in the lack of interest Turkey had and still has in the first basket.

Due to its consideration of the Atlantic Alliance as the only credible and powerful security actor in the Mediterranean, the conceptual imbalance of Euro-Mediterranean political and security cooperation,¹⁰ and, as already mentioned above, the EMP's neglect of Turkish security concerns, it is difficult for the political elite in Turkey to see the added-value of an EU-dominated multilateral endeavour like 'Barcelona'. The long-standing Turkish-Syrian dispute over the water use of the Euphrates or Syria's long-standing support of the PKK for example, i.e. two soft security issues that are directly related to Turkey's national interests, serve as a prime example in this context as they have never been discussed in the EMP's Senior Officials Committee.¹¹ Although the latter is the first basket's official forum and although there may be considerable reasons for Turkey to regard any multilateral resolution efforts as an interference in its national sovereignty, the circumvention of the EMP simply reflects the reserve Turkey has shown towards the efficiency of the political and security partnership.

As far as the EMP's economic and financial chapter is concerned, it goes without saying that Turkey has a general interest in exploring new markets and in increasing the sales potential of Turkish export products. Hence, the perspective of becoming a part of the EMFTZ and the prospect of entering into an emerging trans-Mediterranean trade network that would complement the bilateral Customs Union

9 Whereas the EU-Turkey association council finalised the Customs Union agreement on March 6, 1995, it took nine more months until the European Parliament ratified this decision.

10 On that point, see Schumacher, Tobias (2002) 'From Barcelona to Valencia: The Limits of the EU's Political and Security Partnership with the Southern Mediterranean Countries', in Bo Hultdt, Mats Engman, Elisabeth Davidson (eds.), *Strategic Yearbook 2003 Euro-Mediterranean Security and the Barcelona Process*, Stockholm: Elanders, p. 221.

11 See also the Swiss daily *Neue Zürcher Zeitung*, January 8, 1996.

with the EU was not seen as a step against the country's ambition to join the EU. Whereas Turkey's participation in the economic component of the second basket did not produce any major results in terms of expanding the absolute amount of Turkish exports towards other TCM during the first two years of 'Barcelona', it was Turkey's actual inclusion in the EMP that had an indirect, but rather noticeable effect on the implementation of the latter's financial dimension. Its main instrument, the MEDA regulation, in order to enter into force, needs the unanimous support of all 15 EU member states. In the autumn of 1995, however, in spite of a principle agreement between the EU and all TCM, Greece harnessed the adoption of the regulation for its own purposes and exercised a veto. From a Greek perspective, this was intended to draw the other member states' attention to the evolving Imia conflict and the unsolved Cyprus problem respectively.¹² Although Greece was finally convinced to give up its boycotting position, with the result that MEDA entered into force on July 23, 1996, this incident—preventing Turkey and the other TCM to benefit from financial aid for more than eight months—once more substantiated the widespread belief within Turkish society that Turkey will be exposed to European pressures and 'blackmailing' unless it is a full EU member.

B. Turkey and the EMP between 1997 and 1999

Turkey's indifferent, albeit reserved approach towards the EMP turned into an attitude of rejection when it became clear that the European Council in December 1997 decided to take up accession negotiations with Cyprus. Even though Turkey during the talks of the EU-Turkey Association Council on March 6, 1995 had accepted the EU's position to open negotiations with the divided country without a preceding solution of the conflict, it felt sidelined and regarded the Union's choice as a *fait accompli*. As a reaction, the Turkish government under the then Prime Minister Yilmaz opted for a boycott of its political dialogue with the EU. Rather soon after Turkey's withdrawal from the political dimension of the Association Council, however, it emerged that this decision would also affect the country's low-profile position towards the first basket of the EMP: In light of the looming crisis over Cyprus where the Greek-Cypriot government in January 1997 had decided to deploy S-300 anti-aircraft missiles, the ruling Turkish elite now decided to remain fully passive within the context of Euro-Mediterranean political and security cooperation until it would finally get involved in the European integration process.

Contrastingly, Turkey's involvement in the EMP's second basket, in particular within its financial cooperation dimension, increased until the end of 1999. Clearly, from a Turkish perspective, this step was rather easy to take since it did not necessarily imply an undermining of its self-perceived image as a European (and

12 See Schumacher, Tobias (forthcoming 2003) *Die Europäische Union als internationaler Akteur im Mittelmeerraum. Die Bilanz der EU-Mittelmeer-Politik*, p. 319.

thus non-southern Mediterranean) country. In practical terms, however, the actual project identification was impeded by the European Parliament's (EP) decision in 1996 to impose supplementary restrictions, and by the absence of a framework financing convention between the EU and Turkey respectively.¹³ Given that the support of the socio-economic development and the transition process was the overall objective of all activities financed under the MEDA regime in Turkey during 1996-1999, the EP's restrictive stance and the lack of a binding legal basis resulted in a heavy delay of the actual implementation of projects. Nonetheless, 55 projects with an overall value of €376 million were financed until the end of 1999: Out of this amount €42 million were spent on the support of small and medium-sized enterprises, the development of the productive infrastructure, institutional cooperation and the privatisation process; a total of €95 million was allocated to improve the public health sector whilst €182 million were channelled into the reform of Turkey's education sector; furthermore, the improvement of waste water treatment absorbed €42 million and the strengthening of the civil society €14 million.¹⁴

C. Turkey's EMP Policy during 2000-2003

With the Helsinki European Council's recognition of Turkey's status as a candidate for EU accession in December 1999, relations between Ankara and Brussels improved again. Whereas this decision led to the actual start of the accession process, with Turkey gradually taking the first steps towards the adoption of the *acquis communautaire* (in the public procurement and services sector), this *rapprochement* did not have a real effect on Turkey's participation in the EMP during 2000-2003. Due to Ankara's ongoing consideration of the EMP as an initiative that does not bring about significant security benefits, and also due to the absence of co-decision mechanisms in the EMP's Senior Officials Committee, Turkey has kept the low-profile policy of the earlier years towards the first basket. This was even the case in the field of Euro-Mediterranean cooperation on the combat of terrorism, although this was an area where Turkey originally had shown a strong interest.¹⁵

13 The framework financing convention was only signed on March 19, 1999.

14 For more details, see European Commission (2000) *The Barcelona Process, 5 years on, 1995-2000*, Luxembourg.

15 In 1999, Abdullah Öcalan, the former leader of the PKK, was captured in Kenya in possession of a Greek-Cypriot passport after having been provided shelter by the Greek embassy to Kenya. The Turkish government accused particularly Italy and Greece for their alleged tolerant attitude towards Öcalan. From a Turkish perspective, this incident proved that any kind of cooperation within the political and security partnership was illusory and, thus, doomed to failure.

The principle attitude of reserve and caution can still be discerned in Turkey's current actions within the economic and financial cooperation scheme. Nonetheless, Turkey exploited its formal status as a beneficiary under the MEDA regional programmes. In 2000, for instance, the government was granted €16 million from MEDA funds to pay the interest on an €80 million loan from the European Investment Bank (EIB) in order to be able to build a new water treatment facility in Bursa. It received this financial aid in addition to both the €10 million facility destined for a widening of the already existing Jean Monnet Scholarship programme, and the Structural Adjustment Facility, worth €150 million.¹⁶

Somewhat differently, however, was Turkey's attitude towards closer involvement in the third basket, i.e. in the framework of Euro-Mediterranean social and cultural cooperation. Almost right from the start of the third basket's main projects, i.e. the Euro-Med-Heritage Programme (EMHP), the Euro-Med-Audiovisual Programme (EMAP) and the Euro-Med Youth Action Programme (EMYAP), Turkey showed a great deal of activism. It has been participating in the so-called CAPMED that aims for the creation of a Euro-Mediterranean archive in the audiovisual sector and a CAPMED-Internet-Service. In addition, it became active in the CORPUS architecture project, the archaeology-related RIAS, the UNIMED conference in Rome, and the Euro-Med Heritage Days in Brussels. Nonetheless, it has been the EMYAP that attracted Turkey the most. As a country that has never been amongst the forerunners in terms of producing new initiatives or cooperation programmes within the first two baskets, Turkey throughout the years has even adopted the role of an exemplary partner country within the EMYAP. While Turkey, after Morocco, Tunisia and Israel, ranks fourth in terms of the number of participating youth coming from the 'Southern Mediterranean',¹⁷ it can be seen as a role-model with respect to the approval rate of applications and the latter's quality. Indeed, as the European Commission in its latest EMYAP evaluation report remarks, out of 28 Turkish applications submitted during the period 2000-2002, covering youth exchanges (Action 1), voluntary services (Action 2) and support measures (Action 5), 23 were approved; this represents an approval rate of more than 82%.¹⁸

16 See *Report from the Commission to the Council and the European Parliament. Annual report of the MEDA programme 2000* (2001), Brussels: COM, p. 53.

17 Of all 6323 youth who participated in the EMYAP during 2000-2002, 379 came from Turkey. This corresponds with 6% of all participants.

18 See European Commission, *Projects with Mediterranean Partner Countries*, (DG Education and Culture: ith-d03-038, February, 20, 2003). In total, the number of applications coming from the TCM during the period 2000-2002 amounted to 180 whilst the number of approved projects is only 95.

III. The Question of Turkish EU Membership and its Linkage with the EMP

A. The Impact of Change: Turkish EU Membership and the EMP

In case the European Council in December 2004 concludes that Turkey fulfils the Copenhagen Criteria it can be assumed that bilateral accession negotiations will start in the first half of 2005. This, in turn, would most probably lead to a Turkish EU membership sometime after 2015 unless the EP or the national parliaments of the EU member states exercised a veto. Turkish EU membership would also imply that Turkey could finally shake off its alleged unjust status as a TCM. In other words: Turkey would eventually be given the long-awaited opportunity to swap its seat at the EMP table and henceforth be able to exercise power and to co-decide over the future course of the Barcelona Process. Apparently, Turkey's EU membership would strengthen the EU's southern dimension and shift the internal political gravity centre further south towards the Mediterranean. With a growing population of currently 70 million people, the EU's 'Club Med' would then represent more than 230 million people, i.e. approximately 40% of the enlarged Union. Depending on which majority rules will be applied at that point, this alone would heavily aggravate the common decision-making process in the Council. Hence, it can be expected that the voice opportunity as well as the bargaining power of the EU's Mediterranean rim states would drastically increase with regards to their specific interests in their immediate southern neighbourhood.

It is relatively likely that a Turkish EU membership would negatively affect the TCM in so far as it might lead to a deviation and, thus, a cut-back of financial transfers due to Turkey's own massive capital demand. In spite of this, however, it is almost inherent to a Turkish accession, simply due to the country's geographical position, that northern EU countries would be confronted with a clear reminder that the EU is not only a civilian power in Central and Eastern Europe but also in the Mediterranean area.

It is in this context that it was often referred to Turkey 'as a bridge between the Southern and Northern Mediterranean',¹⁹ once it would be an EU member state. Indeed, as was already indicated, Turkey's character as a secular democracy with an overwhelmingly Muslim population could serve as a model for the TCM. Moreover, Turkey's close alliance with Israel, its improved economic relations with parts of the southern Mediterranean rim countries and also the weight that it has gained within the Organisation of the Islamic Conference (OIC) in the wake of

19 LaGro, Esra, *A note on the Euro-Mediterranean Partnership and the role of Turkey* (Observatory of European Foreign Policy, EU-Turkish Relations Dossier), to be downloaded from: selene.uab.es/_cs_iuee/catala/obs/dossier_turquia/tk_analisis/eutr_18_2003lagro.pdf.

the confrontations in the Balkans may support this notion. Nonetheless, for this notion to transform into reality it would require to a certain extent a paradigm change in Turkey's foreign policy and thus a vision of the Mediterranean goes beyond Turkey's current focus on the Greece and Cyprus issues. Furthermore, since the Arab world regards Turkey's close relations with Israel with a great deal of scepticism—if not distrust—and since it is still questionable whether the Arab societies have forgiven Turkey for Atatürk's abolition of the Arabic alphabet and the caliphate in 1924, i.e. the abolition of the visible representation of the Islamic order, Turkey's adoption, and also the feasibility of such a bridge-building role is far from being certain.²⁰ In addition, and this points against the adoption of such a role too, Turkey lacks *relations privilégiées* with the Arab TCM. Unlike Spain, France and Italy, the three driving forces within the EU's Mediterranean policy that have a long history of intimate relations with the countries of the Maghreb region, Turkey, like Greece, was never in the position of being a protecting power or a close ally. As a matter of fact, after the end of the cold war such a role was neither aspired to by Turkey nor ever demanded by the Arab TCM.²¹

Irrespective of Turkey's regional (and sub-regional) ambitions, the country, after its accession to the EU, may suddenly find itself in a position where it could be forced by other EU members and/or by the developments along its southeastern borders to change its attitude towards its 'near abroad' and become more active within the EMP. Such a situation may for example emerge if Turkey becomes an integral part of the EU: As it is as much widely known as it is overlooked the EU's future borders are bound to end at the northern borders of Syria, the north-western borders of Iran and, most importantly of all, at the northern border of war-torn Iraq. It is common knowledge that the expansion of the EU's borders will bring the Union closer to the Middle East thereby exposing it to an unstable environment marked by conflicts and a variety of security threats. Surprisingly, however, the European Commission's recently published communication entitled 'Wider Europe—Neighbourhood: A New Framework for Relations with our Eastern and Southern Neighbours',²² that is supposed to outline the EU's future neighbourhood policy in the aftermath of the accession of the twelve candidate countries and Turkey, keeps embarrassingly quiet about this matter. As the EMP was carefully crafted to include four non-Arab southern partner countries, namely Israel, Cyprus, Malta and Turkey, the prospect of the latter three becoming members of the EU

20 On Arab perceptions of Turkey, see Bengio, Ofra and Gencer Özcan, 'Old Grievances, New Fears: Arab Perceptions of Turkey and its Alignment with Israel', *Middle Eastern Studies* 2/2001, pp. 50-92.

21 See also Söylemez, Yüksel 'A new vision of Turkish-Arab economic relations and co-operation in the 21st century', *Turkish Review of Middle East Studies* 2001/02, p. 151-166.

22 See COM(2003) 104final/11.03.2003. See also Euromed Report 61/2003.

will consequentially leave Israel as the only non-Arab country with eight Arab partners.²³ Since the multilateral track of the EMP, especially in the political and security field, has already been paralyzed by the virtual demise of the Israeli-Arab peace process, it can be expected that the ever-increasing polarity between Israel and the Arab countries will finally render any objectives regarding Confidence and Security-Building Measures (CSBM) within the framework of the EMP once and for all obsolete.

Obviously, Turkey's accession to the EU will bring Iraq geographically closer to an integrated Europe. Whereas the Union already conducts institutionalised relations with Syria in the framework of the EMP and with Iran in the context of a permanent dialogue on political issues and the fight against terrorism, Iraq's presence as a future EU neighbourhood will almost necessarily provoke the Union to abandon its policy of treating the country as a *quantité négligeable* and, depending upon American approval of course, to take up relations as soon as the political circumstances allow. Although the EU has not yet come up with a strategy towards Iraq,²⁴ the emerging relationship will at some point prompt the question of how Iraq can be integrated into the EU's neighbourhood policies in the region. As it can be expected that it is not in the interest of the EU to work towards a further fragmentation of its interrelations with the Middle East,²⁵ it is therefore principally possible that the Union will include Iraq in its most wide-ranging foreign policy approach towards the Maghreb and Mashreq region, i.e. into the EMP. Even though there may be voices that would consider such an inclusion as far-fetched and unrealistic, it must not be overlooked that Iraq had and still has close economic and cultural ties with the countries of the Mashreq/Eastern Mediterranean region. Of course, a future Iraqi accession to the Barcelona Process would eventually render the somewhat artificial concept of a partnership with 'Mediterranean' countries even more questionable,²⁶ if not obsolete, given that Iraq, after Jordan, would be the second southern partner country without access to the Mediterranean Sea. However, this is not really an obstacle since neither the Barcelona Declaration nor the various association agreements *expressis verbis* restrict the EMP to

23 The subsequent discussion is based on Neugart, Felix and Tobias Schumacher (2003) 'The EU's Future Neighbourhood Policy in the Middle East: From the Barcelona Process to a Euro-Middle East Partnership', in Christian-Peter Hanelt, Giacomo Luciani and Felix Neugart (eds.), *Europe, the Middle East and the Iraq Crisis*, Guetersloh: Bertelsmann.

24 See Luciani, Giacomo and Felix Neugart (2003) *Toward a European Strategy for Iraq*, Policy Paper, Guttersloh: Bertelsmann Foundation, March.

25 Beyond the EMP, the EU conducts relations with the countries of the Gulf Cooperation Council (GCC), Yemen, and as already mentioned, with Iran.

26 On the artificiality of the Mediterranean as a region, see Pace, Michelle (2003) 'Rethinking the Mediterranean. Reality and Re-presentation in the Creation of a "Region"', in Finn Laursen (ed.), *Comparative Regional Integration: Theoretical Perspectives*, Arlington: Ashgate.

Mediterranean riparians. And even if this would actually be the case, it must be recalled that the Barcelona Process was never intended to be fully inclusive, but has been leaving a handful of Mediterranean rim states outside.²⁷

It is in light of the EU's eastern enlargement and also Turkey's possible EU membership that the Commission in its neighbourhood strategy paper has presented a somewhat revolutionary idea. For the very first time in the history of EU external relations, the Commission proposes to the Council to grant the EU's future neighbours a share in the internal market, including the free movement of goods, services, capital and people, though without representation in its institutions.²⁸ Although it is extremely unlikely that the Council of Ministers will ever grant the freedom of free movement of people to non-EU members, the concession of the other three freedoms—irrespective of how likely their provision eventually is—has a strong potential to change the widespread image of the EU as a protectionist and purely neo-liberally-oriented Western power in the Middle East.²⁹ In addition, it would, at last, allow southern partner countries with considerable comparative cost and competition advantages in the agricultural field to finally benefit from their association agreements and their half-fledged free trade stipulations.

Against the background of this far-reaching suggestion and the geographical implications Turkey's EU membership will have on the future of the EU and thus the EMP, the Union will be forced to consider a redefinition of the existing EMP's geographical scope and may have to transform it into a more inclusive and more open 'Barcelona plus' or a 'Euro-Middle East Partnership (EMEP)' as was already suggested elsewhere.³⁰ In the same direction, if only in the context of EU relations with the Gulf countries, Rosemary Hollis argues by stating that:

27 See also Philippart, Eric, 'The Euro-Mediterranean Partnership: A critical evaluation of an ambitious scheme', *European Foreign Affairs Review* 2/2003, p. 219. He argues that whereas Jordan was a Mediterranean country until 1967 and, hence, must be considered as a Mediterranean 'hinterland', this does not apply to Iraq. Apart from the fact that Jordan even before 1967 did not have direct access to the Mediterranean sea, Philippart, in this context and with regard to the latter point, certainly overestimates the meaning of being 'Mediterranean' in particular and the socio-cultural notion of belonging in general.

28 See the speech delivered by Romano Prodi at the Tempus MEDA Regional Conference at the Bibliotheca Alexandrina on October 13, 2003 in which he confirms the Commission's intention to create 'a "ring of friends" with whom we can share all the benefits of membership, barring the Union's institutions.'

29 The recently implemented Euro-Med Market Programme, permitting closer regulatory and legislative approximation of the TCM to the EU's internal market, might be seen as a first sign of the Council of Minister's principle willingness to follow the Commission's proposal as regards closer trade cooperation.

30 See in more detail Neugart and Schumacher cit. op. See also Schumacher, Tobias, *From the Euro-Mediterranean Partnership to 'Barcelona plus' Reflecting on the future of the Barcelona Process*, paper presented at the workshop 'Best Practice and Potential Field of

A more ambitious vision could be the answer, and Turkey's incorporation into the EU could be the key. After all, Turkey's immediate neighbours in the region are Syria, Iraq and Iran, which together link the Mediterranean and the Gulf. A plan to capitalise on economic links between Turkey and each of these states and across all three of them, from west to east, would open the way for a whole new approach to extending Europe's relations with the Middle East and Gulf regions.³¹

Such a 'EMEP' would be designed as an intergovernmental umbrella that allowed for several bi- and/or multilateral inter-, intra- and sub-regional cooperation clusters, and thus abandoned the all-inclusive multilateralism that has been hampering the Barcelona Process so strongly. It would include a permanent inner core of full members—the EU-15, the candidate countries of the first and second accession wave, Turkey and the EMP southern partner countries, Iraq, and at a later stage also Iran—entitled to participate in all three cooperation baskets, and an outer group of countries (GCC and Yemen) that would participate in only some areas. In that sense, the different cooperation speeds, i.e. the variable cooperation geometry, would have the advantage of taking the respective country and regional specifics into account.³²

Since Israel's inclusion into regional cooperation and integration frameworks in the wider Euro-Mediterranean area still remains, for the time being, very unlikely, and also in light of the fact that the transformation of the EMP into a 'EMEP' would clearly enhance Euro-Arab relations, Israel needed to be granted an enhanced bilateral association status and invited to participate in those areas of cooperation where progress could be achieved without a preceding political solution in the Middle East.³³ Surely, in light of the current tensions within the

(contd.)

Action for Revitalizing the Euro-Mediterranean Partnership', organised by the Bertelsmann Foundation in Berlin on November 17, 2003.

- 31 Hollis, Rosemary (2000) 'Turkey and the Geo-Political Consequences of EU Enlargement', in Christian-Peter Hanelt, Felix Neugart and Matthias Peitz (eds.), *Future Perspectives for European-Gulf Relations*, Gutersloh Bertelsmann, p. 20.
- 32 Of course, the political and economic make-up of the GCC members and also of Iran differs substantially from most other Middle Eastern countries. Nonetheless, a progressive inclusion of GCC countries and Iran in many dimensions of an emerging 'Barcelona plus' seems to be warranted. Principally, the geographical scope of the 'Barcelona plus' would include Libya as well. Hitherto, however, the Libyan political leadership has not made an effort to change its status as an observer to the EMP into a full participant.
- 33 The Tri-lateral Working Group Israel-Palestinian Authority-European Commission on Energy Co-operation created at the Athens Euro-Mediterranean Ministerial Meeting on May 23, 2003 can serve as a positive example in that respect. Under the guidance of the European Commission, Israel and the PA agreed on specific areas for co-operation, namely the electricity and gas infrastructure interconnections, the restarting of the negotiations on an electricity and energy framework agreement, technological and industry co-operation for energy demand management and renewable energy.

transatlantic partnership, the idea to tie Israel closer to the EU could be interpreted in Washington as another effort to undermine the already tense relationship between some EU member states and the U.S. Moreover, some may also argue that such an anchoring would be counterproductive to a solution in the Middle East as it signalled that the EU would treat Israel outside its regional context. These views, however, seem to be only partially correct since they tend to overlook the fact that Israel throughout the recent past has already been given a somewhat European perspective. Not only has the European Council itself in Essen in December 1994—of course, at a time when the peace process was at its peak—concluded that Israel needs to be treated preferentially.³⁴ Given that Israel is surely not European, but undoubtedly of it, it should also be considered that Israel, apart from being the only non-European country participating in the EU's Research and Development Framework Programme, is part of the Western European group to the UN and the Inter-Parliamentary Union and also an observer of the Council of Europe.³⁵

B. Business as Usual? Turkey and the EMP in Light of a Non-Accession

It seems to be rather likely that a denial of Turkey's claim to EU membership, after all one of the red threads of Turkish foreign policy for the last forty years, would have a very strong effect on Turkey and (re-)fuel the old debate about the country's identity, i.e. its place and status in the regional and international system. In such a stage of inner uncertainty and paradigm loss, there is a high risk that mainly two forces within the military and the society would be strengthened: On the one side those actors who would like to see Turkey developing into an independent regional power with Russia as its main ally, and on the other side, those circles that can be called Atlanticists and that seek close strategic relations with Israel while simultaneously distrusting Europe. Irrespective of whether Turkey, once EU membership would have been denied, either aspired to hegemonic and neo-Osmanian tendencies towards its various *hinterlands*, or lean towards the US to

34 According to the Presidency Conclusions, the 'European Council considers that Israel, on account of its high level of economic development, should enjoy special status in its relations with the European Union on the basis of reciprocity and common interests. In the process regional economic development in the Middle East including in the Palestinian areas, will also be boosted.' See Presidency Conclusions of the Essen European Council on 9 and 10 December 1994.

35 Also from a (socio-) economic point of view, there are convincing arguments supporting the idea of granting Israel a favourable bilateral (non-accession) association status since Israel, in terms of GDP and purchase power has never been 'Southern Mediterranean'. Furthermore, its Human Development Index is amongst the highest in the world and its socio-economic features resemble those of EU member states such as Spain and Ireland considerably. The latest UNDP report on human development ranks Israel on position 23.

revitalise and foster the strained Turkish-U.S. relationship,³⁶ without the vision of EU membership it is no exaggeration to assume that it will become increasingly difficult for Turkey to resist the political and cultural pressure of the Islamic world. In such a scenario, that, of course, cannot be in the interest of Europe, it would be a natural reaction if Turkey eventually turned its back on the EMP and left all three baskets. Given that Turkey has not made any political gains from its membership in the EMP anyway such a step would be relatively easy to take.

What impact would the use of this exit-option eventually have on the EMP? First of all, the number of TCM would be reduced to nine, and Israel, as in the first scenario, left with eight Arab TCM. Obviously, this would also force the EU to rethink the geographical dimension of its multilateral policy approach towards the Maghreb and Mashreq regions. As Turkey's non-accession to the EU would prevent the latter from sharing its borders with Syria, Iran and Iraq, these countries, in turn, could be confronted with the risk that the EU, in light of its self-imposed pressure to finalise its expansion towards eastern Europe, may divert its (already limited) attention and downgrade its principle willingness to commit financial and other (im)material resources. Even though the EU has never been a major donor of financial aid and never in a position to develop intimate relations with these three countries, such a development, from a symbolic viewpoint, would send a clear message to the other TCM and contribute to both a peripherisation of these countries relations with the EU, and, eventually, to a further weakening of the EU's influence in the Middle East. In addition, such a development would strengthen the already dominant position the US enjoys not only in post-Saddam Iraq but also in the whole region. Surely, it could be argued that this latter scenario is rather unlikely given the efforts of various European governments to assume some (UN-mandated) responsibility in the context of a reconstruction of Iraq. However, in light of the recent split over the Iraq issue where it emerged that some (potential) EU members still value the costs of acting as veto-players less highly than the possible gains a common and unified EU position may imply, it cannot be ruled out completely either.

Finally, an end of Turkey's formal EMP involvement and, more importantly, the loss of the EU membership perspective would also put the Turkish foreign policy elite under severe pressure to develop regional and sub-regional initiatives that would be destined to prevent those negative spill-over effects that may erupt as a result of the further destabilisation of Turkey's south-eastern flank. In such a situation, one theoretical option Turkey may at least consider would be the

36 See also Schumacher, Tobias *From player to bystander? Turkish Foreign Policy in the wake of the war on Iraq*, (Observatory of European Foreign Policy, EU-Turkish Relations Dossier, to be downloaded from: selene.uab.es/_cs_iuee/catalogue/obs/dossier_turquia/tk_analisis/eutr_03_2003schumacher.pdf)

exploitation of its particular geographical location in a more explicit way. It could work towards the initiation of an economic integration project that would bring together those neighbours in the Mashreq and the Black Sea region that share similar economic interests. By starting with a common economic area, such a project would have the potential to complement those regional initiatives that are currently under way, i.e. the Agadir Process (Mediterranean Free Trade Area), the Greater Arab Free Trade Area project (GAFTA) that has been initiated in 1997 and, of course, the BSEC. Whilst such an initiative would definitely strengthen Turkey's role as a regional power, it could not, however, compensate for the loss of the increased voice opportunity which EU membership had implied. Moreover, the feasibility and also the perspectives of such a trans-regional project seem to be rather low. Not only would this initiative be impeded by regional rivalries, bilateral tensions and the historical legacy. It would also be hampered by the widespread lack of regulatory structures, by the low purchase power in most of the Black Sea and Mashreq countries, and, and as a matter of fact, by their underdeveloped economic competitiveness.

IV. Conclusion

Irrespective of the anticipated consequences that Turkish accession or non-accession to the EU may have on the EMP, the most important question in the context of the EMP's future appears to relate to the Union's own ambitions in the Levante and, thus, in the wider Mediterranean area. Does the EU wish to play a powerful role in the Eastern Mediterranean area and the Middle East? Does it wish to act as a coherent and responsible force or will it continue to foster the image of a civilian power with a highly fragmented foreign policy system?

If the southern EU member states can motivate the EU to aspire to a full political profile in the Mediterranean, the Union can hardly refrain from making use of Turkey's geostrategic, military-political and economic resources. In such a case, however, the EU, simply because of its vital interest to prevent any negative spill-over effects that could stem from local and regional risk-factors, will be forced to assume more responsibility than in the past towards its new neighbours Syria, Iran and Iraq. Of course, this is first of all a function of the political circumstances not only in the Middle East, but also within the Transatlantic Partnership. Nonetheless, it requires a thorough rethinking of the exhausted and somewhat incoherent three-basket structure of the Barcelona Process, and thus the development of a reformed approach. In contrast to the Commission's 'Wider Europe' strategy, such a new approach must take into account the future borders of an enlarged Union and also consider the specific and diverging national problems of the EU's southern neighbours.

In contrast, if the EU will continue its self-imposed power abstention in the Middle East, it should be aware, and, of course, honest to both itself and its Turkish partners that from a foreign policy point of view, it does not necessarily need to integrate Turkey. Instead, it could offer Turkey—disregarding Ankara’s reaction to such a renewed and probably final rejection—a revised and strengthened Customs Union that combined the existing bilateral Customs Union *acquis* with the economic incentives outlined in the Commission’s recent ‘Wider Europe’ strategy. Clearly, it goes without saying that such a decision would rightfully be perceived in Ankara as a secondary alternative. It would, furthermore, finally signal that Turkey was to be treated on the same level as all other future EU neighbours to the South and the East. As they all, according to the latest Commission and Council Communications stand a chance—at least in the long-run—to be granted a stake in the Single Market and thus be almost treated as EU members (however without any right of decision-making),³⁷ Turkey would eventually lose its long-standing privilege of being one of the very few countries that is in possession of a Customs Union agreement with the EU. Whereas such a development would hardly harm the EU economically, there are political costs attached to it that must not be underestimated in the current political and academic discourse on the pros and cons of a potential Turkish EU membership: Rejecting Turkey’s membership claim and provoking the country to leave the EMP would most probably result in the Union losing its influence on Turkey’s future path towards further democratisation and human rights compliance. In light of the terror attacks on Jewish synagogues and British facilities in Istanbul on November 15 and November 20, 2003 respectively, it is, however, highly questionable whether the EU can afford to opt for such an approach.

37 See also Euromed report 61/2003 entitled *Council Conclusions on Wider Europe–New Neighbourhood*.

Turkish Cypriot Elections and Turkey's Cyprus Problem

Ayla Gürel

The European Union will decide in December 2004 whether to open accession negotiations with Turkey. Clearly, this decision will very much depend on Turkey's fulfilment of the Copenhagen criteria. Having recently made remarkable progress on changing its legislation towards achieving this, Turkey has still a lot to do in terms of practical implementation.

Indeed, this is the message given by the EU Commission's latest report on the progress made by Turkey toward accession. The Commission talks encouragingly about the determined efforts of the Turkish government in making the legislative reforms and in taking steps for their implementation, and admits that 'These efforts constitute significant progress towards achieving compliance with the Copenhagen political criteria.' But it also adds that 'more efforts are needed to enhance the coherence of legal provisions and practice.'

Another, no less difficult, task that Turkey has in front of it, of course, concerns Cyprus. Turkey has to show a true commitment and start playing the constructive key role that is expected of it for tackling the Cyprus problem. She is constantly being bombarded by messages from the Europeans that she should not expect to be given a date for starting the accession negotiations if there is no settlement on Cyprus before 1 May 2004.

For example, the EU Commissioner for Enlargement, Mr. Verheugen, in answering questions at a seminar held in Brussels in October 2003, explicitly pointed out that as long as Turkey kept troops in the northern part of Cyprus in a

manner that was against international law¹ and falls short of solving the Cyprus problem, she could not be given a date by the EU to start the accession negotiations. Also in an interview he gave about the same time to the *Financial Times*, Commissioner Verheugen states that Turkey knows how the resolution of forces will shift after 1 May when the government of the present Republic of Cyprus arrives in Brussels. He explains that this will be a totally new situation for Turkey in which Greek Cypriots will determine the agenda, and adds his view that Turkey will loose out after 1 May.

Not surprisingly, the November report of the EU Commission makes a similarly strong warning to Turkey on the issue of the Cyprus problem, officially noting for the first time, that the lack of a solution could block Turkey's way to the EU:

As regards Cyprus, the European Council has repeatedly underlined its strong preference for accession by a united Cyprus.

... The Commission recalls that efforts to resolve the Cyprus problem form part of the enhanced political dialogue between the European Union and Turkey. As repeatedly stressed by the European Council, Turkey, together with all parties concerned, has a decisive interest in providing determined support for efforts towards a comprehensive settlement of the Cyprus problem. The Commission considers that there are favourable conditions for the two communities to reach a comprehensive settlement of the Cyprus problem before Cyprus' accession to the EU on 1 May 2004. *The absence of a settlement could become a serious obstacle to Turkey's EU aspirations* [italics added].

... Turkey should provide determined support for efforts to achieve a comprehensive settlement of the Cyprus problem.

What exactly is going to happen on 1 May 2004? 1 May 2004 is the day when what the international community calls 'Cyprus' joins the EU. In the event of a settlement before that date, it will be a new re-united Cyprus of politically equal Greek Cypriots and Turkish Cypriots that will join; but without a settlement a 'Cyprus' that is divided and represented on the international stage by the wholly Greek Cypriot government of the present Republic of Cyprus will be joining, and the application of the *acquis communautaire* in the north of the island will be suspended until there is a political settlement.

Given the problems the latter case involves, it is not hard to understand why the EU's own interest is to admit a re-united Cyprus rather than a divided one. Without a solution, not only will the Union have inherited the Cyprus problem but also it

1 In fairness to Turkey, it is worth noting that Turkey has never been condemned as an aggressor against Cyprus either by the UN Security Council or the General Assembly. For a discussion on this issue, see Clerides, G. (1992) *Cyprus: My Deposition*, Nicosia: Alithia Publishing, Vol. 4, p. 102-105.

anticipates huge practical problems due to the suspension of the *acquis* in the northern part of the island.

Basically what they are telling Turkey is this: you must understand that it is in your interest as well as ours that a Cyprus settlement is reached, and that it is easier to achieve that sooner, prior to 1 May that is, when pressure can still be put on Greek Cypriots, rather than later when they join the Union and consequently acquire a much stronger bargaining position.

But can a settlement be reached before May? The good news is that a comprehensive blueprint for a solution already exists in the plan proposed by the UN Secretary-General, and is strongly backed by the international community. The Annan Plan is said to be still 'on the table' waiting to be negotiated. The Security Council (14 April 2003) declared its full support for the Plan, which it described as 'a unique basis for further negotiations.' In the report mentioned above, the EU Commission recommends that the EU repeat its call to all the concerned parties 'to resume the talks on the basis of the UN Secretary-General's proposal.' Furthermore, this is a plan, which one can safely claim to be the most favourable proposal for Turkey and Turkish Cypriots ever to be put on the table. Indeed, the Plan indicates that at least a very large part of the Turkish perspective on Cyprus has at last been understood and substantially accepted by the international community.

As a brief indication of this let us look at the essential features of what was being proposed as a preferred framework for a settlement by the Turkish Cypriot leadership itself back in early 2002, and compare these proposals with what is being proposed in the Foundation Agreement (FA). The FA contains all the essential elements of the settlement set out in the Annan Plan. The indented sentences are direct quotations from the TC proposals of 2002:

1. The Turkish Cypriot people and the Greek Cypriot people are the co-owners of Cyprus and the island is the common home of both peoples.

In the FA, the two Cypriot sides are admitted to be 'cofounders of the Republic established in 1960.' (Greek Cypriot propaganda has always sought to deny this. And, for the most part the international community has until now behaved as if it believed them.)

2. The Cyprus Partnership should be based on the equal status and sovereign equality of the two Partner States, each with its own people, territory, functioning democratic institutions and jurisdiction under their respective constitutional order. The Cyprus Partnership will have single international personality in its areas of competence.

The 'new state of affairs' envisaged by the FA would come into being if approved by the 'separately expressed will of the Greek Cypriots and Turkish Cypriots.' In this 'new state of affairs,' Cyprus would consist of two fairly autonomous 'constituent states' (called the Greek Cypriot State and the Turkish Cypriot State), each with its own people, territory, functioning democratic

institutions and jurisdiction under their respective constitutional order; and a 'federal government' which would have specified competences enabling the new Cyprus to speak and act with one voice internationally and more particularly in the European Union, and to fulfil its obligations as a European Union member state. Each constituent state would 'sovereignty' exercise within its own territory all powers not expressly vested in the federal government (Since 1998, the Turkish side has insisted that there are two states in Cyprus. Now that is 'acknowledged' as far as the international community *can* acknowledge it.).

3. The relationship between the Partner States has to be one of equals.
The equal status of the two states is to be ensured by equal and effective participation in all the institutions of the Partnership.

Under the FA, the two constituent states are of 'equal status', which is ensured by giving the constituent states identical powers and functions, and by provisions guaranteeing effective representation and participation by their people at the federal level of government. Note that this stems from the UN's explicit acceptance that the relationship between the Greek Cypriots and the Turkish Cypriots is one of 'political equality' and not of a 'majority and a minority. The FA establishes the 'political equality of Greek and Turkish Cypriots' as one of the basic principles according to which the United Cyprus Republic would be organised. We must bear in mind, however, that the FA does not provide for numerically equal representation at the federal level of government or for a veto power for either side. And this, according to the Turkish side, could only result in the domination of the federal level of government by the Greek Cypriots, thus negating the 'political equality of Greek and Turkish Cypriots.' Hence the Turkish side's demand for 'equal sovereign states.'

4. The national identity, integrity and security as well as the cultural, religious, political, economic and social identity of each Partner State are to be safeguarded.

Under the FA, the independence, territorial integrity, security, and constitutional order of the United Cyprus Republic, as well as the identity, territorial integrity, security, and constitutional order of its constituent states would be safeguarded and respected by all. Moreover federal economic policy would give special attention to the harmonisation of the economies of the two constituent states with the aim of eradicating inequalities between the two economies.

5. The balance established between Turkey and Greece with regard to Cyprus by the 1960 Accords must be maintained in every respect.
This means preserving the special relationship between the two motherlands and the two Partner States respectively as well as the balance of interests, rights and responsibilities of Turkey and Greece vis-à-vis the Cyprus Partnership.

The FA retains the Treaties of Establishment, Guarantee and Alliance with just a few changes needed to adapt them to the 'new state of affairs.' It stipulates

explicitly that Cyprus would maintain ties of friendship with Greece and Turkey, respect the balance established by the Treaties in the FA, and accord them most favoured-nation treatment to the extent that it is compatible with its obligations as a member of the EU and under the Treaty of Establishment. Also Cyprus as a European Union member state will support the accession of Turkey to the Union.

6. The nationals of each Partner State will be citizens of the Cyprus Partnership.

Under the FA, there would be a single Cypriot citizenship and all Cypriot citizens will also hold the 'internal constituent state citizenship status' either of the Greek Cypriot State or the Turkish Cypriot State.

Now, inevitably the Plan will require painful compromises too. Particularly, the provisions on territorial adjustment and property settlement are enormously complex and have caused much consternation and controversy among Cypriots. In connection with these, the two sides, especially the Turkish Cypriots some 70,000 of whom would need to relocate, will probably need more help than what is offered by the land and property arrangement in the Plan. Here there is scope for further negotiations.

The Turkish AKP government has had considerable support from the public and the military alike when pushing for the legislative reforms needed for Turkey's EU membership. On the other hand, when it comes to the issue of Cyprus, the situation becomes worryingly complicated. Neither the public nor the bureaucratic-military establishment seems to be offering any help. Though there are no known opinion surveys to support this, any change in the present status of the northern part of the island has always been assumed to be an extremely sensitive issue with the public in Turkey, where Cyprus is said to be regarded as a 'national issue.' The position of the military, on the other hand, has been made evident once more in an interview given by the Turkish Chief of Staff, General Özkök, to a Greek newspaper in October 2003. General Özkök allegedly said that:

Cyprus is vital from the point of view of Turkey's strategic interests.

Turkish military presence on Cyprus is important for Turkey's defence.

It will be useful that any solution that is to be found come into force after Turkey's EU membership. Because if it happens that the EU does not admit Turkey, it will not be possible to go back.²

General Özkök has reiterated these views in another more recent interview with the Turkish daily *Radikal* (10 November 2003). I must say that I find these statements pretty incomprehensible and suspect that all the western powers concerned with the Cyprus question will also find the General's statements baffling. After all, if the Annan Plan was accepted by Turkey, it is hard to imagine how any occurrences in Cyprus could become a threat to Turkey. All Cypriot military and paramilitary forces would be abolished. Apart from what remains of

2 *Milliyet*, Turkey, 18 October 2003.

the British Bases there, the only armed forces would be about 6000 Greek and 6000 Turkish soldiers, whose location and movements would be closely monitored by the UN. Does the General anticipate an attack on Turkey from, say, Egypt or Israel? Hardly, one would have thought.

Whether General Özkök's worries are due to some genuine strategic concern that I am incapable of grasping or to an over-cautious nationalistic sentiment, or are meant to assist in some intricate way the government in the bargaining process, this military posture is most likely to be the main reason for Turkey's indecisiveness to start acting as a positive force driving towards a settlement of the Cyprus problem.

Also, it is no secret to anyone that the Turkish establishment is rather unhappy to have AKP in the government. That party's defeat of practically the whole of Turkey's traditional political elite in the elections on 3 November 2002 was a major event in Turkish political history, and one the establishment cannot be taking lightly. (They may even wish to use the Cyprus issue to weaken the hold of the AKP government on the voting population in Turkey.) This fact, together with the concerns of the public and the military regarding Cyprus mentioned above, leaves the AKP government in a most difficult position: of risking to be doomed as it would if it agreed to a settlement on Cyprus according to something like the Annan Plan, but ended up failing to get a definite date for Turkey to start the accession talks in December 2004.

In a recent lecture³ given in London Lord Hannay, the former British Representative for Cyprus, talks about this, to my mind very difficult, shift that Turkey needs to make before there can be any hope for a settlement:

... [In] Turkey itself there needs to be a shift towards an understanding that it is in Turkey's own interest for there to be a Cyprus settlement and that such a settlement is available on terms which do not constitute a sacrifice of either Turkey's interests nor those of Turkish Cypriots, that this is not a question of sacrificing Turkey's Cyprus policy on the altar of its EU ambitions.

It seems quite clear that the Turkish government have got a real blockage there. And without much means of clearing it very quickly.

Under these circumstances, I believe that the Turkish government's only option is to try and push for the Cyprus negotiations to start on the basis of the Annan Plan. These will have to be serious negotiations carried out in good faith, and although unlikely to result in a deal before May 2004, will be credible enough to convince the international community, particularly the EU, that the parties, or at least the Turkish side,⁴ are trying, this time genuinely, to reach an agreed settlement

3 Lord Hannay of Chiswick GCMG, 'Cyprus: Missed Opportunities and the Way Ahead', 22 September 2003, London.

4 The Greek Cypriot leadership can hardly be said to be enthusiastic about a settlement within the framework set up by the Annan Plan, which the Greek Cypriot President Tassos Papadopoulos repeatedly claimed 'legitimises the Turkish invasion of the north.' Until now,

and all they need is to be allowed more time and continued flexibility from the UN and the EU. With the help of such a development, Turkey will hope to build a more credible image for itself in the eyes of the Europeans who will be making that crucial decision about opening accession negotiations with Turkey.

Needless to say, the present TRNC leadership cannot realistically be expected to be helpful in such a process. And I believe it is in this context that the Turkish Cypriot parliamentary election to be held on 14 December 2003, becomes extremely important.

However, first I need to say something about a misguided view that if the present opposition parties win this election, then they will be able to appoint a new negotiator to replace Mr Denktaş. For example, such a view recently appeared in an article published in the *Financial Times*.⁵ It said:

If the alliance wins the election, Mr Talat [the Turkish Cypriot opposition leader and the leader of the Republican Turkish Party (CTP)] would be the forerunner to become prime minister and replace Mr Denktaş as the Turkish Cypriot negotiator at the intercommunal talks.

Now, as everybody knows, the Cyprus negotiations take place between the 'leaders' of the two communities. Given the set-up on the two sides of Cyprus, these are the popularly elected presidents on both sides. Therefore, whatever the outcome of the election in December, President Denktaş will remain as negotiator unless the Turkish Cypriots elect another president or he himself decides to resign. It must be pointed out here that there is not much possibility for the latter to occur given the stance of Mr Denktaş', who has recently made a public statement to the effect that he will use his powers to block anything Mr Talat does to facilitate the negotiations on the Annan Plan.

Having said that, this election will surely be an indication primarily of how much support there is in the north of Cyprus for a solution based on the Annan Plan. According to 6 opinion polls conducted between December 2002 and August 2003⁶, support for the plan seems to vary between 51.5-60%. The percentage of those against a solution based on the Plan varies around 35%.

These figures seem to be roughly reflected in the results of the recent polls (the latest one being in late September) asking citizens which party they would support in the election on 14 December 2003. The following table shows the range within which the support for the parties varies.

(contd.)

President Denktaş' rejection of the Plan as a matter of principle has prevented the sincerity of the Greek Cypriot leader from being put to test.

5 Hope, Kerin, 'Political survivor from north seeks unity for Cyprus', *Financial Times*, 9 October 2003.

6 KADEM, Nicosia, 2003.

Position regarding a solution based on the UN Plan	Party	Range
Yes	Republican Turkish Party and United Forces (CTP and United Forces)	26-30
No	National Unity Party (UBP)	19-23
Yes	Peace and Democracy Party (BDH)	16-20
Sceptical	Democrat Party	7-11
Yes	Solution and EU Party (ÇABP)	4-8
No	Nationalist Justice Party (MAP)	1-4
Sceptical	Justice and Peace Party (ABP)	1-4
No	Cyprus Justice Party (KAP)	1-2
	Undecided	10-14

According to a more recent poll (allegedly conducted by a Turkish firm based in Ankara and known to be close to the Turkish government) published in a local Turkish Cypriot newspaper⁷ votes are distributed as follows.

Position regarding a solution based on the UN Plan	Party	Range
Yes	Republican Turkish Party and United Forces (CTP and United Forces)	28.2
No	National Unity Party (UBP)	21.6
Yes	Peace and Democracy Party (BDH)	14.7
Yes	Solution and EU Party (ÇABP)	8.6
Sceptical	Democrat Party	7.4
Sceptical	Justice and Peace Party (ABP)	3.2
No	Others	2.1
	Undecided or horizontal voting	14.2

These results tell us that, unless something very drastic happens, the present pro-solution opposition parties look likely to win a majority of seats in the TRNC parliament. But this majority isn't probably going to be a huge one; huge enough that is to be able comfortably to press for any sweeping changes in the political set up in the north.

⁷ *Yenidüzen*, Cyprus (North), 17 October 2003.

Another poll conducted in mid October by a Turkish polling agency, Verso, shows a somewhat different picture where the combined support for the present opposition parties is less than the two Denktaş-aligned government parties.

What all these predictions have in common is that no single party is set to get a majority. In other words, the government after the elections will almost certainly have to be formed by a coalition of parties.

Now, there isn't much point in speculating about whether, in the case of an outcome close to those of the tables above, it will be possible for the pro-solution *bloc* to agree to form a government together. However, if the predictions prove right and CTP and the United Forces comes first in the election race, then I would imagine that they will be the main party in whatever government is subsequently formed. The crucial point to note here is that a government led by CTP is bound to have quite good European credentials.

Such a TRNC government backed by a pro-solution majority, and with support from Turkish government, could then insist that Cyprus talks begin immediately on the Annan Plan. And, although, as I mentioned, it will not be possible to replace Mr Denktaş as 'chief negotiator,' it may well be possible to establish more 'control' over how he does this job. A process of meaningful and serious negotiations may possibly thus begin whereby Mr Denktaş will be 'assisted' by a new negotiating team.

I believe this is how the Turkish government is hoping to deal with 'its Cyprus problem': by being instrumental in setting on track a process of genuine negotiations on the Annan Plan for a settlement. In this way, not only will the government be able to appease the reactionary forces in Turkey. It will have a chance to succeed in convincing the EU that Turkey is playing the part expected of her in getting a settlement. And consequently Cyprus will no longer be an obstacle to the one thing Turkey needs badly: a date for EU accession negotiations.

Cyprus: From December 2003 to December 2004. Scenarios, Challenges and Prospects

Philippos Savvides

I. Introduction

Immediately, after the failure to reach a solution to the Cyprus problem in The Hague on 11 March 2003, the efforts to resolve it were frozen. The international community, specifically the UN, the EU and especially the US, turned their attention to a more urgent issue: the Iraqi crisis. The situation in Iraq was increasingly escalating and, inevitably, it played an important role in making it difficult for the Turkish government to take the necessary steps in pushing for a comprehensive solution based on the Annan Plan. It is not an exaggeration to state that the first ‘collateral damage’ of the Iraqi crisis was the Cyprus problem.

After The Hague, the Cyprus problem entered into a state of inertia. At the same time, however, the Republic of Cyprus signed, on 16 April, the EU accession treaty and, few weeks later, Rauf Denktash’s regime in northern Cyprus partially lifted the restrictions imposed since 1974 on the free movement across the dividing line. The dynamics created by these developments gave rise to a new set of factors that, if constructively utilized, could lead to a settlement by 1 May 2004 when Cyprus will officially become an EU member-state. However, as time passes without substantive negotiations, the goal for a settlement by 1 May becomes very difficult. Indeed, the question before us is: is it possible to reach a comprehensive agreement based on the Annan Plan by 1 May?

In answering this critical question we need to analyze carefully the period between December 2003 to December 2004 when the EU will decide finally if or when Turkey will start accession negotiations. This period can be divided into three

phases: Phase I: September-December 2003. Phase II: January-May 2004 and Phase III: June-December 2004.

The critical event that took place in the first phase was, of course, the Turkish Cypriot elections that were held on 14 December 2003. It goes without saying that the outcome of these elections has affected the nature and the forcefulness of the developments to be followed in the next two phases. The second phase is punctuated by the formal entry of Cyprus into the EU on 1 May. As it was already pointed out, the big question here is whether or not a timely solution to the Cyprus problem can be achieved. In Phase III the critical event is Turkey's *rendez-vous* with the EU in December 2004 to clarify the process of accession negotiations.

It is obvious that the developments which will take place in the next few months will have a cumulative and snowballing effect that will either lead to, or at least set the stage for, a solution of the Cyprus problem, even including the Greek-Turkish outstanding issues, and for the initiation of accession talks between EU and Turkey or, in the absence of such a positive outcome, will perpetuate the current uncertainty increasing, at the same time, the prospects for a potential crisis either in Cyprus or the Aegean sea. In short, the next few months will be months of 'high risk' for the Cyprus problem and Greek-Turkish relations.

II. Between December 2003 and May 1, 2004: Scenarios and Prospects

A. Phase I: September-December 2003

Evidently, since the end of the UN General Assembly meetings last September, the US and the EU have been increasingly getting more energetic on Cyprus. However, all actors involved expected the outcome of the Turkish Cypriot elections of 14 December before they could make final decisions about the initiatives they would undertake in order to re-energize the process of negotiations for a final settlement.

The final results of these elections determined the following power balance within the Turkish Cypriot community:

- Turkish Republican Party (CTP-Mehmet Ali Talat): 35.18% and 19 seats.
- National Unity Party (UBP-Dervis Eroglu): 32.93% and 18 seats. Peace and Democracy Movement (BDH-Mustafa Akinci): 13.14% and 6 seats.
- Democrat Party (DP-Serdar Denktash): 12.93% and 7 seats.
- Solution and EU Party (CABP-Ali Erel): 1.97% and 0 seats.

According to these results the opposition to Rauf Denktash received 50.29% and 25 out the 50 seats in Parliament.

Following the Turkish Cypriot elections Mehmet Ali Talat began the efforts to form a new 'government'. He had before him a dilemma: either to form a

‘government’ in which at least one of the pro-Denktaş parties would participate or to give up all efforts and allow Dervis Eroğlu to become again ‘Prime Minister’ in a fully pro-Denktaş administration. The distribution of the seats did not give Talat the chance to form a coalition with Mustafa Akıncı’s party which would have been the best possible scenario.

Increasingly it became obvious that Ankara favoured a ‘mixed coalition’. That is, one that would combine both (former) opposition and pro-Denktaş forces. Ankara believes that such a coalition is easier to control and can better serve the tactical and strategic goals of the Erdogan government. On the other hand, a Talat-Akıncı coalition could jeopardize the domestic fragile modus operandi between the AKP government and the ‘deep state’. Similarly, a pro-Denktaş coalition could strengthen the hardliners and their approach towards the Cyprus issue and Greek-Turkish relations in general.

After many discussions and meetings both in Ankara and in northern Cyprus, Mehmet Ali Talat formed a coalition, albeit a fragile one, with the Democrat Party of Serdar Denktaş. In a declaration, they signed their commitment to working towards a solution to the Cyprus problem and accession to the EU. However, this declaration was vague and open-ended. It remains to be seen what kind of policy the new administration will follow. What is certain is that Ankara’s role will continue to be very critical with regards the tactics and policies followed. There is no question that the ‘key’ to the solution to the Cyprus problem lies in the hands of the Turkish government.

The results of these elections were not the best possible outcome for the opposition. However, the outcome was a clear slap to Denktaş’s policies and it freed, to a certain extent, Erdogan’s government to act in a more productive fashion to resolve the problem by 1 May. In other words, it demonstrated that the majority of the Turkish Cypriots are in favor of a solution of the Cyprus problem based on the Annan Plan and accession of Cyprus into the EU.

It should be pointed out that there was a disappointment by important quarters of the Turkish Cypriot public opinion for Talat’s decision to ally with Serdar Denktaş. At the same time they recognized that he did not have much of a choice. In that sense the Turkish Cypriots are ready to give to the new administration the benefit of the doubt. That is, they are giving Talat time to act and demonstrate that he is still committed in finding a solution based on the Annan Plan as soon as possible. They expect from him to exercise all leverage in order to transform the traditional no-solution policy and to act constructively for a final settlement. The public opinion is watching to see (a) whether Talat will allow himself to be hijacked by the hardliners both in Ankara and in northern Cyprus or (b) whether he will be able to overcome any obstacles the hardliners are putting before him. I would argue that if the first scenario materializes an acute political crisis is likely to

emerge within the Turkish Cypriot community and civil society might react, again, with dynamism as it did in autumn 2002 and winter 2003.

Since the end of the elections the international actors involved, especially the US, have re-energized their efforts in order to lead the two sides into negotiations based on the Annan Plan. The US and the EU demand from the sides to accept the conditions laid down by the UN Secretary General Kofi Annan for restarting the negotiations; namely, (a) to accept the Annan Plan as the basis for negotiations, (b) to accept that if in the process of the negotiations the two sides are unable to agree on certain provisions the UN Secretary General would be able to fill the blanks of the Plan, and (c) to commit that the agreement will be put in separate but simultaneous referenda on a specific date.

We are now in the process of re-starting the negotiations. It remains to be seen whether the two sides will make the necessary commitments and bold moves or not and whether these talks would be substantive or just tactical.

B. Phase II: January to May 2004

As it was pointed out above, the victory, albeit a narrow one, by the opposition to Denktash makes the resuming of negotiations a more likely scenario. Not only the US—which is very active—but Britain and the EU, and of course the UN, will assume a more central role in these efforts. There is what I call ‘constructive pressure’ put both on Greek Cypriots and Turkish Cypriots to enter into final negotiations based on the Annan Plan. The Greek Cypriots and President Tassos Papadopoulos have no other choice but to work substantively and constructively for a solution. Similarly, the Turkish Cypriot leadership has to deliver on the promise to negotiate a solution based on the Annan Plan. The ability of the Turkish Cypriot leadership to deliver is, of course, contingent upon Ankara’s decision to take the necessary steps towards this direction and its ability, in close cooperation with the leadership in northern Cyprus, to minimize the capacity of Rauf Denktash to undermine or hijack the efforts for a solution.

Under the current circumstances I would argue that, even though is possible to reach a solution by 1 May 2004, it is also very difficult. This is so because Ankara views a solution to the Cyprus problem as contingent to Turkey’s European prospects. That is, Ankara seems to have made a strategic shift in her attitude demonstrating that it is ready to accept the re-starting of negotiations in order to (a) facilitate its European prospects and specifically the initiation of accession negotiations with the EU at the end of the year and (b) to make sure that it does not repeat the mistake made in The Hague in March 2003. Namely, left with the full responsibility in case these negotiations do not lead to a solution. In this respect Ankara wants to negotiate the date with the EU by using the Cyprus problem as a bargain card. If this analysis is correct, then agreeing on a settlement by 1 May becomes a less likely scenario. Nonetheless, the narrow ‘window of opportunity’ is still open.

It is already generally accepted that the underlying factor that has become a catalyst for a solution to the Cyprus problem is the EU. The European prospects of Cyprus and, certainly, those of Turkey have generated a process towards a solution that makes it very difficult to reverse. As we already pointed out and witnessed in Copenhagen in December 2002 and in The Hague in March 2003 this process is not linear and without obstacles. Hence, the critical task is to put the whole process back on track in order to reach a settlement based on the Annan Plan by 1 May.

Albeit difficult, why is reaching an agreement by May 1 not yet impossible?

1. We have a comprehensive plan for a settlement; namely, the Annan Plan. The whole debate if the plan is a basis for negotiations or solution is obsolete. The Annan Plan is the basis for a solution. There are things in the Plan that can be changed by mutual agreement and that can be also beneficial for both sides. But these modifications or changes will not alter the philosophy and the balance of the Plan as well as the bizonal and bicomunal character of a 'United Cyprus Republic'. Things that can be modified are limited and should be focused on the economic issues of the solution, the obsolete and long transition periods and issues of properties and the return of refugees. After the partial removal of the restrictions to the freedom of movement on April 23, 2003, it has become obvious that the argument that Greek Cypriots and Turkish Cypriots cannot live together is just a myth.
2. Reaching an agreement by May 1 is possible because is in Turkey's best interests as well as Greece's. It is certainly in the best interest of the two communities of Cyprus. A solution to the Cyprus problem will remove a major obstacle from Turkey's path towards Europe and will strengthen Turkey's request vis à vis the Union to receive a clear message about its prospects for membership and, of course, the beginning of accession negotiations. Moreover, a solution will strengthen Greece's approach in helping Turkey realize this goal. Such a development will certainly undermine efforts by some European quarters to derail Turkey's European prospects by hiding behind the lack of a solution to the Cyprus problem.

A major prerequisite to achieving a solution by 1 May is that both sides must put aside their scepticism and accept and abide by the conditions set forward by the Secretary General of the UN. Another prerequisite is that the international actors involved, especially the EU, the US and Britain, as well as the UN, continue to exercise 'constructive pressure' and demonstrate strong interest in resolving the issue. They should make absolutely clear to both sides that no gimmicks and games will be tolerated and that the time between now and May 2004 is too short for such delaying tactics and postponements. The same message should be sent to Ankara, coupled with signs that a constructive attitude will enhance its European prospects. Ankara must also avoid during this period alienating its European partners by

demonstrating a bully and/or arrogant style of politics. Collective decision-making, compromise and adjustment are the rules of the game within the Union that Turkey aspires to be part of.

Evidently, the period between now and May 2004 will be very intensive and can lead to historic results. There is a narrow 'window of opportunity' open for a solution. If this window is allowed to close, the period between June-December 2004 will be very difficult and uncertain. On the contrary, if it is constructively utilized we can expect dramatic positive developments in Turkey's efforts to join the Union as well as on the Greek-Turkish relation front.

II. Looking Ahead: June-December 2004

Under the current conditions it seems that negotiations will re-start sometime in February. Reaching a comprehensive solution by May 1 and having the United Cyprus Republic joining the Union is a daunting task. There are before us four major scenarios:

1. Achieving a final agreement by the end of March, holding the referenda by the end of April and having the United Cyprus Republic entering into the EU on 1 May. This scenario—which is the best-case scenario for all actors involved—is difficult to materialize but not impossible.
2. Starting negotiations based on the Annan Plan, achieving progress in the process but not reaching a final agreement on time for Cyprus to enter the EU united. However, the progress achieved will allow for the talks to continue intensively during the first months of the summer in order to achieve a comprehensive solution by Fall 2004.
3. Starting negotiations based on the Annan Plan but no real progress is achieved by 1 May 2004. Negotiations continue between June-December 2004 but little progress can be reported. Hence, no solution is possible by December 2004.
4. Failure to begin negotiations and therefore failure to make any progress towards a comprehensive agreement. This is the worst-case scenario for all actors involved.

Obviously the period between June-December 2004 becomes extremely important for the main actors in the problem. It is clear that a solution to the Cyprus problem—or substantive progress towards a solution—will bolster Turkey's chances to start accession negotiations with the Union. The opposite is more likely if Ankara fails to deliver on Cyprus. Brinkmanship will not serve well the parties in this case and especially Turkey and the Turkish Cypriots. It runs the risk of alienating Turkey's partners that can play an instrumental role in achieving the goal of starting accession negotiations with the EU.

Greece's position is clear: Turkey should receive a date to start those negotiations. However, at the same time, Turkey must also start immediately the implementation phase of the domestic reforms it has legislated and show clear and substantive signs that it is ready to deliver on Cyprus.

For Turkish Cypriots a positive outcome of the negotiations will bring them faster into the Union's family and will allow them to be a party in the shaping of European affairs. Most importantly, Turkish Cypriots will be able to equally enjoy with the Greek Cypriots the benefits of accession (i.e. economic, political and social benefits) and escape from the isolation and underdevelopment that Rauf Denktaş's policies and approach brought them into.

Finally, for Greek Cypriots a comprehensive solution based on the Annan Plan will allow them to exercise their rights in the whole island, a substantial number of refugees will return to their homes and properties and they will be able to enjoy full political, economic and social security as members of the EU.

In conclusion, Greek Cypriots and Turkish Cypriots have demonstrated their interest in living together in a European Cyprus. The European prospects of Cyprus have, for the first time since the early 1960s, and certainly since 1974, created common interests between the two communities. What I would call 'citizens' diplomacy', which have reached dramatic levels since April 2003, allowed the Cypriots to become the protagonists of the political process. In this respect, civil society is empowered and can now play a more active role in pressing for a solution by 1 May. We cannot afford to let this opportunity for a final settlement go. The challenge is presently for civil society, prudent politicians on both sides and international actors involved, to push the formal leaderships of the two communities, as well as in Ankara, to undertake immediate and bold initiatives towards a solution to the Cyprus problem.

PART SIX
CONCLUDING REMARKS:
THE DOMESTIC AND FOREIGN POLICY
CHALLENGES AHEAD



**Anchoring Turkey to the EU:
The Domestic and Foreign Policy Challenges Ahead**

Nathalie Tocci

Since the foundation of the Kemalist Republic, Turkey sought to associate itself with the West, i.e., with both Europe and the United States. Although with the end of the Cold War Turkey's ties with the Caucasus and Central Asia were strengthened, the dominant position in Ankara never advocated a turnaround in Turkey's orientation. On the contrary, Turkey presented its strategic importance to the West precisely in view of its bridging role to the Middle East, the Caucasus and Central Asia.

Turkey's European orientation remained a cornerstone of its foreign policy. Since 1987, this took the form of aspiring to become a full member of the EC/EU. Since December 1999, its prospects of full membership, while remaining in an uncertain and distant future, were accepted by the European Council. Yet, scratching beneath the surface, there is not yet a consensus either in Turkey or in the Union concerning the desirability of a fully European Turkey and the necessary transformation of the country that this would entail. As such, while Turkey's European orientation is likely to persist, the extent of its depth and the ensuing levels of integration in the EU remain uncertain. Developments in Turkey, in Europe and in the wider international system will determine the evolution of EU-Turkey relations.

I. Beneath the Surface of Turkey-EU Relations

As put by several Turkish analysts, ‘there are many Ankaras’. The multi-faceted nature of the Turkish establishment became particularly evident in the aftermath of the December 1999 Helsinki European Council. Turkey’s candidacy meant that it was no longer sufficient to pay lip service to the goal of membership. If Ankara was serious in its aspirations to join the Union, it had to demonstrate that it was equally committed to the Copenhagen criteria. As European demands for reform rose, the concerns and resistance against change in Ankara emerged more clearly.

Effective opposition to EU membership, or rather to the reform necessary to attain it, existed within most groups of the Turkish political system. Those resisting change included circles in the nationalist right and in the nationalist left, in both the civilian and the military establishments. Some right wing nationalists preferred to establish closer links to Turkic Eurasia than to see Turkey’s full integration with Western Europe. Traditional Kemalists objected to the principles and applications of multiculturalism and multi-level governance within the EU. Others opposed the rising interference of Brussels in Turkish domestic political life, and were more inclined to pursue Turkey’s Western orientation through closer ties with the US.

Indeed, often spurred by the US, conservative elements within the Turkish establishment argued that Turkey should be admitted to the Union on laxer conditions given its strategic importance. For example, MHP leader Devlet Bahçeli argued that ‘we need to have a just and honourable relationship with the EU. We strongly oppose the notion that we should fulfil every demand of the EU to become a member or we have to enter the EU at any cost’.¹ Turkish national pride was used as a major weapon, as Turkish euro-sceptics accused euro-philes of displaying a ‘lack of confidence in the nation, the Republic, the institutions, ... everything called Turkish’.² Turkey’s alternatives to Europe were also cited. On 6 March 2002, General Tuncer Kilinç, MGK Secretary General, stated that given EU demands, Turkey should start looking for alternative allies such as Russia and Iran.

The AK party’s landslide victory in the 3 November elections tilted the balance within the party political system in favour of the pro-European reformists. The AKP refuses to define itself as a religious party but rather calls for greater religious freedom. In order to carry a consistent political message, it also advocates personal freedom in other spheres, such as in the cultural and linguistic domains. Its support for EU membership is not only viewed as an end to be attained through painful reforms; in the AKP’s rhetoric, the EU anchor is portrayed as a means to attain the

1 Devlet Bahçeli quoted in ‘Bahçeli toughens on EU and its domestic supporters’, *Turkish Daily News*, 4 March 2002.

2 Aktan, Gunduz, ‘New Consensus’, *Turkish Daily News*, 4 March 2002.

objectives of reform, which are as important as membership itself.³ But while the balance within the party political spectrum tilted in favour of the reformists (the only opposition party, Deniz Baykal's CHP also declares itself in strong support of reforms and EU membership), this is not necessarily the case yet within the wider establishment, which includes, the civilian administration, the Presidency, academia, the media, the intelligence community and the influential military.

Pro-European reformers in Turkey are weakened internally by the lack of credibility of EU policies towards Turkey. EU actors, particularly those who are conservative/Christian Democratic leaning, frequently indicated their reluctance to accept Turkey as a full member irrespective of its compliance with the Copenhagen criteria. Religion, geography, demography, economic development as well as the legitimate concerns over democracy and human rights were cited as the impeding factors to Turkey's EU membership. One of the most recent expressions of European exclusionism were the comments by Convention President Valéry Giscard d'Estaing in the run-up to the 2002 Copenhagen European Council, when he stated that Turkey had a 'different culture, a different approach, a different way of life...its capital is not in Europe, 95% of its population lives outside Europe, it is not a European country...in my opinion it would be the end of the EU'.⁴

In several instances in the recent history of EU-Turkey relations, 'Turkey-sceptics' in Europe and 'Euro-sceptics' in Turkey reinforced each other in a vicious circle of antagonism and lack of reform in Turkey together with European distancing from Turkey. On the one hand, the more sceptical were the member states regarding Turkey's future in Europe, and thus the less forthcoming were EU policies towards Turkey, and the greater the credibility of Turkish nationalists/conservatives, who claimed that Turkey would never be admitted to the Union and thus that it should be cautious in pursuing destabilising reforms. In other words, the more founded was Turkey's mistrust of Europe, and the slower was its own process of transformation. On the other hand, as and when conservatives in Ankara gained the upper hand in domestic and foreign policy-making, EU actors became less forthcoming towards Turkey.

On other occasions the vicious circle was broken, opening the way to virtuous interactions. The more forthcoming were EU member states in providing an external anchor to Turkey, and the stronger were Turkish progressive forces. In turn, the more Turkey advanced along the path of reform, and the more EU member states were inclined to advance Turkey's accession process. As noted above, not all European concerns stem from the flaws in Turkey's political system.

3 Indeed for the AKP, emerging from the succession of banned Islamic parties, greater political freedoms is viewed as critical to their very survival as a political party.

4 'Giscard remarks cause uproar in Ankara', *Turkish Daily News*, 11 November 2002.

Nevertheless, an increasingly robust process of Turkish transformation is the most powerful weapon to weaken the Turkey-sceptic voices in western Europe. Consensus within the Union on the desirability of a new member state, particularly an important yet problematic applicant like Turkey, does not emerge overnight. It is a gradual process which is established and consolidated over time. Hence, the more credible is Turkey's reform movement and the more irreversible will Turkey's long and tortuous accession process become.

II. Virtuous Circles in the Process of Domestic Reform and the Remaining Challenges Ahead

At the December 2002 European Council in Copenhagen, the fifteen member states converged on a variation of a Franco-German proposal. They agreed that if in December 2004 the European Council deems Turkey in compliance with the 1993 Copenhagen criteria, the Turkish government would be invited to begin accession negotiations 'without delay'. The decision was below Turkish expectations. Turkey had lobbied intensely to begin accession negotiations before the next enlargement in May 2004. It feared that the accession of ten new members could introduce new obstacles in Turkey's path to the Union. Yet the EU-15's concern that a commitment on Turkey on the eve of enlargement could create tensions with the future member states was precisely why consensus was forged around a December 2004 date. This is not to say that the new members would necessarily object to Turkey's accession. Less still that the December 2004 date was a sinister European ploy to defer indefinitely Turkey's membership by relying on the resistance of the future members, as was speculated by several Turkish policy-makers and opinion-shapers.⁵ The European Council's reasoning was rather that committing EU-25 to a decision taken shortly before by EU-15 would have sent the wrong signals to the new members on the eve of enlargement.

While below Turkish expectations, the Copenhagen decision should be considered a success following the promising path set by the 1999 Helsinki European Council and deviating from the 1997 Luxembourg Council. Indeed the Copenhagen decision was part of a virtuous circle in EU-Turkey relations. It was preceded and followed by important domestic reforms in Turkey.

The December 2002 decision was heavily influenced by the 3 August constitutional reform package in Turkey. On 3 August 2002 the Turkish parliament, despite acute domestic political turmoil, succeeded in passing the third EU harmonisation package, which abolished the death penalty in Turkey and lifted the

5 Conversations with Turkish journalist and academic, Brussels, December 2002.

ban on broadcasting and education in languages other than Turkish (i.e., most notably Kurdish). The reforms added credibility to Turkey's requests for a date to launch accession negotiations in the run-up to the Copenhagen Council. The Copenhagen decision was then followed by the fourth and the fifth reform packages of the new AKP government in January 2003. The reforms amended the political parties law, increased penalties for torture crimes, expanded the freedom of the press and the freedom of association, abolished restrictions on the acquisition of property by non-Muslim foundations and allowed for retrials of cases contrary to ECHR judgements.

In the light of the Copenhagen decision and Turkish domestic reforms, the Union updated Turkey's Accession Partnership. Through it, the EU pointed out the remaining reforms necessary for a full compliance with the Copenhagen criteria. The Commission's proposal was adopted by the Council in March 2003.⁶ The document, while praising Turkey's legislative amendments, stressed the challenges ahead. These included the resolution of the Cyprus conflict and Turkey's border disputes (i.e. in the Aegean), the ratification of the remaining international and European human rights conventions, the reform of the National Security Council (MGK), the need to strengthen the independence of the judiciary and the need to reduce regional disparities. Many recommendations concentrated on the need for effective implementation of the reforms. Effective application was called for in the fight against torture, the respect of detainee rights, the freedom of association and of all forms of non-violent expression, the respect of religious rights and the access to education and broadcasting in languages other than Turkish.

In the spring and summer of 2003 the government persisted in the legal harmonisation process. In July 2003 the parliament succeeded in passing the wide-ranging 6th and 7th reform packages (see box below). Amongst the most important changes were the extension of freedoms of speech and association, the increased civilianisation of the MGK and the extension of cultural, religious and linguistic rights (and most notably the use of the Kurdish language in the media and education). Finally, the AKP government passed a law granting partial amnesty to PKK militants.

Few in Brussels would dispute the fact that on paper Turkey has come a long way, indeed most of the way towards the fulfilment of the Copenhagen criteria. The key question highlighted in Turkey's revised Accession Partnership is the manner in which the seven harmonisation packages will be translated into practice. In some cases, legislative reforms suffice. Matters such as who convenes MGK meetings, how many members of the Council are military persons, how often the Council convenes or who appoints the Secretary General are relatively clear-cut changes

6 European Council 'Council decision on the principles, priorities, intermediate objectives and conditions contained in the Accession Partnership for Turkey', *OJL* 145/40, 12 June 2003.

6th and 7th reform packages (19 and 29 July 2003 respectively)

➤ *Freedom of expression*

- The penalties for media outlets in violation of the resolutions of the Supreme Board have been reduced and more clearly defined.
- Article 8 of the anti-terrorism law (propaganda against the indivisibility of the state) was abolished and transferred to the Penal Code. As such while being considered a penal crime to be handled by the judiciary, it is no longer considered a state security matter.
- Amendment of article 159 of the penal code reduces penalties for insults against the state and abolishes penalties for criticism against state institutions and policies.
- Amendments to articles 426 and 427 of the Penal Code abolishes provisions allowing for the destruction of critical artistic work.

➤ *Cultural and linguistic rights*

- Programmes in languages other than Turkish can be legally transmitted on state and private media channels.
- Extension of the right to learn and use languages other than Turkish through special courses (but not as mother tongue languages).

➤ *Freedom of association*

- Extension of the rights of foundations to acquire property.
- Extension of the freedom of establishment and membership of associations.
- Extension of the right to demonstrate.

➤ *Human rights*

- Retrial of a case in the event of a contrary verdict of the ECHR.
- Crimes committed in peacetime by non-military persons will no longer be tried in military courts.
- The investigation and prosecution of torture cases is to be considered an urgent matter.

➤ *The role of the military*

- The duties of the MGK were re-defined through a narrower definition of national security (article 4).
- The MGK Secretariat General will no longer act as the implementing body of the MGK but only as its secretariat. As such its powers will no longer overlap with those of the executive.
- The MGK will meet every two months. Meetings may be convened only by the prime minister or the president and no longer also by the Chief of General Staff.
- The Secretary General of the MGK is appointed upon a proposal by the Prime Minister for a non-military appointee and with the agreement of the CGS for a military appointee.
- The MGK will no longer receive regular submissions of classified or non-classified material from public institutions.
- Military spending will be under civilian control.

that simply necessitated legislative reforms. The legal reforms will in themselves impact policies and practices. Yet for the effective application of most other reforms, a change in legislation is only the starting point. The fight against torture, the respect for human rights and of linguistic and cultural rights are as much a question of law as of practice. The practice depends critically on long term changes in human rights education and training both at public and at elite levels (i.e., in the police and the judiciary).

The need to concentrate on implementation has been appreciated by the Turkish authorities. Indeed, the government has established human rights boards in major towns and cities, in charge of handling human rights complaints. At the centre, a Human Rights Board has been established in order to monitor compliance with legal reforms. The Board includes representatives of several ministries and government departments.

At the domestic level, aside from the specific requirements of the Accession Partnership, key challenges remain ahead. Two such challenges concern the role of the military and the Kurdish question. As mentioned above, the 7th harmonisation package transformed the MGK into an advisory body with a more circumscribed military component. The reforms certainly opened the way to a fundamental civilianisation of Turkish politics. However, institutional means alone may be insufficient to circumscribe the power of the military. For example, the military remains one of the strongest economic forces in Turkey. Its economic power inevitably affects its political influence. Furthermore, it may limit to the extent to which the business community (which has proved so pivotal in furthering the reform process), reliant on contracts originating from the military, is willing to push for a full civilianisation of Turkish politics.⁷ Perhaps most importantly, the role of the military is a reflection of people's expectations. The intense focus of the media, academia and political elites on MGK meetings in the wake of key decisions (such as the decision to send troops to Iraq in the autumn of 2003) shows how expectations take time to change, certainly far more time than is needed to pass constitutional amendments. A reduction of the military's political influence will depend as much on a transformation of the military's assessment of its role as on that of the wider establishment and public opinion.

The harmonisation laws have opened the way for a progressive engagement of the Turkish authorities with the Kurdish question. The implementation of the reforms affecting the freedom of expression and association, the right to demonstrate, the use of Kurdish in the media and in education and the increased penalties for the practice of torture will critically and positively transform the conditions of the Kurds in Turkey.

7 Onis, Ziya (2003) 'Domestic Politics, International Norms and Challenges to the State: Turkey-EU relations in the post Helsinki Era', *Turkish Studies*, Vol. 4, No. 1 pp. 9-34.

In addition the lifting of the state of emergency in the south-east and the recent partial amnesty law are further steps in the right direction.

However, it remains unclear to what extent Kurdish political demands can be met without touching the taboo subject of minority rights in Turkey. The Kemalist Republic, aiming to establish a civic nation, deemed the recognition of national minorities both dangerous and discriminatory. As such, no minorities, other than those mentioned by the 1923 Treaty of Lausanne (i.e., the Greeks, the Armenians and the Jews) were acknowledged. In its attempts to tackle the Kurdish question in recent years, the Turkish establishment has been pursuing the path of economic development and human rights in the south-east. It has pursued the implementation of article 39 of the Lausanne Treaty, which stated that ‘no restrictions shall be imposed on the free use by any Turkish national of any language in private intercourse, in commerce, in religion, in the press, or in publications of any kind or at public meetings’.⁸ Most of the political establishment remains firmly opposed to an extension of minority rights to the non-Turkish Muslim communities and most notably to the Kurds. But to what extent can the Kurdish question be resolved in the long-run exclusively through the full implementation of individual human rights? In the long-term can and should the Turkish establishment persist in opposing communal rights, and perhaps more critically a decentralised form of governance?

Key domestic challenges lie ahead. Important legislative reforms have been undertaken. Yet the more long term changes which hinge upon the gradual transformation of Turkey’s understanding of its identity, its governance and its national security remain ahead. The road may be long and tortuous, but the current authorities, supported by public opinion, appear to be progressing remarkably fast along it; indeed far faster than many observers expected. It remains up to the European Union to support this process of internal transformation, by providing the critical external anchor that will support the progressive domestic forces in their endeavours.

III. EU-Turkey Relations and the Foreign Policy Challenges Ahead

Moving on to the foreign policy domain, in recent months, EU-Turkey relations have been critically affected both by the Iraq crisis and by the Cyprus conflict.

8 Article 39 *Treaty of Lausanne* (1923).

A. The War in Iraq

On 1 March 2003, the Turkish parliament rejected the government's proposed motion to allow 62,000 US troops to be deployed on Turkish soil for a second front attack against Iraq. After weeks of uncertainty, the American troops were re-routed to Kuwait.

Many criticised the AKP government for its inexperience in handling the situation. The government's indecisiveness and failure to invest sufficient effort to ensure a parliamentary approval of the motion, could have potentially caused severe repercussions. The AKP government may have mishandled the passing of the motion. The government itself was divided between the disapproval of the public (and large segments of its own electorate) and the need to retain its strategic relationship with the US, particularly at a time when Turkey was struggling to exit a critical economic crisis. It waited for a positive signal from the military which never came and failed to persuade the reluctant parliament. However, the new government did so under extremely complex circumstances. The public remains strongly against an American unilateral attack on Iraq. The President (with his strong legal background) also disapproved of an unjustified war. The speaker of parliament Bulent Arinc resisted an attack against a Muslim neighbouring country. The military was highly ambivalent about the war primarily because of the American objections to a Turkish intervention in northern Iraq. Finally, for weeks, it was unclear whether the war would have been conducted with UN backing. The government understandably preferred to wait for a Security Council decision.

The rejection led to a temporary setback in Turkey-US relations and initially generated new tensions on the EU-Turkey agenda. By rejecting the motion, Turkey lost the \$6 billion war compensation package and \$24 billion in cheap long-term loans. The financial compensation was lost against the backdrop of the vivid recollection of the severe economic repercussions of the 1991 Gulf War. Most critically, the incident plunged US-Turkey relations to their lowest ebb since the 1974 arms embargo following the partition of Cyprus. In the aftermath of the rejection of the motion, tensions rose as the US administration strongly warned the Turkish establishment not to intervene in northern Iraq independently of American command. Matters worsened when in July 2003, US troops arrested a Turkish military unit in northern Iraq. EU member states also cautioned Turkey not to intervene in Iraq. Furthermore, several analysts warned that the set-back US-Turkey relations within a wider context of a widening transatlantic rift could harm Turkey's EU bid by reducing American support for Turkey's accession process.

However, ensuing events gave rise to greater optimism. In the context of the Iraq crisis, the Turkish government strengthened its relations with the Arab world and Iran, without straining its relations with Israel (on the contrary in September 2003 Turkey concluded a water agreement with Israel) or hinting at a reversal in its western orientation. To date, Turkey has refrained from sending unilaterally

additional troops in northern Iraq that could trigger clashes with Iraqi Kurdish forces. As a result Turkish-American relations stabilised.

Most critically Turkey's conduct added a positive impetus to EU-Turkey relations. The fact that the Turkish government took an independent and democratic decision concerning the war, while at the same time showing restraint in northern Iraq, reverberated positively in Brussels. Indeed the most Turkey-sceptic member states were precisely the ones which resisted a unilateral American attack in Iraq. As such, Turkey's conduct in the Iraqi crisis improved its credentials in Paris and Berlin. Moreover, the motion incident abated member state fears that Turkey would act as an American Trojan horse in the Union. It showed that Turkey was not simply an American proxy at the European periphery. Back in Turkey, a positive by-product of the Iraq crisis was that it weakened those conservative voices which argued that Turkey's strategic relationship with the US would assure Turkey's EU membership on laxer conditions.⁹ Indeed the incident rather than leading to a Turkish-American rift, more precisely led to a re-evaluation of relations between the Turkish military and the Pentagon.¹⁰ The push for war was driven predominantly by the American Department of Defence, which traditionally emphasised Turkey's strategic significance and enjoyed extremely close relations with the Turkish military. The failure of the March motion may give way to an increased civilianisation of Turkish-American relations. A stronger lead by the State Department may result in a greater focus on Turkish democratisation in bilateral relations. As such, while American pressure at European Councils may diminish, the input of Turkey-US relations on Turkey's accession process may be far more fruitful.

The persisting instability in Iraq suggests that important challenges remain ahead. The next key decision is on the deployment of Turkish troops as part of a multi-national force in Iraq. Although the parliament approved the motion authorising the government to deploy troops in Iraq, both establishment and public opinion remain divided. On the one hand, the prevailing feeling in Ankara is that 'Turkey cannot say no again'. Rejecting again American demands for Turkish support could damage irreparably the Turkish-American relationship. Furthermore, the Turkish establishment is concerned about the increasingly strong ties between the US and the Iraqi Kurds. It views with suspicion the prominent role accorded to the Kurds in the Governing Council in Baghdad. And it is aware that the strong

9 Kirisci, Kemal, 'The West and Its Institutions: Losing Allies but Gaining Converts—the case of Turkey', draft paper prepared for the conference on Geopolitical Change, the Use of Force, and New Strategic Doctrines, 12-14 September 2004, Lansdowne Resort, Leesburg, Virginia.

10 Barkey, Henri, 'Turkey's strategic future: a US perspective', paper presented at the CEPS-IISS Security Forum, June 2003.

relationship is a product of the unreserved Iraqi Kurdish support for the American war effort. Finally, Turkey feels that accepting American demands would pave its way into the lucrative Iraqi reconstruction effort.

On the other hand, the Turkish public remains firmly opposed to any Turkish involvement in collaboration with the American occupiers. Why should Turkish forces perish in support of an illegitimate and misconceived American war? Indeed Turkish troops could face serious attacks by Kurdish militants in Northern Iraq. In connection to this it should be noted that on 1 September 2003 the PKK/KADEK declared an end to its unilateral cease-fire which followed the capture of Abdullah Öcalan in 1999. Allegedly, the ceasefire was broken because of Ankara's failure to reciprocate. However, its timing is certainly also linked to the government's partial amnesty law.

In order to persist with a consistent policy towards Iraq and in the light of these contrasting considerations the most fruitful course of action could be for Turkey to await a UNSC resolution before deploying troops on the ground. By doing so Turkey would act in accordance with its own constitution, it would minimise the negative repercussions of its intervention and it would enhance the credibility of its government in its commitment to democracy and the rule of law.

B. The Cyprus Conflict

Yet perhaps an even more fundamental challenge in EU-Turkey relations concerns Cyprus, particularly in view of the forthcoming accession of the island. Due to the obstacles posed in Turkey's European path by the accession of a divided island, there has been a basic overlap between hardliners on the Cyprus conflict and the nationalist and euro-sceptic forces in Turkey. To the most conservative forces within the Turkish establishment, the EU accession process is viewed as a threat to Turkey's Cyprus policy. Furthermore, an intransigent position on Cyprus added another obstacle in Turkey's EU path, and thus dampened the momentum in favour of what some viewed as threatening domestic reforms.

At the same time, the lack of a committed EU policy towards Turkey strengthened the arguments of nationalist and euro-sceptic forces in Ankara and Lefkoşa that argued against an early settlement within the EU. Moderates and reformists in Turkey accepted that because of Turkey's own shortcomings, Cyprus' EU membership would occur prior to Turkey's. However, they could not accept that because of allegedly unchangeable features of the Turkish state and society, Cyprus would mark the borders of the united Europe, keeping Cyprus and Turkey on opposite sides of the European divide. So long as Turkey's fundamental scepticism of European intentions persisted, a settlement in Cyprus would be viewed by Ankara as 'losing Cyprus' rather than sealing a win-win agreement.

In the run up to the Copenhagen Council, the AKP government displayed a fundamental shift from earlier administrations concerning Cyprus. It both declared

openly that it did not regard a continuation of the status quo as a solution, and it appeared willing to recognise the link between EU-Turkey relations and a Cyprus settlement. In the run-up to Copenhagen the government effectively argued that if the European Council gave Turkey an early and firm date to begin accession negotiations, the government would support a Cyprus settlement on the basis of the comprehensive 'Annan Plan'.

Judging by events, the Copenhagen offer was insufficient to induce Turkey and the Turkish Cypriots to sign an agreement on the 13 December 2002 and thereafter. This ultimate failure was not only caused by miscalculated Turkish bargaining tactics, but was fundamentally linked to Turkey's mistrust of Europe. Whether a deal would have been reached if Turkey had received an earlier and firmer 'date', or if EU-15 had formulated a more resolute and coherent policy towards Turkey before the European Council will remain unknown. But what was clear was that the Turkish government considered these conditions as the minimum assurance to hedge against this prevailing mistrust. Pressure alone would be insufficient to clinch an agreement.

After the Copenhagen Council trends continued to oscillate as the product of an ongoing battle between elements pushing for or against a settlement. Different positions and logics were continuously aired. Those sceptical of Turkey's future in Europe, persisted in their effective opposition to Cyprus' EU membership, and consequently their opposition to the UN Plan. Those in favour of Turkey's EU membership, but unsatisfied with the Copenhagen decision, proposed a postponement of a settlement until Turkey's EU prospects became clearer (i.e., in December 2004). Other pro-Europeans instead pushed for an early settlement based on the UN Plan. They appreciated the difficulty of reaching an agreement following Cyprus' EU membership (May 2004) and understood that in future the international burden would be placed predominantly on Turkey's shoulders. The most evident manifestation of this flux of ideas was the effective rift between the AKP government and the Turkish Cypriot leadership.

With the failure of The Hague negotiations, for which the Turkish Cypriots were primarily blamed, the conservatives in Turkey and northern Cyprus appeared to win the day. However, while The Hague meeting temporarily sealed the fate of the 'Annan Plan', it did not entail the end of the debate in northern Cyprus and Turkey. The Cyprus challenge remains on the table, and will have to be tackled if Turkey progresses along its path to the Union.

There are strong reasons for Turkey to pursue a settlement prior to the effective accession of Cyprus in May 2004. The scope to do so exists, as evidenced by the recent opening of the border point in Cyprus and the ensuing flux of people crossing the green line. Politically, the opportunity for change could emerge with the December 2003 parliamentary elections in northern Cyprus. The extent to which this opportunity will be seized will depend on whether, by the end of the

year, the Turkish establishment will have reached a consensus concerning an early settlement on the island, a consensus that in March 2003 had not yet emerged.

The EU could certainly raise the incentives in Cyprus and Turkey for an early settlement. Vis-à-vis the Greek Cypriots, EU institutions and member states should exert all their remaining leverage (in particular prior to May 2004) to keep the Annan Plan alive. This would require a unity of voices from Brussels and the national capitals stating that the UN Plan with its deviations from the *acquis* is also an EU Plan. Greek Cypriot nationalists should be prevented from using an EU discourse to legitimise uncompromising positions.¹¹ Naturally the need for such an effort would be particularly strong in the event of a victory of the Turkish Cypriot opposition in December 2003, a re-launch of negotiations on the Annan Plan between January and May 2004 and a attempt of the Greek Cypriot government to alter significantly the Plan in its favour.

Vis-à-vis Turkey, the Union should persist in supporting the pro-reformist elements in the country not only by stating in the forthcoming Progress Report which are the remaining reforms that Turkey should undertake, but also by clarifying at the European Council in December 2003 that provided that these reforms are implemented, accession negotiations would start in early 2005. In other words, accession negotiations following the fulfilment of the Copenhagen criteria would not be a mere probability but a credible EU commitment.

Concerted EU voices should also clarify their position regarding the link between Turkey's accession and a Cyprus settlement. At the moment the position is ridden by a disunity of voices and underlying contradictions. On the one hand EU voices argue that a Cyprus settlement would facilitate Turkey's accession process. Yet some argue that the road to Turkey's membership passes through Nicosia.¹² On the other hand, the Turkish government embraced the logic of linkage by suggesting that if it endorsed the Annan Plan, it should be compensated with a firm date to begin accession negotiations. To this the Union replied that a Cyprus settlement is a necessary but insufficient condition for accession negotiations. This attitude in turn generated resentments in Turkey and validated the positions of Euro-sceptics who criticised the inherent bias of the Union. Turks observed that while a settlement was not a condition for Cyprus' accession it had become a condition for Turkey.

There appears to be no clear-cut way out of this dilemma other than reiterating unanimously that the Copenhagen criteria are the only necessary conditions for

11 Conversations with Greek Cypriot academics, civil society leaders and politicians, Nicosia, June 2003.

12 Turkish Press.com 3 March 2003.

Turkey's accession negotiations. A Cyprus settlement would facilitate the process, but it is currently not a precondition. Hence, the Turkish government should not hold on to Cyprus hoping to induce a better EU decision. By doing so Turkey would fail to win EU support for its membership drive, it would reduce the ability of EU governments to exert pressure on the Greek Cypriot side (in the event of a re-launch of the talks) and it would most likely end up in a situation post May 2004 in which the Annan Plan in its current form may no longer be an option.

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