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PRIME MINISTRY  
STATE PLANNING ORGANISATION**

**THE LIKELY EFFECTS OF  
TURKEY'S MEMBERSHIP  
UPON THE EU**

December 2004

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## INTRODUCTION

Relations between Turkey and the European Union have a long history, which started with the association established by the Ankara Agreement in the early 1960s, continued with the Additional Protocol which regulates the transitional period of the association in the 1970s, and reached an advanced level with the creation of a customs union between the parties in 1996. Throughout this long process, the main perspective in Turkey-EU relations was full membership and this goal was the driving force behind the progress achieved in relations. The Helsinki European Council of 1999 irrevocably confirmed Turkey's candidate status.

The European Union, which had 6 members when the association relationship was established with Turkey, has today become a structure with 25 members. This number will rise to 27 after Romania and Bulgaria become members in the coming years. Today, the European Union appears as a giant bloc with a population of about 455 million and a total output of 10 trillion euros, where no single member state - regardless of its size - dominates. This Union, whose founding philosophy includes the principles of peace, freedom, welfare, the rule of law, and solidarity, is the symbol of a successful integration effort which influences not only the continent of Europe but also the whole mankind at the global level.

Continuously transforming as a moving target with its dynamics of enlargement and deepening, the European Union has, on the one hand, gathered strength with new members and, on the other, enabled its members to develop faster in a favourable and stable environment.

Ever since it was founded, the Republic of Turkey has turned its face towards the West, has aimed to "rise above the level of contemporary civilisation", and has carried out wide-ranging reforms by its own will in line with this aim. The goal of membership of the European Union has emerged as a natural extension of this effort for modernisation in the wider sense and has been adopted both by State institutions and by a great majority of the population. Support for membership of the European Union, which appears to be steadily above 70 percent in public opinion surveys, proves that the Turkish people regard the values of the European Union as overlapping with its own goals. In the search for more democracy, for a stronger economy, for the rule of law and for peace and stability, the goals which overlap with those of the European Union are operating as dynamics that motivate change in Turkey. Especially after the Helsinki European Council, this change gained an important momentum and continued. This process, combined with the internal will for change in Turkey as a dynamic country, has accelerated the efforts of renewal which are maintained in a comprehensive framework under the conditions of the knowledge-based society of the 21st century.

In December 2004, the Heads of State and Government of the European Union member states will make an important political decision on the opening of negotiations with Turkey on the basis of the Regular Report released by the European Commission in early October. The decision to be made will not be one of accession, as some circles incorrectly think, but it will only concern the opening of negotiations. How long the negotiation process takes and how the transitional arrangements are formulated in terms of the *acquis* to be incorporated will be determined in this process. The start of the negotiation process will, on

the one hand, accelerate the process of reform in Turkey and, on the other, contribute positively to the sustainable high growth performance of the Turkish economy. This positive performance to be achieved in interaction with the European Union will ultimately help construct a more prosperous and stable future for the whole of Europe.

By the time of Turkey's accession, both the European Union and Turkey will be different from what they are now. Turning many issues which today are perceived as problems into an advantage in a medium- and long-term perspective confronts us as a great opportunity. The synergy to be created by the steps to be mutually taken and by the interaction to be achieved will favourably affect the European Union as well as Turkey. With its young population, growing market, geostrategic position and democratic structure, the Republic of Turkey will be an important actor in Europe's developing and extending its dynamism in the 21st century.

Being European is not something rigidly determined by geography and history with a focus on the past. Being European means above all else focusing on the future and continuously renewing one's identity in a lively and democratic environment of debate. As has been until now, the European identity must be open to new syntheses and developments also in the future. Otherwise, it would become difficult to reproduce and utilise Europe's historical experience and achievements on the global scale. Turning in upon itself and confined to a narrow and static definition of identity, Europe would not send a positive message either to its own citizens or to the rest of the world. On the other hand, a Europe united around universal ideals and values would maintain its spirit of self-criticism and its dynamism. In this context, the development of Turkey's relations with the EU will play a key role not only for Europe itself but also for the new global relations that will come into being in the 21<sup>st</sup> century.

This Report has been produced to underline the fact that the decision to be made by the European Union at a strategic juncture will have beneficial consequences not only for Turkey but for Europe and for the world in general as well. In particular, this fact, which is also stressed by many European intellectuals and statesmen who carefully study developments and trends in the world and in our region, needs to be further investigated analytically.

As in the previous waves of enlargement, it is clear that Turkey's membership will impose certain costs on the European Union in the medium- and long-term. Given its current level of development, Turkey will be in the position of a net recipient from the EU budget. However, it is also a fact that those costs are expressed in excessively large figures without an objective calculation. This Report includes an effort to calculate those costs as objectively as possible, albeit with various uncertainties. In addition, it sets out the contributions to be provided by Turkey to the development of the European economy, particularly in the areas of growth, foreign trade and entrepreneurship, in parallel to Turkey's medium- and long-term development trends. In more clear words, Turkey will not be a country that just takes a share in the cake, but one that makes the cake bigger and richer.

Although it is a fact that the European Union, founded on the rule of law, is at the stage of a historical decision that goes beyond a quantitative cost and benefit analysis at the current phase of mutual relations, it is expected that a proper impact assessment will have useful results for an understanding of the mutual benefits. In this context, it is hoped that the Report, intended to contribute to a dialogue and cooperation based on transparent and analytical studies, will complement similar studies to be undertaken by the European Union. It

is expected that this Report, which seeks to address relations between Turkey and the European Union within a perspective focused on the future without neglecting the past experience, will contribute to more detailed studies to be undertaken in the future.

While preparing the Report, various documents and reports published on this subject were used. In addition, modelling work was done under certain assumptions, and indicative projections for the future were developed. Basic magnitudes such as growth, population, foreign trade and employment were predicted for Turkey and the member states and examined in a long-term perspective. Furthermore, this modelling work was enriched with studies made in various sectoral areas.

The Report consists of four parts:

The first part, under the heading of the legal situation, includes the historical process of development of EU-Turkey relations. The second part includes the political contributions to be made by Turkey to the EU, while the third part addresses the economic contributions. The final part of the Report evaluates Turkey's contributions to the social texture and cultural mosaic of the EU.

## **A- THE LEGAL SITUATION**

### **1. Turkey-EU Relations**

#### ***a) The Association Regime***

Relations between Turkey and the EU have developed under the association regime based on the Ankara Agreement, which was signed between the European Community (EC) and Turkey on 12 September 1963 and which entered into force on 1 December 1964.

The Ankara Agreement envisages that the development of the association relationship established between Turkey and the EC in the direction of Turkey's full membership, which is the final goal of that association, should take place through three stages: the preparatory stage, the transitional stage and the final stage.

During the transitional stage, regulated by the Additional Protocol which was signed on 23 November 1970 and which entered into force on 1 January 1973, it was envisaged that a customs union covering industrial products should be gradually established between the parties, that free movement of workers should be mutually ensured, that a gradually extending preferential trade regime should be implemented in agricultural products, that legislation and policies in the areas specified in the Additional Protocol should be aligned between Turkey and the EC, and that the process of the free movement of services should be started.

In the transitional stage, Turkey-EU association relations did not develop as expected and came to a freezing point in the 1980s.

On 14 April 1987, Turkey applied for membership of the European Communities, making use of a right granted to all European countries. In the Opinion of the European Commission which was issued in 1989, it was concluded that Turkey was basically eligible for membership but it would be appropriate for the time being to postpone the decision to be made on Turkey's membership.

In mutual relations which were revitalised in the early 1990s, the stage was reached of fully establishing a customs union between Turkey and the EC in the area of industrial products under Decision No. 1/95 of EC-Turkey Association Council of 6 March 1995. In accordance with the Decision, the customs union between Turkey and the EC began to operate on 1 January 1996.

#### ***b) The Process of Candidacy***

Turkey communicated to the EU its wish to take part in the new enlargement process launched by the EU in 1996.

At the European Council of Cardiff in 1998, Turkey was included in the reporting system in which other candidates were also included, and the first Regular Report assessing Turkey's performance with regard to the Copenhagen criteria was published in 1998.

At the EU Summit of Heads of State and Government that was held in Helsinki on 10-11 December 1999, Turkey was admitted as a candidate for EU membership on an equal basis with the other candidate countries. It was stated in the summit conclusions that Turkey was a

candidate country in the framework of the same criteria applicable to all candidate countries and that a "Pre-Accession Strategy" would be developed for Turkey with a view to the implementation of the reforms necessary for membership. It was also stated that Turkey would be allowed to benefit from Community Programmes in the process of accession and be included in the meetings to be held between the EU and the candidate countries. In addition, it was envisaged that a national programme should be prepared concerning the adoption of the EU acquis for Turkey's accession to the EU. In this direction, the Heads of State and Government asked the European Commission to carry out a study on the EU legislation to be adopted by Turkey and to prepare a framework for the coordination of all pre-accession financial assistance to be made available.

After the Helsinki Council declared Turkey a candidate country, the Accession Partnership, which was prepared by the European Commission and approved by the EU Council and which includes Turkey's short- and medium-term priorities in the context of fulfilling the Copenhagen criteria, including its obligations to align with the EU acquis, and the financial assistance to be made available for this purpose, was published in the Official Journal of the European Communities on 24 March 2001.

In parallel to the Accession Partnership, the Turkish National Programme for the Adoption of the EU Acquis (the National Programme), which includes the amendments to be made in Turkish legislation and the new legislative measures to be adopted for alignment with the EU acquis, the human and financial resources needed for alignment, the development of the required administrative capacity for the adoption of the EU acquis, and a schedule of short- and medium-term priorities in this regard, was adopted by the Council of Ministers on 19 March 2001.

At the Copenhagen Council held on 12-13 December 2002, it was stated that the progress made by Turkey in 2002 towards the fulfilment of the Copenhagen criteria welcomed, but it was emphasised that implementation was also important for the fulfilment of the political criteria. The Council declared that negotiations would be started without delay if the Council to be held in December 2004 concluded, on the basis of the Commission's opinion and recommendations, that Turkey fulfilled the Copenhagen political criteria. The Council also agreed that the Accession Partnership for Turkey should be revised and the financial assistance to Turkey should be increased, and the Commission was invited to draft a new Accession Partnership for Turkey. The Commission accordingly prepared a new Accession Partnership, which was adopted by the EU Council on 14 April 2003.

In parallel to the new Accession Partnership, the National Programme of 2001 was revised and adopted by the Council of Ministers on 23 June 2003.

### *c) Evaluation*

Relations between Turkey and the EU continue in the framework of the association regime, on the one hand, and the candidacy process, on the other.

Turkey continues to fulfil its obligations arising from the association regime in the candidacy process which started after the Helsinki Council.

Differently from other candidate countries, the legislative alignment already achieved by Turkey in the framework of the association regime and particularly of the customs union

has brought Turkey to an advanced stage in terms of certain headings of the *acquis* before the negotiations are opened. In achieving the legislative alignment in question, Turkey has aimed at full membership which is envisaged in Article 28 of the Ankara Agreement.

Article 28 of the Ankara Agreement provides that as soon as the operation of the Agreement has advanced far enough to justify envisaging full acceptance by Turkey of the obligations arising out of the Treaty establishing the Community, the Contracting Parties shall examine the possibility of the accession of Turkey to the Community.

As this provision makes clear, the final goal of the association regime is Turkey's accession to the European Community. In fact, it was with a view to membership that Turkey entered into the customs union, which means an advanced stage of the association relationship.

Furthermore, independently of the association regime, the final goal of the candidacy process into which Turkey entered in the framework of its application for membership in 1987 and the decision adopted by the Helsinki Council is also full membership.

Therefore, at the stage reached in both the association regime and the candidacy process, it is inconceivable for Turkey to accept any status other than membership.

Article 6 of the Treaty on European Union provides that the European Union is based on the principles of freedom, democracy, respect for human rights and fundamental liberties, and the rule of law. The association relationship that has been continuing between Turkey and the EU since 1963 and the subsequent candidacy process also rest on strong legal foundations.

In this framework, basing these relations, which have full membership as their final goal, on a different ground would damage the principle of the rule of law, which is one of the fundamental principles of the European Union. Therefore, subjecting Turkey to a special status other than membership and treating it under different and larger considerations than the other candidate countries would be incompatible with that principle.



## B- POLITICAL ISSUES

### 1. Fulfilment of the Political Criteria and Implementation

The political criteria which were decided at the Copenhagen European Council of 1993 and which candidate countries are required to fulfil to become members of the EU consist in the stable functioning of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities. The main legislative measures adopted by Turkey towards the fulfilment of the political criteria are presented below.

#### First package of harmonisation (Law No. 4744)

<b>Freedom of expression</b>	<ul style="list-style-type: none"> <li>▪ Adopting the idea of actual danger rather than abstract danger, the Penal Code was amended to make the offence of inciting people openly to enmity or hatred punishable when it is committed “in a manner that may be dangerous for public order”.</li> <li>▪ By an amendment to the Anti-Terrorism Law, punishment was stipulated not for all types of propaganda but only for “propaganda in favour of an illegal organisation in such a manner as would encourage the use of terrorist methods”.</li> </ul>
<b>State Security Courts</b>	<ul style="list-style-type: none"> <li>▪ By an amendment to the Law on State Security Courts, detention periods were shortened, the provisions concerning persons under detention in the state-of-emergency region were improved, and the possibility to have access one’s lawyer at any time was introduced</li> </ul>
<b>Detainee rights</b>	<ul style="list-style-type: none"> <li>▪ The Penal Procedure Code was amended to ensure that relatives of detained or apprehended persons are promptly notified of detention, apprehension and decisions to extend the period of detention.</li> </ul>

#### Second package of harmonisation (Law No. 4748)

<b>Fighting against torture</b>	<ul style="list-style-type: none"> <li>▪ Provision was made for resorting to responsible personnel on account of compensations paid under decisions of the European Court of Human Rights for offences of torture.</li> </ul>
<b>Making the closure of political parties more difficult</b>	<ul style="list-style-type: none"> <li>▪ The possibility was provided for partly or completely depriving a political party of state financial assistance instead of closing it.</li> <li>▪ The definition of a “focus” which is used as a ground for closing political parties was clarified.</li> </ul>
<b>Freedom of the press</b>	<ul style="list-style-type: none"> <li>▪ Penalties for certain offences committed through the press were reduced.</li> <li>▪ The provisions on publishing in a language banned by law were repealed.</li> </ul>
<b>Freedom to establish associations</b>	<ul style="list-style-type: none"> <li>▪ The conditions required for being a founder of an association were made easier.</li> <li>▪ Restrictions on freedom to establish associations with regard to purpose were reduced.</li> <li>▪ The bans on associations to use certain names and signs and languages other than Turkish were eased.</li> <li>▪ The objectives and areas of activity for student associations were enlarged.</li> <li>▪ The system of permission was replaced by the system of notification concerning relations of associations with foreign associations and organisations.</li> </ul>
<b>Freedom of assembly and demonstration</b>	<ul style="list-style-type: none"> <li>▪ The conditions for organising assemblies and demonstrations were lessened.</li> <li>▪ The grounds for postponing or banning an assembly or demonstration were reduced.</li> </ul>
<b>State Security Courts</b>	<ul style="list-style-type: none"> <li>▪ The provisions that restrict the right to see a lawyer for those apprehended or detained on account of offences within the jurisdiction of State Security Courts were abolished.</li> </ul>

#### Third package of harmonisation (Law No. 4771)

<b>Death penalty</b>	<ul style="list-style-type: none"> <li>▪ The death penalties under various laws were turned into heavy imprisonment for life, excluding those stipulated for crimes committed in war and in cases where there is an imminent threat of war.</li> </ul>
<b>Freedom of expression</b>	<ul style="list-style-type: none"> <li>▪ It was provided that there should be no penalty for written, oral or visual expressions of opinion intended for criticism only, without the intention to insult and degrade the</li> </ul>

	Turkish nation, the Republic, the Grand National Assembly of Turkey, the spiritual personality of the Government, the ministries, the military or security forces or the spiritual personality of the judiciary.
<b>Community foundations</b>	<ul style="list-style-type: none"> <li>It was provided that community foundations, regardless of whether they have a deed of trust or not, may acquire and dispose of immovable property with permission from the Council of Ministers. In addition, it was also provided that, upon an application within six months from the effective date of the relevant legislation, the immovable property certified to be under the control of such foundations shall be registered in their names.</li> </ul>
<b>Associations</b>	<ul style="list-style-type: none"> <li>Further provisions were introduced concerning the activities abroad of associations established in Turkey and the activities in Turkey of associations established abroad.</li> </ul>
<b>Retrial</b>	<ul style="list-style-type: none"> <li>It was provided that if the European Court of Human Rights determines that a court decision which was or became final is in breach of the Convention for the Protection of Human Rights and Fundamental Freedoms or the protocols annexed thereto and it is found that the breach has consequences which cannot be eliminated by compensation, the Minister of Justice, the Chief Public Prosecutor at the Supreme Court of Appeals, or the person who applied to the European Court of Human Rights or his/her legal representative, may request a renewal of the trial within one year from the date on which the decision became final.</li> </ul>
<b>Broadcasting in different languages and dialects</b>	<ul style="list-style-type: none"> <li>It was provided that broadcasts may be made in different languages and dialects traditionally used by Turkish citizens in their daily lives, on condition that such broadcasts are not against the fundamental characteristics of the Republic as laid down in the Constitution or against the indivisible integrity of the State with its land and nation.</li> </ul>
<b>Learning of different languages and dialects</b>	<ul style="list-style-type: none"> <li>It was provided that private courses may be opened for the learning of different languages and dialects traditionally used by Turkish citizens in their daily lives, on condition that such courses are not against the fundamental characteristics of the Republic as laid down in the Constitution or against the indivisible integrity of the State with its land and nation.</li> </ul>
<b>Police</b>	<ul style="list-style-type: none"> <li>Through changes made to the Law on the Duties and Powers of the Police, the relevant legislation was brought into line with the EU acquis.</li> </ul>
<b>Trafficking in immigrants and human beings</b>	<ul style="list-style-type: none"> <li>Trafficking in immigrants was defined and included in the scope of the Turkish Penal Code, and penalties were introduced for this crime. Provisions were made with regard to kidnapping of individuals with the aim of forcing them to work or serve, subjecting them to captivity or similar practices, or taking their body organs.</li> </ul>

#### **Fourth package of harmonisation (Law No. 4778)**

<b>Associations</b>	<ul style="list-style-type: none"> <li>It was provided that associations shall be required to use Turkish only in their correspondence with official institutions of the Republic of Turkey, allowing them to use languages other than Turkish in their other correspondence.</li> <li>Provision was made for legal persons to become members of an association.</li> <li>The Civil Code was amended with respect to external activities and relations of local and foreign associations.</li> </ul>
<b>Political parties</b>	<ul style="list-style-type: none"> <li>The closure of political parties was made more difficult.</li> </ul>
<b>Freedom of the press</b>	<ul style="list-style-type: none"> <li>It was provided that members of the press cannot be forced to disclose their sources of news.</li> </ul>
<b>Right to petition</b>	<ul style="list-style-type: none"> <li>Foreigners residing in Turkey were granted the right to submit petitions and complaints to the GNAT and to the administrative authorities, on condition that the principle of reciprocity is observed and that their petitions are written in Turkish.</li> </ul>
<b>Community foundations</b>	<ul style="list-style-type: none"> <li>The Directorate-General of Foundations rather than the Council of Ministers was specified as the authority to grant permission for community foundations to acquire and dispose of immovable property.</li> </ul>
<b>Judicial registry</b>	<ul style="list-style-type: none"> <li>Provisions were introduced to specify the authorities to which information on minors in the judicial registry may be provided and the conditions for use of such information.</li> </ul>
<b>Torture and mistreatment</b>	<ul style="list-style-type: none"> <li>It was provided that penalties for torture and mistreatment cannot be converted into fines or one of the other measures and cannot be suspended, either.</li> </ul>
<b>State of emergency</b>	<ul style="list-style-type: none"> <li>The possibility for prisoners in the state of emergency region to be taken out of prison for the purpose of interrogation was restricted.</li> </ul>

**Fifth package of harmonisation (Law No. 4793)**

<b>Retrial</b>	<ul style="list-style-type: none"> <li>With regard to civil procedure law and criminal procedure law, the possibility of the renewal of trial in light of ECtHR decisions was extended.</li> </ul>
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**Sixth package of harmonisation (Law No. 4928)**

<b>Freedom of expression</b>	<ul style="list-style-type: none"> <li>The authority of the Supreme Electoral Board to implement sanctions against private radio and television establishments was reduced.</li> <li>Provision was made for public and private radio and television establishments to make broadcasts in different languages and dialects traditionally used by Turkish citizens in their daily lives.</li> <li>The period of the broadcasting ban during elections was reduced from 7 days to 24 hours before the elections.</li> <li>The NSC representative was removed from the Inspection Board.</li> <li>The scope of inspection subjects under the Law on Cinema, Video and Music Works was reduced, and it was provided that the court must issue a decision urgently in this matter.</li> <li>The definitions of terrorism and illegal organisation in the Anti-Terrorism Law were revised and the provision concerning propaganda against the indivisible integrity of the State was abolished.</li> </ul>
<b>Full Enjoyment of All Fundamental Rights and Freedoms by All Individuals without Discrimination</b>	<ul style="list-style-type: none"> <li>The time-limit for community foundations to apply for the registration in their names of immovable property certified to be under their control was increased from 6 months to 18 months.</li> <li>Individuals of different religions and faiths were granted wider freedom concerning their places of worship.</li> <li>Restrictions on giving names to children were reduced.</li> </ul>
<b>Right to life</b>	<ul style="list-style-type: none"> <li>The penalty for a mother who has killed her newborn baby with the motive to save honour was made heavier.</li> <li>The practice of reducing the penalty for offences committed with the motive of honour and turning it into another penalty was abolished.</li> </ul>
<b>Retrial</b>	<ul style="list-style-type: none"> <li>With regard to administrative trial procedure law, the possibility was provided for the renewal of trial in light of ECtHR decisions.</li> </ul>

**Seventh package of harmonisation (Law No. 4963)**

<b>National Security Council</b>	<ul style="list-style-type: none"> <li>By an amendment to the Law on the National Security Council and the Secretariat-General of the National Security Council, the constitutional amendment was reflected in the said Law, and provisions were introduced concerning the structure and operation of the Council and the Secretariat-General.</li> </ul>
<b>Associations</b>	<ul style="list-style-type: none"> <li>It was provided that legal persons may also establish associations.</li> <li>The conditions for the establishment of an association were eased.</li> </ul>
<b>Freedom of assembly and demonstration</b>	<ul style="list-style-type: none"> <li>The criteria for postponing an assembly were made more precise and the periods of postponement reduced.</li> </ul>
<b>Learning of different languages and dialects</b>	<ul style="list-style-type: none"> <li>It was provided that private courses may be opened for the learning of different languages and dialects traditionally used by Turkish citizens in their daily lives.</li> </ul>
<b>Torture</b>	<ul style="list-style-type: none"> <li>It was provided that investigations and prosecutions against those who have committed the offence of torture should be conducted with priority and urgency and that legal actions on cases of torture should not be adjourned for more than thirty days unless necessary and should continue during the judicial holiday.</li> </ul>
<b>Budgetary control</b>	<ul style="list-style-type: none"> <li>By an article added to the Law on the Court of Public Accounts, the authority of the GNAT to control the budget was strengthened and the possibility was provided for the inspection of State property held by the Armed Forces.</li> </ul>
<b>Rights of the child</b>	<ul style="list-style-type: none"> <li>The upper age limit for trial at the Juvenile Courts was raised from 15 to 18.</li> </ul>

**Eighth package of harmonisation (Latest constitutional amendment)**

<b>Gender equality</b>	<ul style="list-style-type: none"> <li>The provision was introduced that women and men have equal rights and that the State has the duty to put such equality into practice.</li> </ul>
<b>Death penalty</b>	<ul style="list-style-type: none"> <li>All references to the death penalty were removed from the Constitution.</li> <li>The provision that no death penalty can be imposed except in war and in cases where there is an imminent threat of war and except for crimes of terrorism was abolished.</li> </ul>

<b>Freedom of the press</b>	<ul style="list-style-type: none"> <li>▪ It was provided that printing houses, their annexes, and printing equipment, cannot be seized on grounds that they have been instruments of crime.</li> </ul>
<b>International treaties</b>	<ul style="list-style-type: none"> <li>▪ It was provided that in the event of a dispute arising from the existence of differing provisions in an international treaty concerning fundamental rights and freedoms and in a domestic law, the provisions of the international treaty should prevail.</li> </ul>
Higher Education Council	<ul style="list-style-type: none"> <li>▪ The member elected by the General Staff was removed from the membership of the Higher Education Council.</li> </ul>
State Security Courts	<ul style="list-style-type: none"> <li>▪ The State Security Courts were abolished.</li> </ul>
<b>Court of Public Accounts</b>	<ul style="list-style-type: none"> <li>▪ The possibility was provided for the Court of Public Accounts to audit State property held by the Armed Forces.</li> </ul>
<b>Ninth package of harmonisation (Law No. 5218)</b>	
<b>Death penalty</b>	<ul style="list-style-type: none"> <li>▪ In line with the amendment to the Constitution, the death penalties under certain laws were abolished and turned into heavy imprisonment for life.</li> </ul>
<b>Military representatives on various bodies</b>	<ul style="list-style-type: none"> <li>▪ The Secretary-General of the NSC was removed from the Supreme Board of Communications.</li> <li>▪ The provision for the General Staff to elect a member to the Higher Education Council was abolished.</li> <li>▪ The provision for a member to be elected to the High Board for Radio and Television from among candidates nominated by the Secretariat-General of the National Security Council was abolished.</li> <li>▪ The provision for the NSC to elect a member to the Board for the Protection of Minors from Obscene Publications was abolished.</li> </ul>

The efforts made by Turkey to fulfil the Copenhagen political criteria have ensured that the critical threshold on the road to democratisation has been passed and that the democracy culture has been more firmly established. Indeed, the reforms carried out by Turkey in the recent period have found a positive response both in the European Union and in the Council of Europe.

At the Brussels Council of the European Union that was held on 17-18 June 2004, it was stated that the progress so far achieved by Turkey in the process of reforms, including the wide-ranging constitutional amendments adopted in May, were to be welcomed and that the efforts of the Turkish Government in this direction deserved support.

On 22 June 2004, the Parliamentary Assembly of the Council of Europe decided to lift the process of scrutiny on Turkey. It was stated that this decision by the Parliamentary Assembly was influenced by the reforms implemented by Turkey in the last two years. In this context, emphasis was placed especially on the constitutional amendments of 2001 and 2004, the abolition of the death penalty, the government's policy of "zero tolerance" against torture, the abolition of many restrictions concerning freedoms of expression, association, and religion and conscience, the abolition of State Security Courts, and the progress achieved in the area of recognition of cultural rights. The adoption of this decision is regarded by the circles concerned as confirming that Turkey fulfils the Copenhagen political criteria. In addition, Turkey's progress in carrying out the decisions of the European Court of Human Rights was welcomed by the Parliamentary Assembly.

## 2. Turkey's Weight in the EU Decision-Making Mechanisms

The Council of the EU and the European Parliament are the main institutions in the decision-making process of the European Union towards passing legislation. The Council may pass legislation by acting on its own or together with the European Parliament. The Parliament, which initially had only a consultative role, has had its influence in the decision-

making process gradually increase over the years and has come to share the power to adopt legislation with the Council in many fields.

It can be said that the Council, made up of the ministers of the member states' governments, is currently the most influential decision-making body. Initially, the number of areas subject to unanimity in the Council was greater. Over time, however, this procedure has given way to the procedure of qualified majority voting in many areas. In the latter procedure, the member states have a certain number of votes weighted by their populations.

The fact that the Council is made up of the ministers of the member states and that the procedure of unanimity still applies in certain important areas is a situation in favour of the smaller member states. Moreover, as can be seen in Table 2.1 below, the weights of the smaller countries in the distribution of votes are greater than their weights in the distribution of population. For example, Germany as a country that has 18.2 percent of the EU population may represent only 9 percent of the votes. In contrast, Luxembourg with a population of 0.1 percent has 1.2 percent of the votes.

Representation in the European Parliament, which adopts its decisions as a rule with a majority of votes, is determined on the basis of the populations of the member states. However, a system of grouping by political party rather than by country exists in the Parliament.

If Turkey became a member, it would be one of the five largest countries in the EU, be represented in the Parliament strongly, and have a weighted vote in the Council at the same level as Germany, France, Italy and the United Kingdom. However, it must be borne in mind that a majority of about three fourths of the member states is required for a decision to be adopted by the procedure of qualified majority voting, which has now become the general procedure. For such a majority to obtain, at least 232 of the 321 votes in total must be in favour and the combined population of the countries voting in favour must be no less than 62 percent of the total EU population. On the other hand, for Turkey with a large population to have a greater weight in the decision-making process than the countries with a smaller population would be a natural consequence and a requirement of justice in representation.

Considering Table 2.1, it is estimated that Turkey would have a weighted vote of 28 or 29 in the Council and about 80 representatives in the European Parliament.

In conclusion, based on the current populations, Turkey as a country with 13.6 percent of the total EU population would have a representative power of about 11 percent in the European Parliament and about 9 percent in the Council.

**Table 2.1: Weights of the Member States in the Decision-Making Process (2003)**

MEMBER STATES			Council		Parliament	
	Population(million)	Percentage	Votes	Percentage	Seats	Percentage
Germany	82.53	18.2	29	9.0	99	13.5
France	59.63	13.1	29	9.0	78	10.7
United Kingdom	59.32	13.1	29	9.0	78	10.7
Italy	57.32	12.6	29	9.0	78	10.7
Spain	41.55	9.1	27	8.4	54	7.4
Poland	38.21	8.4	27	8.4	54	7.4
Netherlands	16.19	3.6	13	4.0	27	3.7
Greece	11.01	2.4	12	3.7	24	3.3
Portugal	10.40	2.3	12	3.7	24	3.3
Belgium	10.35	2.3	12	3.7	24	3.3
Czech Republic	10.20	2.2	12	3.7	24	3.3
Hungary	10.14	2.2	12	3.7	24	3.3
Sweden	8.94	2.0	10	3.1	19	2.6
Austria	8.06	1.8	10	3.1	18	2.4
Denmark	5.38	1.2	7	2.2	14	1.9
Slovakia	5.37	1.2	7	2.2	14	1.9
Finland	5.20	1.1	7	2.2	14	1.9
Ireland	3.96	0.9	7	2.2	13	1.8
Lithuania	3.46	0.8	7	2.2	13	1.8
Latvia	2.33	0.5	4	1.2	9	1.2
Slovenia	1.99	0.4	4	1.2	7	1.0
Estonia	1.35	0.3	4	1.2	6	0.8
GASC	0.71	0.2	4	1.2	6	0.8
Luxembourg	0.44	0.1	4	1.2	6	0.8
Malta	0.39	0.1	3	0.9	5	0.7
<b>TOTAL</b>	<b>454.43</b>		<b>321</b>		<b>732</b>	

Source: The Accession Treaty of 16 April 2003 and the EUROSTAT.

### 3. Contribution of Turkey's Membership to Making the EU a Global Power

Since the beginning, the EU has been a model of peace, welfare, freedom and solidarity in its region and has made differences stop being a source of conflict and placed them in a framework that generates mutual benefits. Today, there is an increasing need to carry this model to the global level. Through its members, the EU is in a position where it can reach out to the rest of the world and contribute to the model of a global order that could be useful for the entire humanity.

The fact that Turkey, which is a melting pot of civilisations, has firmly locked itself into its goal of EU membership at this stage of modernisation is an important gain for the entire world. With Turkey's membership, the EU as a project of civilisation under construction will review its perspective of global relations, including especially the Turkic and Islamic world, and as a result an EU vision based on understanding, dialogue and cooperation, rather than conflict, lack of communication, and denial, will be created in the healthiest way with Turkey's contributions.

Turkey's goal is to join the developing cooperation and integration network of the changing EU in politics, defence and security and in the economic, social and cultural fields. This goal will also contribute to reducing the current tension between the West and the Islamic world. In this context, the experience that Turkey as a democratic and secular country has gained from the past to the present day is an important element.

Ensuring security, stability and welfare in Europe depends on an enlargement of the democratic geography. Therefore, the new European architecture must help peace, stability and common prosperity take root in the area that extends from the Balkans to the Caucasus, from the Black Sea to the Mediterranean, and must be based on modern and universal values. In this context, Turkey has a strategic position that will enable it to play a leading and determining role. Located at the crossroads of a wide region extending from the Balkans to the Caucasus and Central Asia, from the Black Sea and Mediterranean basins to the Middle East, Turkey is an indispensable element of stability in political, economic and cultural terms.

Turkey's deep-rooted historical, cultural and social connections with and geographical proximity to the Middle East result in its being directly affected by every positive or negative development in the region and this requires it to concern itself closely with problems in the Middle East. Acting as a gate in relations of Middle Eastern countries with Europe, Turkey is prepared for the maintenance of the existing cooperation and for the further development of it in every area so as to contribute to the establishment of peace and stability in the Middle East.

The fact that the Republics of Central Asia have gained their independence has added a new dimension to Turkish foreign policy. After gaining their independence, they found the opportunity to open up to the outside world through Turkey, which has been in a sense a window for those countries and become an important partner for them in the process of their integration with the world. In this context, Turkey has helped them accede to international organisations such as the United Nations (UN), the Organisation for Security and Cooperation in Europe (OSCE) and the Economic Cooperation Organisation (ECO) and join NATO's Partnership for Peace (PFP) programme and has given them assistance in many other areas. Over 1,000 Turkish companies of different sizes are operating in the region. The volume of direct investments and construction services of these companies in the region reached to a considerable size.

Together with the rapid increase of China's share in the world economy and with the introduction of the rich sources of energy in Central Asian countries, the fact that Eurasia is destined to become one of the central regions of the world economy raises certain opportunities for the EU. In fact, the agreements of cooperation made by the EU with countries of the region, and the projects it has jointly financed, show the importance attached by the EU to relations with the countries of Central Asia. The current state of Turkey's relations with Eurasia and the potential they hold are such as would provide important contributions also for the EU.

The Caucasus, a transit region between East and West and between North and South, is located at a point of intersection of the energy and transport corridors formed in Eurasia in the post-Cold War global order. With this strategic position, the region has an increasing importance for the establishment of stability and welfare throughout Eurasia. The Caucasus is a natural gate opening out to Central Asia for Turkey, which also has political, economic, social and cultural ties with the peoples in this region. The scope of the close neighbourhood policy being developed by the EU includes the countries of the Caucasus among others. The close relations developed by Turkey with these countries thanks to its position and its cultural and historical experience will contribute to strengthening the close neighbourhood policy of the EU.

Having a strong democracy among the countries of the East Mediterranean, Turkey has a critical role to play in the region, where many uncertainties prevail. After the Cold War,

the importance of the Mediterranean region for Europe's security has increased even further. Being able to put an end to conflicts between countries in this region requires the EU to take initiative and to act fairly as between these countries. Europe's security would be further strengthened by an atmosphere of peace to be achieved in the Mediterranean through the settlement of problems in the East Mediterranean. Turkey's accession to the EU, following Greece and the Greek Cypriot Section, would contribute to making the East Mediterranean a sea of peace and security.

Considering international interdependence, which has become stronger together with globalisation, and rising international threats such as terrorism, poverty and climate change, it is a necessity to take steps towards sharing responsibility in the international area. To achieve the ideals of sustainable development, security, peace and equality, the European Union must assume an effective role in these issues where the existing global order proves insufficient. Having grown further with the latest enlargement, the European Union will have the opportunity to develop its relations beyond its new borders by spreading stability, welfare and security. The EU, which, following Turkey's accession, will become a neighbour of countries such as Iraq and Iran which are at the heart of the Middle East, in addition to countries such as Russia, the Ukraine, Moldova, Belarus, Morocco, Algeria, Tunisia, Libya, Egypt, Lebanon, Palestine, Israel, Jordan, and Syria, of which it is already a neighbour, will find the opportunity to play a more effective and even leading role in world politics.

It does not seem possible for the Common Foreign and Security Policy of the EU to be sufficiently developed without Turkey, which has an effective military force. With Turkey's accession, the EU would find the opportunity to transform itself into a more effective global power also in this area. Turkey, which has been a reliable and active member of NATO since the early years of its establishment, could help the EU make tangible contributions to world peace and security.

Turkey has also a strategic position in the field of energy. Turkey's position as a transit country in terms of reaching the countries having rich oil and natural gas resources will facilitate EU countries' utilisation of these resources.

In conclusion, Turkey's membership would enable the EU to play a more powerful and effective role in world politics. Turkey's membership of NATO, its strategic partnership with the USA, its cooperation with the countries of the Balkans and the Caucasus, and its ties with the Islamic world, are elements that would contribute to the achievement by the EU of its goal of becoming a global power. With all these relations and this capacity, Turkey would serve the deepening and strengthening of the EU's Common Foreign and Security Policy. Furthermore, Turkey as an EU member would rise to a more stable position in the area of security as in other areas and be freed to a major extent from the uncertainties caused by the post-Cold War environment. In a "Win-Win" relationship, both Turkey and the EU would enhance their security and influence.

#### **4. Contribution of Turkey's Membership to the EU Capacity to Fight Terrorism**

Terrorism is a phenomenon which aims to achieve different objectives through similar destructive methods and which threatens world nations without discrimination. In this period when we have entered into the 21st century, terrorism has reached a destructive potential



never seen before in any period of history in terms of both technological possibilities and the area it targets, and has gained an international and transboundary dimension.

The terrorist attacks that took place in the USA on 11 September 2001 showed what a serious threat terrorism is for humanity. The similar terrorist actions carried out in Turkey and Spain made it clear that no country is immune from terrorism. Even if actions of violence are undertaken within the boundaries of a certain nation-state, it is now agreed that every terrorist organisation depends on elements outside the boundaries of the state in which actions are staged, in matters such as recruiting members, obtaining logistic support, training its members, financing terrorist actions, and finding shelter. Therefore, the necessity for the international community to act in solidarity and together in the fight against terrorism has arisen once more.

For the fight against terrorism to be successful, it needs to be defined correctly. Terrorism cannot be associated with a certain religion, ethnic identity, race, colour, culture or geographical area. Therefore, fighting against terrorism has become a common concern for the entire world.

Turkey's accumulation of knowledge and experience in the area of fighting against terrorism shows the need for states to cooperate at the national, regional and international levels to prevent and eradicate terrorism. Turkey uses every opportunity to state that it is open for all types of cooperation in this matter and is ready to share the knowledge and experience it has gained in its long-standing fight against terrorism.

In the present day, when important developments in the area of fighting against terrorism are taking place, the view of terrorism is changing and a joint fight against terrorism has been launched across the world, it has been realised that it is a grave mistake to connect terrorism to Islam or any other religion. Today, when the entire world is faced with a threat of terrorism on a global scale, Turkey is aware of the responsibilities that fall to it. As stated in European Economic and Social Committee's Opinion of 1 July 2004 "Turkey's accession to the EU would demonstrate the high level the EU has achieved in terms of its pluralism, of its ability to manage dialogue between cultures and religions, and of its role in promoting peace and justice in the world."

Turkey's accession to the EU would also provide a contribution to European integration with respect to terrorism, which now threatens mankind as a whole, and would demonstrate the resolution of the EU to combat terrorism. In an environment where, on the one hand, terrorism is being effectively combated and, on the other, efforts are being made for new moves forward in democratisation and economic development, the EU experience and the synergy to be created by Turkey would contribute to peace and stability throughout the world, starting in Europe and its vicinity.

## **5. Contribution of Turkey's EU Membership to the Settlement of the Cyprus Question**

Efforts to reach a comprehensive solution towards the reunification of the island were resumed in 1999 under a good offices mission of the UN Secretary-General. In this framework, the aim was for the Turkish Cypriot and Greek Cypriot sides to reach a comprehensive solution and for a new order to be created on Cyprus, and it was considered that a solution to be reached by 1 May 2004 would be of benefit to all parties concerned and

to international peace and security. This approach was envisaged as the only way for Cyprus to join the EU on 1 May 2004 as a united whole.

The plan communicated to the parties during talks held in Switzerland on 31 March 2004, to be voted in separate and simultaneous referenda, was finalised by the UN Secretary-General in close consultation with the two sides on Cyprus and with Greece and Turkey.

The referenda were held on Cyprus on 24 April and a great majority of the Turkish Cypriots voted in favour of the solution plan of the UN Secretary-General which would allow Cyprus to join the EU on 1 May 2004 as a united whole.

However, the Greek Cypriots rejected the plan with a majority of 75 percent, resulting in the failure of efforts for a united Cyprus to join the EU. In the end, the comprehensive solution plan of the UN Secretary-General became null and void in accordance with the relevant provisions of the plan.

With the accession of the Greek side to the EU on 1 May 2004, the EU became party to an international problem despite its own criteria, which require that a country should settle its border disputes before it can join the EU. Following the referenda, the Turkish side, which had clearly expressed its desire for reunification and thus for integration with the EU, remained outside the EU while the Greek Section became an EU member.

Turkey, which has been in favour of a solution of the Cyprus question ever since the beginning, has in this framework always stated that it seeks a lasting and equitable peace on Cyprus, and all its actions have developed in conformity with that statement. In this process, Turkey has adopted an approach from which both sides would benefit in the end.

The Turkish Government regards the establishment of a lasting and equitable peace on Cyprus as one of its priority goals. On this issue, efforts have been made to develop joint strategies towards a solution in close cooperation and solidarity both with the organisations concerned and with the TRNC authorities. Turkey not only produced an occasion for the resumption of talks on Cyprus but also showed its goodwill through the support it gave to the UN Secretary-General during the whole of the process.

In addition, the dialogue and cooperation that has been steadily developing since 1999 between the Turkish and Greek governments would further increase within the EU and, spreading to all areas, enable new steps to be taken. This would also contribute to the settlement of the Cyprus question.

## C- ECONOMIC ISSUES

### 1. Fulfilment of the Economic Criteria

Turkey has taken major steps towards fulfilling the Copenhagen economic criteria, which are defined as the existence of a functioning market economy and the capacity to cope with competitive pressure and market forces within the Union. In this context, legislative measures have been implemented in many areas of the economy such as establishing an Economic and Social Council, giving the Central Bank a more independent status and reforming the banking, electricity and natural gas markets in view of international norms, and considerable progress has been made with reforms to eliminate the structural distortions in the economy.

The developments achieved towards fulfilment of the Copenhagen economic criteria are outlined below.

#### *a) The existence of a functioning market economy*

The existence of a functioning market economy requires the liberalisation of prices as well as trade. In addition, the existence of a developed financial sector and the absence of major barriers to market entry and exit are elements that support the existence of a functioning market economy.

- *Liberalisation of foreign trade:* As a result of the customs union established between Turkey and the EC in 1996, the customs duties and charges having equivalent effects on industrial goods between Turkey and the EU were abolished and the Common Customs Tariff (CCT) of the Community was adopted towards third countries. Turkey started to implement a trade policy compatible with the rules adopted in the framework of the WTO and the Common Trade Policy of the EU.
- *Liberalisation of prices:* Price distortions in the market are decreasing in the framework of reducing the weight of the public sector in the economy and the principle of state enterprises determining their prices according to market conditions rather than public intervention. The system of agricultural support prices, which led to major distortions in the market structure, has been replaced by the system of direct income support. Tobacco and sugar prices are now determined by supply and demand in the market rather than by public organisations making crop purchases. Electricity, telephone and natural gas prices are regulated by independent agencies.
- *Privatisation:* As of 2003, the government has totally withdrawn from such areas as animal fodder, milk products, airport ground services, petroleum distribution and the cement industry, while it has transferred to the private sector its determining position in the areas of textiles, tourism, meat and fish products and maritime transport. In addition, work has been started towards the privatisation of state-owned banks and important steps have been taken on the road to reducing the influence of the government in the financial sector. Concerning the electricity sector, assessments have been made of the generators and distributors in the sector and 3 generating companies have been included in the portfolio of privatisation.

Despite the government's determination in the area of privatisation, the performance in this respect has been below the targets. During the period of 1999-2004, a total revenue of 4.3 billion dollars was obtained from privatisation.

- *Banking sector:* Under the ongoing Programme for the Restructuring of the Banking Sector, efforts are being made to restructure the banking sector and provide it with a healthier structure. Work to privatise the state-owned banks is underway. For this purpose, strategies are being developed to improve the operational efficiency of the state-owned banks and to achieve a competitive environment in the sector. With the structural reforms underway, major progress has been made to strengthen the banking sector to endow it with a healthy structure able to provide resources to the real sector.
- *Market entry and exit:* The Turkish economy has a high level of market entry and exit. In 2003, the number of newly established companies grew by 19 percent in comparison with 2002 and reached 65,335. In the same year, 18,665 companies were closed down. The high numbers of market entries and exits indicate a free regime of market entry and exit.

#### ***b) The capacity to cope with competitive pressure and market forces within the Union***

The capacity to cope with competitive pressure and market forces within the Union requires the existence of a stable macroeconomic structure. In addition, a more advanced level of economic integration with the EU prior to accession is regarded as important for the fulfilment of the obligations arising from membership.

- *Achieving macroeconomic stability:* In the framework of the ongoing stabilisation programme backed by the IMF, important steps have been taken towards achieving economic stability, increasing market confidence and creating a competitive and liberal macroeconomic framework. As a result of the determined implementation of the programme, inflation, interest rates and monetary stock have fallen significantly and a fast growth period has started. In addition, public financial management has been improved and the financial sector restructured. The macroeconomic performance observed in Turkey for the last two years is the best indicator of these developments. The structural reforms carried out and the improvement in the economy have helped to reduce the uncertainties in the markets and to increase confidence in the domestic and foreign markets and thus to stabilise the economy.

Under the fiscal and monetary discipline provided by the determined implementation of the economic programme, the fight against inflation has been considerably successful with annual inflation falling below the target levels in 2002 and 2003. The CPI fell from 68.5 percent in 2001 to 18.4 percent at the end of 2003. As of September 2004, the CPI increased by 9 percent annually. While inflation rates are decreasing, high levels of growth have been achieved. GDP increased 7.9 percent in 2002 and 5.8 percent in 2003. It is expected to achieve a high level of growth, around 10 percent, much above the 5 percent target level also in 2004. In this process, stable macroeconomic environment helped the interest rate to decrease. Treasury bills and government bonds annual average weighted interest rate dropped from around 73.8 percent in 2001 to 28.4 percent at the end of 2003. The aforementioned interest rate was 26.1 percent as of September 2004. The environment of stability in the financial

markets led to the tendency of debt stock to GDP ratio to fall by relieving the concerns in the markets about the sustainability of the debt. Total debt ratio fell from 90 percent at the end of 2001 to 69.9 at the end of 2003.

- *Improving the investment environment:* Law No. 4875 on Foreign Direct Investments, which lays down principles concerning the promotion of foreign direct investments, the protection of the rights of foreign investors, compliance with international standards in the definitions of investment and investor, the replacement of the permit and approval system by the information system in carrying out foreign direct investments, was adopted in June 2003.

In addition, Law No. 4884 has entered into force ensuring the simplification of the company establishment process, which previously involved a total of 19 stages and took more than two months, by reducing it to 3 stages and one day with a standard form of company establishment to be filled out.

The final stage has been reached in the work for the creation of an Investment Promotion Agency to conduct activities towards improving the image of Turkey as an investment environment, increasing local and foreign investments and extending the investments that exist.

- *Improving the business environment:* In the framework of the reform to improve the business environment, The Turkish Accounting Standards Board has been established with the aim of improving corporate governance and supporting the banking reform. Work is underway on legislation concerning the activities of the Board.

The Execution and Bankruptcy Law has been amended to eliminate problems arising from the previous version of this Law and to accelerate execution procedures.

As of 2004, the system of inflation accounting has been introduced to ensure justice in taxation and to prevent tax evasion and unregistered economic activity.

- *Small and Medium Size Enterprises:* Small and Medium Size Enterprises (SMEs) play a key role in achieving stability in the Turkish economy. They account for 99.8 percent of all firms in Turkey, providing about 77 percent of total employment, and creating about 38 percent of total value-added.

Since their small size provides these enterprises, which are mostly family companies, flexibility to adapt themselves to the changing business environment, they play a rather important role in reducing the impact of shocks in the Turkish economy. The fact that no significant disturbances occurred in the economy during the establishment of the customs union is due to this flexible structure of SMEs.

- *Regulatory reforms and agencies:* To enable the government to carry out its regulatory and supervisory functions without interfering in the operation of the markets, independent regulatory agencies have been established for such areas as banking, energy, telecommunications, tobacco and sugar. In creating these agencies, the aim has been to conduct the activities of surveillance and regulation, to prevent monopolies in the markets, to prevent restriction of or damage to competition, and not to allow discrimination between service providers in the market.

- *Public Management Reform:* The Law on Public Financial Management and Control which was adopted in December 2003 is intended to increase transparency and accountability in public financial management, to improve the efficiency of the ex ante control function, to harmonise the ex post internal audit and external audit systems with EU standards, and to extend the initiative of the spending agencies with regard to ex ante control and ex post internal audit.

As of 2004, the analytical budgetary code system has been introduced in all agencies subject to the consolidated budget. For the year 2006, the aim is to implement the new budgetary code structure in all agencies and organisations within the definition of the General Government. This system aims for the financial statistics of the government to be kept more regularly, to be reliable, and to be made suitable for analysis and international comparisons, and thus for financial transparency and accountability to be increased.

A public administration reform has been adopted with the aim of greater democratisation and efficiency in the public administration. The goal of this reform is to create the necessary legal and institutional framework to achieve effectiveness, transparency and participation in public services. In particular, the law that clarifies the distribution of functions, power and resources between the central and local governments, and three basic laws concerning local administrations (the Law on Metropolitan Municipalities, the Law on Municipalities, and the Law on the Special Provincial Administration) have been adopted by the Parliament.

The Law on the Right to Information, which will improve the transparency of the government and strengthen accountability to the public, has also been adopted and put into force.

- A board has been established to set and monitor ethical standards in the government.

In addition, work is underway to restructure all institutions concerned in accordance with the basic principles of this reform which has been launched. The completion of this process is closely related with the competitive strength of the economy as well as the capacity of the public administrations to adopt and implement the various areas of the *acquis*.

- *Trade with the EU:* Following the customs union introduced in 1996, trade relations between Turkey and the EU have further strengthened. Turkey's imports from the EU countries account for about 45 percent of its overall imports, while exports to the EU countries account for about 50 percent of the total Turkish exports. These figures show that trade integration between Turkey and the EU has been achieved to a major extent.

## **2. Diminishing The Development Gap Between Turkey and the Member States with the Help of Turkey's Increased Performance in the Process of Accession**

Turkey's average annual rates of growth remained well below potential due to political and economic instability in the past. However, the political stability and the correct

economic policies in recent years have contributed positively to growth and the Turkish economy has grown faster during the last few years in comparison with the EU countries.

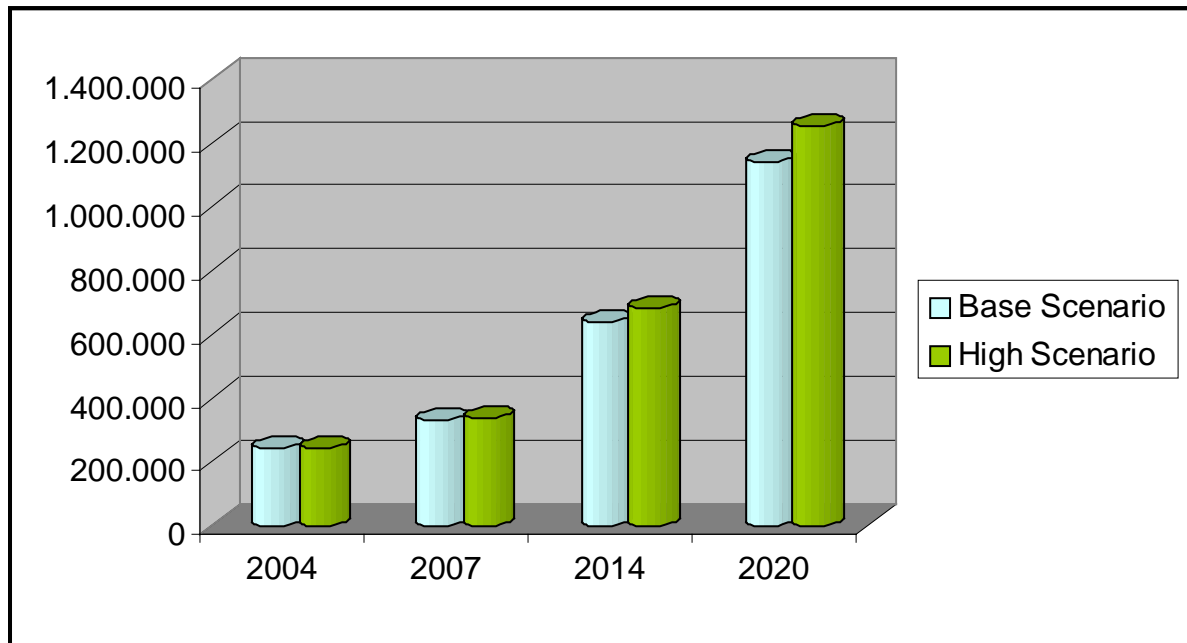
The opening of negotiations with the EU in 2005 and the eventual accession to the EU will further strengthen political and economic stability in Turkey. In a Turkey where stability is firmly achieved, investments will increase, foreign capital inflows will accelerate, employment opportunities and the rate of growth will increase, and the development gap between Turkey and other EU member states will diminish.

In this study, to forecast the effects of EU membership on the Turkish economy, two scenarios have been developed for projections. In both scenarios, the year 2014, which marks the beginning of the next budget period of the EU, is assumed to be a critical year.

In the base scenario, developed with the assumption that the effects of EU membership on the Turkish economy would be limited, it is forecast that Turkey's GDP would be at the level of 2.4 percent of the total GDP of the EU-25 as of 2004. According to this scenario, as a result of the positive economic effects of EU membership, Turkey's GDP would rise to the level of 4 percent of the EU-25 GDP in 2014. With an average annual growth of 6.2 percent in the Turkish economy over the period of 2004 to 2020, GDP would increase to the level of 5.4 percent of the EU-25 GDP and GDP, which is 241 billion euros in current prices in 2004, would reach around 1,139 billion euros in 2020.

Under the second scenario, developed with the assumption that the effects of EU membership on the Turkish economy would be considerable, Turkey's GDP would be at the level of 4.2 percent and 6 percent of the EU-25 GDP in 2014 and 2020, respectively. It is expected that the economy would grow by an average of 6.8 percent a year over the period of 2004 to 2020 and that Turkey's GDP, which stands at 241 billion euros in current prices in 2004, would reach approximately 1,251 billion euros by 2020.

**Graph 2.1: GDP** (at current prices, in millions of euros)



Source: SPO

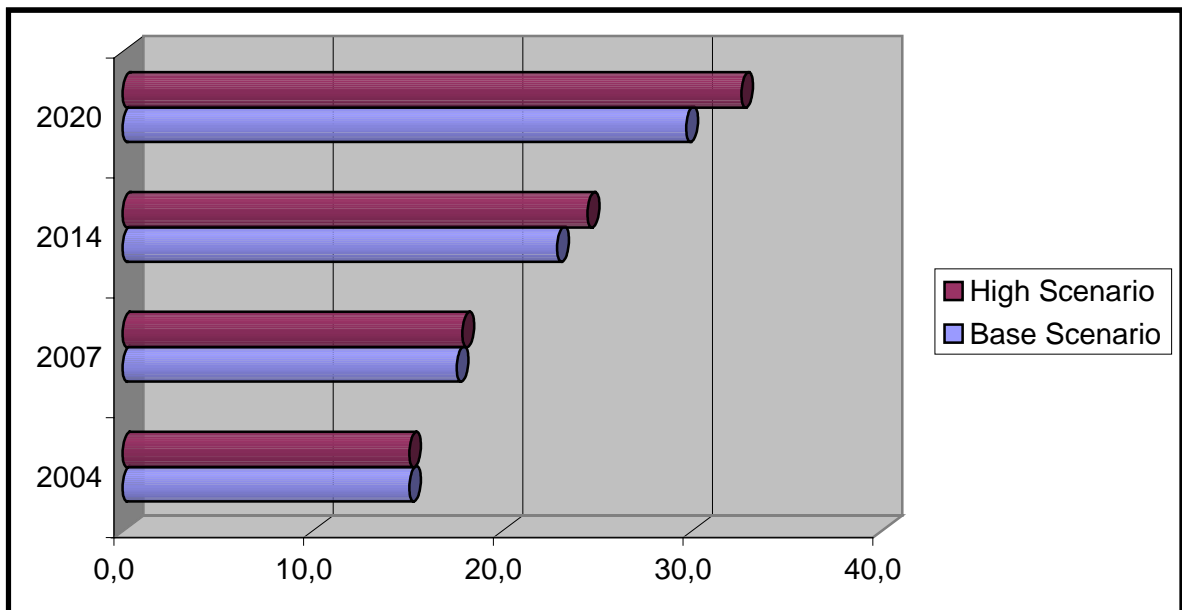
**Table 2.1: GDP Growth Rate (percent)**

	TURKEY		EU-25
	Base Scenario	High Scenario	
2004	9.6	9.6	2.6
2007	5.1	6.0	3.0
2014	6.4	7.0	3.0
2020	6.4	6.8	3.0
<b>2004-2020</b>	6.2	6.8	3.0

Source: SPO

At present, national income per capita in Turkey is at the level of 15.1 percent of the EU-25 average in current prices. Under the base scenario, it is expected that national income per capita in Turkey would rise to 22.9 percent and 29.7 percent of the EU-25 average in 2014 and 2020, respectively. According to the high scenario, on the other hand, it would reach 24.5 percent and 32.6 percent of the EU-25 average in 2014 and 2020, respectively. It is expected that these figures would be much higher according to purchasing power parity. In fact, it is considered that as of 2004 this ratio would be around 30 percent according to purchasing power parity.

**Graph 2.3: National Income per Capita EU-25=100**



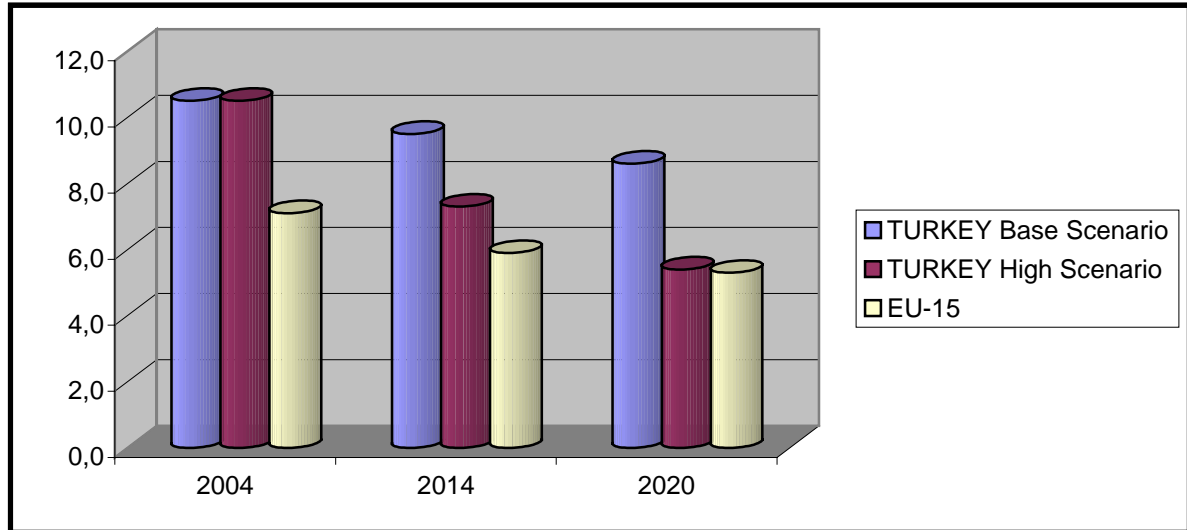
Source: SPO

In an environment where economic stability is firmly established together with the EU membership, inflows of foreign capital will accelerate, local investments will increase and,



together with the positive impact of membership upon growth, employment will increase. Under these assumptions, the unemployment rate, which is estimated to be 10.5 percent in 2004, is expected to drop to 9.5 percent in 2014 and 8.6 percent in 2020 according to the base scenario. Under the high scenario, the unemployment rate would fall to 7.3 percent and 5.4 percent in 2014 and 2020, respectively.

**Graph 2.3: Unemployment Rate** (percent)



Source: SPO

### 3. Turkey's Economic Integration with the EU

Relations between Turkey and the EU develop in the framework of the association regime based on the Ankara Agreement, which was signed with the European Community (EC) on 12 September 1963 and which entered into force on 1 December 1964.

Ankara Agreement envisages that the development of the association established between Turkey and the EC in the direction of Turkey's full membership, which is the final goal of that association, should take place through three periods: the preparatory period, the transitional period and the final period. During the transitional period, relations between Turkey and the EC were regulated by the Additional Protocol, which was signed on 23 November 1970 and entered into force on 1 January 1973, as well as by the Ankara Agreement. In this period, it was envisaged that a customs union covering industrial products should be gradually established between the two parties, that free movement of workers should be mutually achieved, that a gradually extending preferential trade regime should be implemented in agricultural products, that legislation and policies in the areas specified in the Additional Protocol should be aligned between Turkey and the EC, and that the process of the free movement of services should be started as far as permitted by conditions.

Starting in 1972, the EC abolished customs duties on imports of industrial products of Turkish origin and introduced a quota regime for imports of textile products, while Turkey started in 1973 to reduce gradually its customs duties on imports of industrial products from the EC. In 1996, trade relations between Turkey and the EC were further deepened with the customs union established by Association Council Decision 1/95.

In the framework of the customs union, as a result of abolishing customs duties and charges having equivalent effect on imports of industrial products from the EU and EFTA countries and applying the common customs tariff of the Community to imports from third countries, the rates of protection dropped from 5.3 percent in 1995 to 2.62 percent in 1996. This decrease in the rates of protection, which are calculated on the basis of 1995 imports and defined as the ratio of duties and funds effectively collected on imports to the total import, shows that Turkey considerably liberalised its imports following the customs union. The rates of protection against the EU and EFTA countries decreased from 5.47 percent in 1995 to 1.34 percent in 1996.

Following this decrease in the protection rates, Turkey's imports increased rapidly in 1996 and its total imports grew by 22.2 percent and reached to 43.6 billion dollars. When the country distribution of imports is considered, it is seen that Turkey's imports from the EU countries increased by 37.2 percent in 1996 and reached to 23.1 billion dollars (Table 3.1).

With the customs union, customs duties on consumption goods in particular were reduced significantly, and in 1996 imports of consumption goods from the EU countries increased by 100 percent. The share of imports of consumption goods in total imports rose from 6.8 percent in 1995 to 9.8 percent in 1996 and 11 percent in 1997 (Table 3.3).

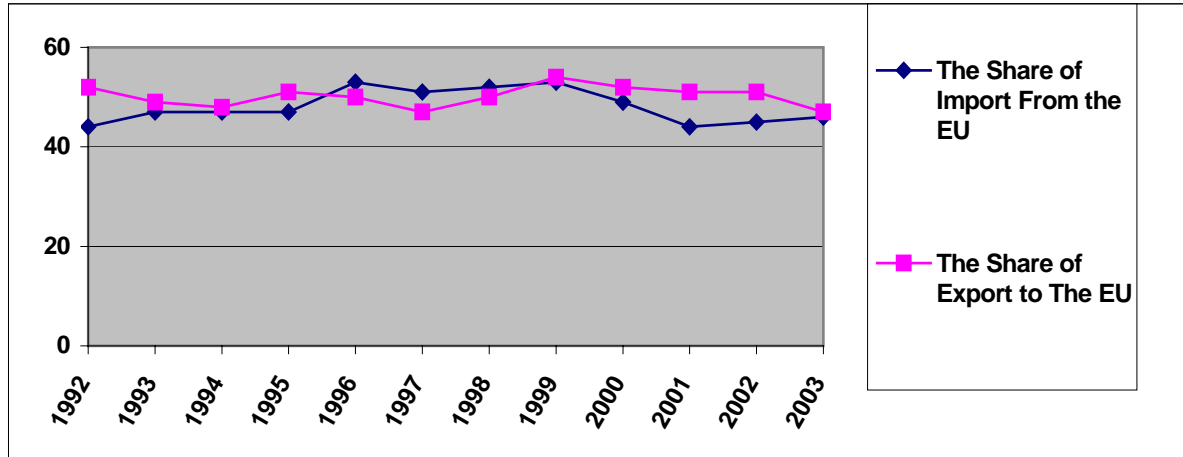
The customs union not only led to an increase of Turkey's total imports but also caused a shift of imports towards the Community. As a matter of fact, the share of EU countries in Turkey's total imports, which was around 47 percent before the customs union, rose to above 50 percent after the customs union. In 2003, imports from the EU reached to 31,7 billion dollars, constituting 45,7 percent of the total imports.

Although the share of imports from the EU in our total imports increased considerably in the initial years of the customs union, it is observed that in the subsequent period this ratio dropped to the levels before the customs union.

In terms of exports, it is observed that the share of exports to the EU in our total exports remained at around 50 percent following the customs union. One reason for this situation is the fact that the European Community had already been applying zero customs duties to imports of industrial products from Turkey. Therefore, the introduction of the customs union did not give Turkey an additional advantage in terms of exports. Although the Community terminated the quota regime towards Turkey in textiles and clothing, the general stagnation prevailing in EU countries in that period and the fact that countries of the Far East had gained competitiveness in those sectors were the two most important factors that prevented Turkey from increasing its exports of such products to the Community.

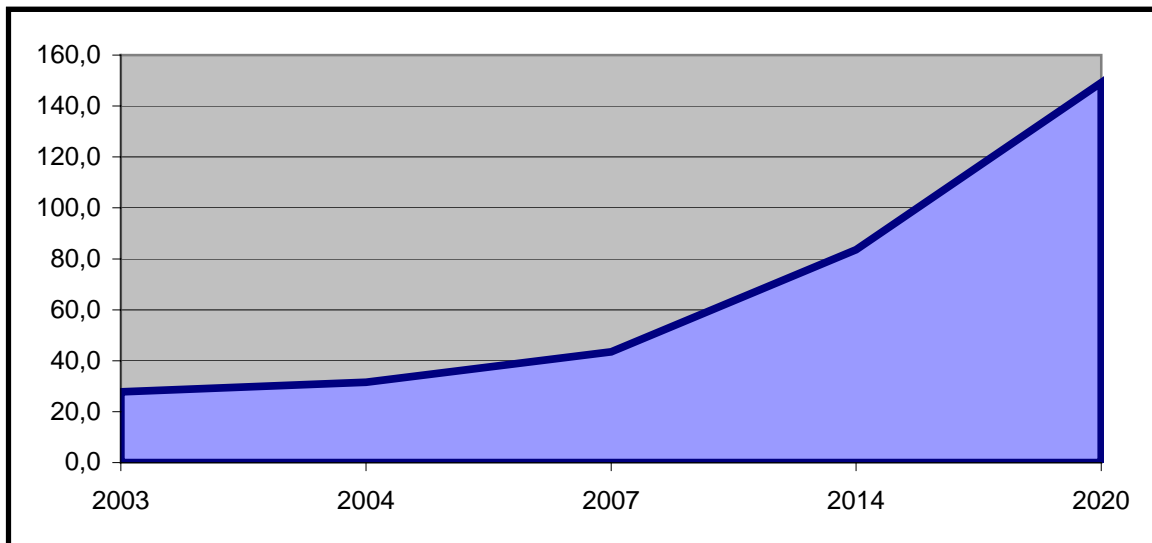
Total trade volume, which was 57 billion dollars in 1995, increased to 75 billion dollars in 1997 and to 116 billion dollars in 2003. The share of trade volume between Turkey and the EU in the total trade volume increased from 47 percent in 1994 to above 50 percent following customs union. In 2003, trade volume with the EU reached to 56 billion dollars.

**Graph 3.1: The Share of The Trade With the EU in the Total Trade of Turkey (percent)**



The deepening of the customs union and progress to be achieved in other areas in the coming years will naturally have a positive effect on trade between Turkey and the EU. Even if it is assumed that the existing ratios will not change, Turkey, which is rapidly growing in parallel to relations with the EU, will become an important trade partner for the EU in terms of absolute value. It is predicted that Turkey, which, with a GDP of about 212 billion euros in 2003, made imports from the EU in the amount of 27.8 billion euros in that year, would be able to make imports of about 149.2 billion euros from EU member states in 2020 with a GDP of 1.138 trillion euros, assuming that the share of imports from the EU in Turkey's GDP would remain unchanged.

**Graph 3.2: Turkey's Imports from EU Countries (in billions of euros)**



Source: SPO

**Table 3.1: Turkey's Foreign Trade****(in millions of dollars)**

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
<b>Total Import</b>	22,870	29,428	23,270	35,709	43,627	48,559	45,935	40,671	54,503	41,399	51,553	69,340
<b>Total Export</b>	14,714	15,375	18,106	21,637	23,225	26,261	26,974	26,588	27,775	31,334	36,059	47,252
<b>Total Trade</b>	37,584	44,803	41,376	57,346	66,852	74,820	72,909	67,259	82,278	72,733	87,612	116,592
<b>Total Trade Deficit</b>	8,156	14,053	5,164	14,072	20,402	22,298	18,961	14,083	26,728	10,065	15,494	22,088

<b>Share of Import from the EU in Total Import</b>	44	47	47	47	53	51	52	53	49	44	45	46
<b>Share of Exports to the EU in Total Export</b>	52	49	48	51	50	47	50	54	52	51	51	52

Source : SPO, SIS

**Table 3.2 Turkey-EU Foreign Trade****(in billions of dollars)**

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004*
<b>Exports</b>	6.9	7.0	7.6	7.6	8.6	11.0	11.5	12.2	13.5	14.3	14.3	16.1	18.5	24.5	20.2
<b>Imports</b>	9.3	9.2	10.0	13.9	10.9	16.9	23.1	24.9	24.1	21.4	26.6	18.3	23.3	31.7	27.6
<b>Total trade</b>	16.2	16.2	17.6	21.5	19.5	27.9	34.6	37.1	37.6	35.7	40.9	34.4	41.8	56.2	47.8

Source: SPO

\* January-August

**Table 3.3: Breakdown of Imports by Category of Goods** (in billions of dollars)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
<b>Capital goods</b>	5,220	8,120	10,208	11,052	10,661	8,729	11,342	6,964	8,492	11,326
% of total	22	23	23	23	23	21	21	17	16	16
<b>Intermediate goods</b>	16,565	25,078	28,737	31,872	29,561	26,568	35,710	29,971	37,442	50,012
% of total	71	70	66	66	64	65	66	72	73	72
<b>Consumption goods</b>	1,381	2,417	4,266	5,335	5,328	5,063	7,220	4,084	5,008	7,536
% of total	6	7	10	11	12	12	13	10	10	11
<b>Others</b>	103	95	416	301	372	327	231	380	610	466
% of total	0	0	1	1	1	1	0	1	1	1
<b>Total</b>	23,270	35,709	43,627	48,559	45,921	40,687	54,503	41,399	51,553	69,340

Source: SPO, SIS

Another indicator of the economic integration between Turkey and the EU is foreign direct investment of EU origin in Turkey. 4124 of 8884 foreign firms operating in Turkey as of September 2004 are EU firms.

**Table 3.4: Breakdown by Country of the Foreign Capital Organisations of EU-15 Origin Operating in Turkey**

	<b>Number of Firms</b>
<b>Germany</b>	1482
<b>Austria</b>	34
<b>Belgium</b>	143
<b>Denmark</b>	75
<b>Finland</b>	25
<b>France</b>	398
<b>Netherlands</b>	705
<b>Britain</b>	604
<b>Ireland</b>	48
<b>Spain</b>	92
<b>Sweden</b>	61
<b>Italy</b>	346
<b>Luxemburg</b>	76
<b>Portugal</b>	8
<b>EU Total</b>	4124
<b>Grand Total</b>	8884

Source: Undersecretariat of Treasury

The large trade volume between Turkey and the EU shows that trade integration between the parties has been considerably achieved. The EU is the largest trade partner for Turkey. In addition, the large share of firms of EU origin investing in Turkey in total foreign capital is an indication of the depth of economic integration between our country and the EU.

#### **4. Budgetary Implications of Turkey's Membership for the EU**

The budget of the EU is one of the most effective instruments used to achieve the targets of Community policies. The EU budget, which consisted exclusively of transfers from the member states until 1970, has rested on a system of own resources since that year. Accordingly, the EU budget consists of:

- Traditional own resources, which are formed by revenues from sugar and isoglucose production and by customs duty revenues obtained under the Common Customs Tariff;
- 0.5 percent of the value-added tax revenues of the member states; and
- A certain percentage of the member states' GNP.

A production tax is collected from sugar-beet and sugar producers in the EU with the aim of maintaining a balance between sugar production and consumption and ensuring the contribution of the sector to the financing of sugar expenditures. The intervention system for the sugar sector is currently undergoing reform, and it is predicted that in this context the tax in question will come to an end in the next period.

In 2002, total sugar production in the EU was 17 million tons and the tax collected on sugar production was approximately 865 million Euro, with the amount of tax per ton being

around 51 Euro. In this study, it is assumed that the amount of tax on sugar production will not change. As far as customs duties are concerned, it is envisaged that the proportion of customs duty revenues to GDP, which was 0.3 percent in 2003 for Turkey, will also not change in the coming period.

Member states keep 25 percent of their revenues for traditional own resources in their budgets in order to compensate for the cost of collecting these resources, and transfer the rest to the EU budget.

In this framework, it is estimated that, if Turkey were a member of the EU, it would transfer resources to the EU budget in the amount of about 612 million Euro for 2004, 1,493 million Euro in 2014, and 2,619 million Euro in 2020, in the context of traditional own resources.

**Table 4.1: Turkey's Contribution of Traditional Own Resources to the EU Budget**

	<b>2004</b>	<b>2014</b>	<b>2020</b>
<b>Sugar production (1,000 tons)</b>	1,830	1,500	1,500
<b>Amount of tax per ton (Euro)</b>	51	51	51
<b>Total sugar production tax (million euros) (1)</b>	93.3	76.5	76.5
<b>GDP (Euro million)</b>	241,017	638,425	1,138,681
<b>Proportion of customs duties to GDP</b>	0.003	0.003	0.003
<b>Amount of customs duties (million euros) (2)</b>	723.1	1,915.3	3,416.0
<b>Total (3)=(1+2)</b>	816.4	1,991.8	3,492.5
<b>25% to be deducted for costs (million euros) (4)</b>	204.1	497.9	873.1
<b>Total contribution of own resources (million euros) (5)=(3-4)</b>	612.3	1,493.8	2,619.4

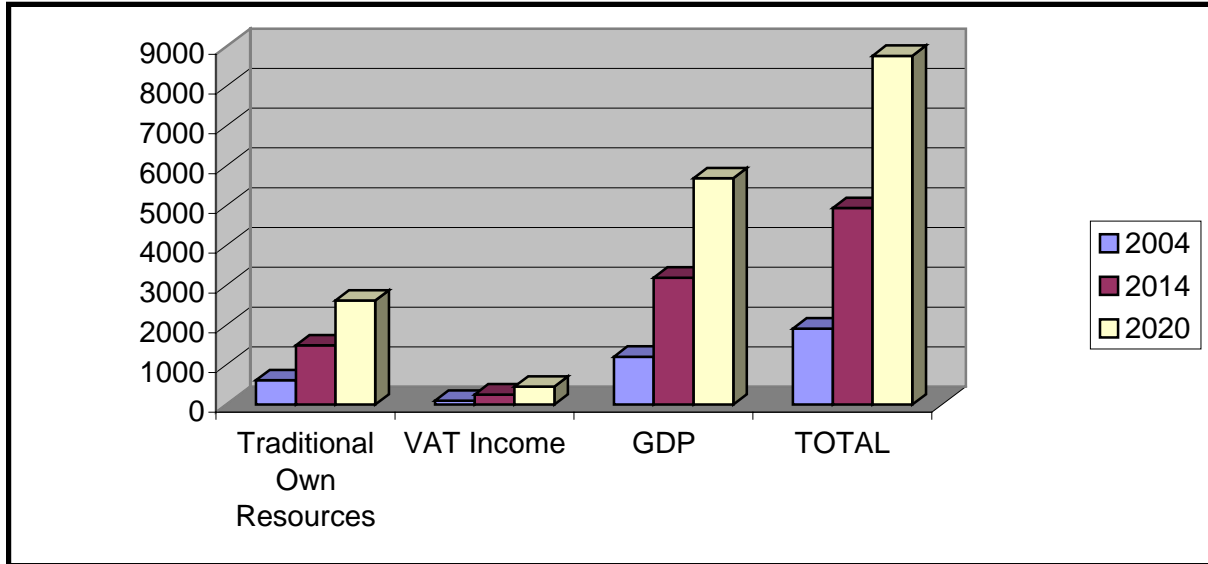
Source: SPO

Member states of the EU transfer 0.5 percent of their VAT revenues as a contribution to the EU budget. In this study, it is assumed that the VAT contribution to be transferred to the EU budget will not change in its proportion to GDP. In this framework, the VAT contribution percentage for Turkey which is calculated to be 0.04 percent for 2003 is used also for the years 2014 and 2020. With this assumption, it is estimated that, if Turkey was a member of the EU, it would pay a VAT contribution to the EU budget in the amount of about 96.4 million Euro in 2004, 255.4 million Euro in 2014, and 455.5 million Euro in 2020.

The GNP contribution to the EU budget is related with the GNP size of the member states. In the budgetary process, the GNP contributions are calculated in view of the difference between the customs duty and VAT revenues and the expenditures of the budget. The difference so calculated is financed through GNP contributions of the member states which are determined taking into view GNP sizes of the countries. In this framework, the countries with higher GDP's contribute more to the EU budget. In 2002, the contributions of the EU member states to the EU budget were 0.5 percent of their GNP. With the assumption that this percentage will not change, it may be said that, according to the base scenario, Turkey would transfer resources as the GNP contribution to the EU budget in the amount of 1,205 million Euro in 2004, 3,192 million Euro in 2014, and 5,693 million Euro in 2020.

In this framework, it is expected that Turkey's total contribution to the EU budget would be 4,941 million Euro in 2014 and 8,768 million Euro in 2020. It is predicted that Turkey's contribution to the EU budget would be limited in the initial years of membership but increase with economic growth in the subsequent years.

**Graph 4.1: Turkey's Contribution to the EU Budget** (at current prices, in millions of euros)



Source: SPO

The largest item of revenue in the EU budget is the GNP contribution by member states. The item in question forms about half the EU budget. Table 4.2 gives projections of GDP growth rates for Turkey and the EU-25. As will be seen from the Table, the GNP growth rate of Turkey is above the average growth rate of the EU-25 over the years. As a result, Turkey's GNP contribution to the EU budget would increase more every year in comparison with the other countries.

**Table 4.2: GNP Growth Rates** (percent)

	2004	2007	2014	2020	2004-2020
<b>Turkey</b>	9.6	5.1	6.4	6.4	6.2
<b>EU-25</b>	2.6	3.0	3.0	3.0	3.0

Source: SPO

Looking at the expenditure items of the EU budget, it is observed that the largest share is taken by expenditures under the Common Agricultural Policy (CAP), although falling, and these are followed by expenditures under the Cohesion Fund and Structural Funds.

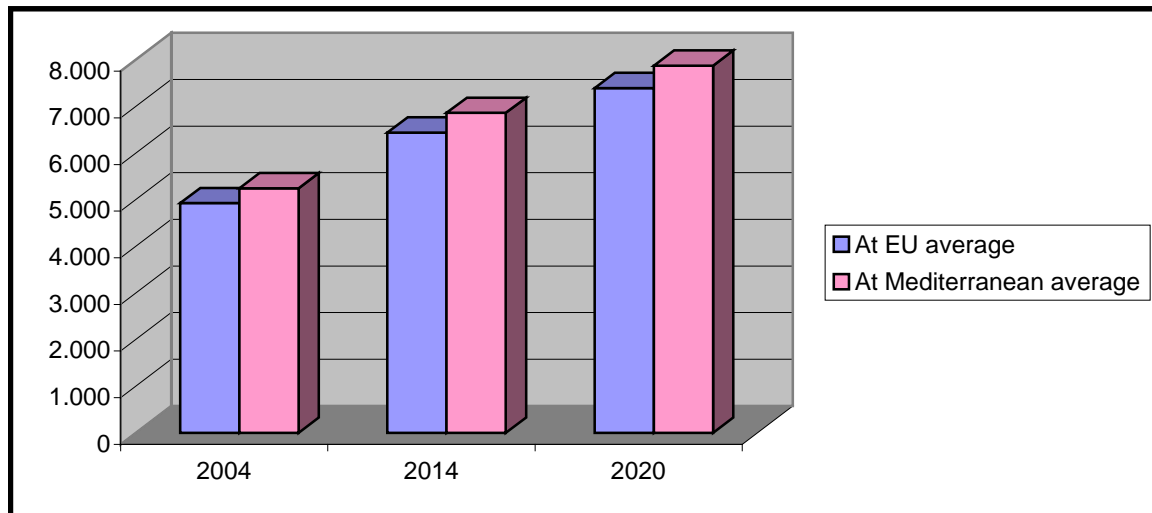
The CAP is financed through the European Agricultural Guidance and Guarantee Fund (EAGGF). The Guarantee Section of this Fund finances expenditures such as direct payments, intervention purchases, compensatory payments, storage assistance and export refunds, in the framework of the common market organisations specified for 22 different product groups. The Guidance Section of the Fund is used mainly in financing of rural development activities. For this reason, the Guidance Section is counted among the Structural Funds.



The amount of support that would be received by Turkey, if a member, from the Guarantee Section of the EAGGF has been calculated using the amount of agricultural support per value of agricultural production, with the assumption that the current support system of the CAP will not change. In addition, to simplify the calculation, no distinction has been made between different types of expenditures under the Guarantee Section such as export refunds, direct payments and storage assistance. In 2001, the average amount of support per 1 euro of agricultural production in the EU was 0.146 euro. For the Mediterranean countries (Spain, Italy, Portugal and Greece) which are similar to Turkey from the viewpoint of agricultural production, this amount was 0.156 euro.

Therefore, when the EU average is taken to be the amount of agricultural support per value of agricultural production, it is estimated that Turkey would receive support from the Guarantee Section of the EAGGF in the amount of about 6.4 billion euros in 2014 and 7.4 billion Euros in 2020. Applying the amount calculated for the Mediterranean countries, it is envisaged that Turkey would receive about 6.8 billion euros in 2014 and 7.8 billion euros in 2020 in agricultural support.

**Graph 4.2: Estimated Support to be Received by Turkey from the EAGGF Guarantee Section (in millions of euros)**



Source: SPO

Project-based allocations are made from the Guidance Section of the EAGGF, and the amount of support that may be obtained from this item depends mostly on the capacity of countries to develop projects conforming to EU standards. Using the average of the resources obtained under the Guidance Section by Spain, Italy and France, whose agricultural structures and the problems and expectations of whose rural population are similar to those of Turkey, it seems possible for Turkey to receive 1 billion euros yearly from the Guidance Section following accession. It may be said that this figure envisaged for Turkey is quite reasonable considering that Poland, one of the new members of the EU, will receive 847 million Euros a year on average from the Guidance Section in the years 2004 to 2006.

The project topics for which support may be extended under the Guidance Section and the amount of EU contributions would be determined in negotiations. During the latest enlargement, the EU widened the scope of support for the new members under the Guidance Section and raised the EU contribution from 50 percent to 80 percent for projects to be prepared in this context.

In conclusion, the transitional arrangements that might be requested by the EU in negotiations and the capacity to use EU funds for agricultural production in Turkey would directly affect the amount of agricultural support to be received by Turkey following accession.

Under the item of Structural Expenditures in the EU budget, projects of EU member states are supported through the Structural Funds and Cohesion Fund. The only way of benefiting from these funds is to prepare projects directed towards the goals of the funds and at a certain standard. The rate of benefiting from these funds is directly related with the capacity of the countries to use EU funds. Taking account of the capacities of the new member states to use EU funds, the Commission has determined the amount of funds that each member state can use. For the 10 new members of the EU, the average capacity to use EU funds in 2005 is about 0.69 percent of GDP. In this study, the amount of resources that Turkey could receive from EU funds after accession is estimated on the basis of the fund utilisation capacity ratios. The average capacity of the 10 new members to use EU funds which has been determined for 2005 is taken to be the capacity of Turkey to use EU funds.

According to calculations made under the assumption that Turkey is a member state in 2014, it is estimated that resources of about 4.4 billion euros would be transferred from the EU budget to Turkey in the framework of structural expenditures. In 2020, assuming that the capacity to use the funds remains unchanged, Turkey would receive about 7.9 billion euros from the funds.

**Table 4.3: Relationship Between Turkey and the EU Budget -I (in millions of euros)**

	2014	2020
<b>REVENUES</b>		
<b>Traditional own resources</b>	1,494	2,619
<b>VAT revenues</b>	255.4	455.5
<b>GDP Contribution</b>	3,192	5,693
<b>Total (1)</b>	4,941	8,768
<b>EXPENDITURE</b>		
<b>Agriculture</b>	6,439	7,389
<b>Structural Expenditures</b>	4,405	7,857
<b>Total (2)</b>	10,844	15,246
<b>NET BALANCE (2)-(1)</b>	5,903	6,478

Source: SPO

In the framework of the assumptions set out above, it is expected that the net cost of Turkey's membership on the EU budget would be about 5.9 billion euros in 2014 and 6.5 billion euros in 2020.

It may well be possible for Turkey to use more resources from structural funds after accession if the capacity to use EU funds is realized above the average of the capacities of the new EU members. It is estimated that if Turkey's capacity to use EU funds is at a level of 1 percent of its GDP, as seen in Table 4.4, Turkey would receive about 7.9 billion euros of net resources from the EU budget in 2014 and about 10 billion euros in 2020.

**Table 4.3: Relationship Between Turkey and the EU Budget -II (in millions of euros)**

	2014	2020
<b>REVENUES</b>		
Traditional own resources	1,494	2,619
VAT revenues	255	456
GDP Contribution	3,192	5,693
<b>Total (1)</b>	<b>4,941</b>	<b>8,768</b>
<b>EXPENDITURE</b>		
Agriculture	6,439	7,389
Structural Expenditures*	6,384	11,387
<b>Total (2)</b>	<b>12,823</b>	<b>18,776</b>
<b>NET BALANCE (2)-(1)</b>	<b>7,882</b>	<b>10,008</b>

\*The values have been calculated under the assumption that Turkey's capacity to use EU funds is at a level of 1 percent of its GDP.

## 5. The Enlargement of the EU Internal Market and the Competitive Advantage of EU Firms in the Common Legal and Economic Environment

The customs union established between Turkey and the EU in 1996 and covering industrial products and processed agricultural products led to an enlargement of the EU internal market and an increase of competition. An important part of the trade and growth effect that has arisen for the new member states following accession arose for Turkey following the establishment of the customs union with the EU in 1996. While Turkey's exports to the EU did not change significantly after 1996 because the EU had unilaterally abolished its customs duties on imports of industrial products from Turkey in 1972, there occurred a considerable increase in Turkey's imports.<sup>1</sup> However, imports from the EU stabilised at around 50 percent of total imports in the subsequent years.

The market growth effect to be created by free trade did not fully materialise because of the economic crises that occurred. In addition, because Turkey was not an EU member and, unlike the new member states, was unable to benefit from EU funds, the growth effect arising from EU funds in those countries failed to arise in Turkey. Both effects form growth potentials to be realised by Turkey's accession to the EU.

Regarding the impact of Turkey's membership on the growth of the EU economy, the report of June 2004 by Kirsty Hughes "Turkey and the European Union: Just Another Enlargement" states that in the event of Turkey's accession to the EU in 2015 this would bring about an increase of 0.1 to 0.3 percent in the growth rate of the EU-25 GNP. Assuming that this remains true every year after accession, it is estimated that Turkey's contribution to the GDP of the EU-25 in 2014 would be 15.9 billion euros under the low scenario and 47.8 billion euros under the high scenario.

<sup>1</sup> See Section 3: Turkey's Economic Integration with the EU.

**Table 5.1: Turkey's Impact on the EU GDP (at current prices) (in millions of euros)**

	2014	2015	2016	2017	2018	2019	2020	Total
<b>EU-25 GDP</b>	15,949,217	16,693,757	17,473,466	18,289,862	19,144,521	20,039,067	20,975,181	128,565,071
<b>GDP (Low Scenario)</b>	15,949	16,693	17,473	18,289	19,144	20,039	20,975	128,565
<b>GDP (High Scenario)</b>	47,847	50,081	52,420	54,869	57,433	60,117	62,925	385,695

Source: Hughes K., Turkey and the European Union: Just Another Enlargement

Since the customs union is the first pillar of integration with the EU, it is believed that the economic leap forward that was observed in the case of member states such as Spain, Ireland and Portugal would take place together with accession. Indeed, while Ireland's income per capita as measured by purchasing power parity was at the level of 61 percent of the EU average before it joined the EEC in 1973, after accession this figure reached 73 percent of the EU average in 1990 and 115 percent in 2003. Similar effects were observed in Spain and Portugal after they were admitted into membership. It is thought that the impact of membership upon growth and welfare would be greater for Turkey. With a population of over 70 million and a large consumption demand, Turkey could become a driving engine for the EU internal market as its purchasing power increases.

The wavering attitude of the EU to the question of Turkey's membership as well as macroeconomic instabilities have created an environment of uncertainty for external investors, and foreign investments in Turkey so far have been below the expectations. However, this also means a very important investment potential that remains to be tapped by European firms. In addition, the fact that the privatisation process is functioning but not yet completed offers a favourable environment for the increase of foreign direct investments. With the completion of legislative measures and the creation of the necessary infrastructure and with Turkey's accession to the EU, investment opportunities in Turkey would increase considerably.

Turkey's efforts for alignment with the EU *acquis* concerning the internal market and competition are completed to a major extent. In addition to legislative measures carried out in the framework of the customs union, important arrangements are being implemented with a view to improving the investment environment, which would directly affect foreign investment. In this context, the Reform Programme to Improve the Investment Environment in Turkey was adopted in December 2001 by a resolution of the Council of Ministers. With Law No. 4884 on Company Establishment which entered into force in June 2003 under the Reform Programme, the establishment of a company was reduced from 19 to 3 stages, making it possible to establish a company in 1 day.

Law No. 4875 on Foreign Direct Investments, which entered into force in June 2003, has abolished the requirements of a minimum capital and a preliminary permission to make a foreign direct investment in Turkey and replaced the permission system with the information system. Furthermore, the concepts of foreign direct investment and investor have been defined at international standards, and the existing differences between foreign and local investors in terms of establishing a company have been eliminated. At the same time, the law that enables the "investment allowances", one of the most important instruments for the promotion of investments, to be automatically offered to the investor without requiring an investment promotion certificate entered into force in April 2004. In addition, a bill has been drafted on the creation of an "Investment Promotion Agency" to conduct activities towards

improving the image of our country as an investment destination, increasing foreign investments and extending the investments that already exist. The Agency will provide all types of service and support to facilitate the company-founding and investment process for investors.

A more advantageous environment in terms of costs is awaiting EU companies, which are expected to increase their investment partnerships. Labour Law No. 1475, which entered into force in June 2003, has reduced the requirements to employ special groups such as the disabled and ex-convicts from 8 percent to 6 percent and thus alleviated the burden on employers. Furthermore, Law No. 5024 on Inflation Accounting was passed, introducing a more effective system of accounting as from December 2003. Trademark and patent rights issued by the Turkish Patent Institute established by Law No. 5000, which entered into force in November 2003 to strengthen the administrative infrastructure for the system of intellectual property rights, have reinforced the infrastructure in this field.

In addition to these arrangements which have been made, when Turkey's macroeconomic indicators and overall economic balances become more stable and lasting together with accession to the EU, Turkey will offer a more favourable environment for investments.

SMEs account for 99.8 percent of all enterprises in Turkey. Laws on "SME Exchanges" and "Venture Capital Investment Partnerships" have been adopted to provide modern financing opportunities to SMEs, which hold an important place in the Turkish economy. Work is underway to build the institutional capacity that will ensure actual operation in the field of venture capital. Technology centres continue their activities to support technology-based, strongly competitive SMEs, and an information network called KOBINET, which is integrated with the similar networks in the European Union, is operated for SMEs to make use of information technologies. Provided that further progress is made as regards the conditions of financing and the technological level, Turkish SMEs will be elements operating in the EU at Community standards and adding dynamism to the economy of the Community.

In this direction, the favourable recent trends of the Turkish economy towards economic stability would doubtlessly come to rest on stronger foundations as a result of membership. A steady growth that results from economic stability would lead to a continuous increase of domestic demand, and the upward trend in domestic demand would also enhance demand for EU goods. Together with this aspect, trade relations could acquire a more sustainable basis, without cyclical fluctuations and falls in trade relations which have gained depth with the customs union. Consequently, with the opportunities created by the fact that its natural resources (in tourism, mining, etc.) and economic potentials are not yet sufficiently exploited, with its increasing consumption demand, and with its skilled and young population compared with the ageing population of the EU, Turkey would bring dynamism to the EU economy and internal market.

## **6. The Contribution of Turkey's Young and Educated Population to the EU Economy**

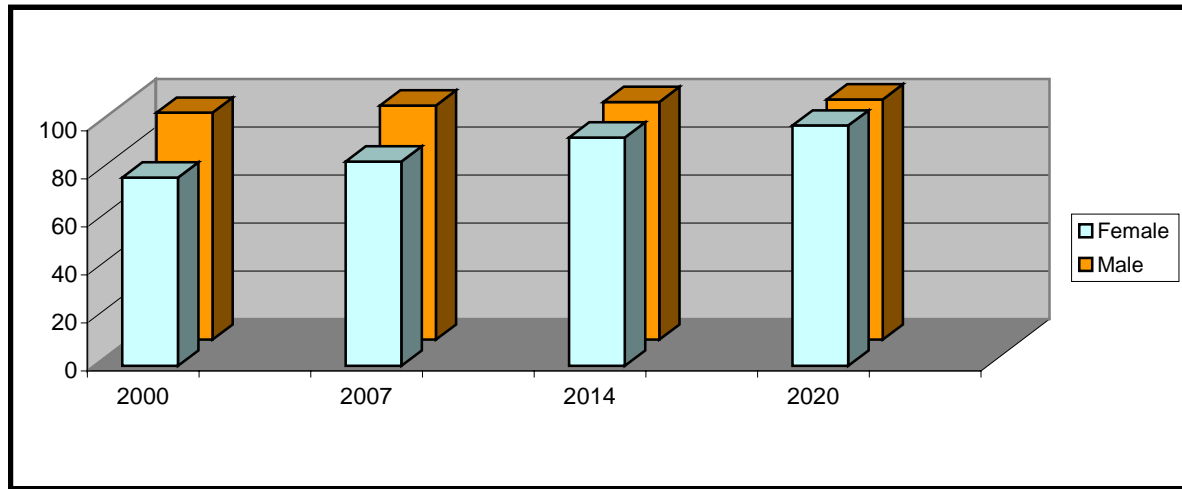
The size of Turkey's population is a subject of criticisms, which may be regarded as reasonable to a certain extent, in some circles. However, when one considers the composition of this population and its relationship with the needs of the EU in a dynamic process, it will be possible to make very different assessments.

In this context, the positive developments achieved in the Turkish education system in recent years are expected to continue in the future.

In the context of efforts for alignment with the EU education system, the period of primary education in Turkey has been raised from five to eight years. Work is underway to raise the compulsory education period to 12 years in the near future.

As is reflected in Graph 6.1 below, the rate of literacy, which was 78.3 percent for women and 94.5 percent for men in 2000, is expected to be 100 percent for women and men in 2020.

**Graph 6.1: Rates of literacy** (percent)



Source: SPO, SIS

During the period 2000-2004, an increase (25 percent) has been observed in the number of students of secondary vocational and technical education institutions. In addition, in the same period, with the regulation providing entrance to vocational colleges from vocational high schools without examination, the number of students of vocational colleges rose significantly (40 percent). As can be seen from Table 6.1, the weight of the vocational and technical schools in the education system is expected to rise.

**Table 6.1: Schooling rates in secondary education** (percent)

Years	2000	2007	2014	2020
<b>Secondary Education</b>	62.0	79.5	95.9	99.2
<b>-General Secondary Education</b>	37.2	41.0	44.0	44.8
<b>- Vocational and Technical</b>	24.8	38.5	51.9	54.4

Source: SPO

Another important indicator of the increase in the education level and quality in Turkey, and therefore in the educated workforce, is the number of students in universities and colleges. Looking at the schooling rates in higher education in Table 6.2, it was 29 percent in 2000 and it is estimated to rise to 49.5 percent in 2020. These figures exclude graduate education but include extended education.

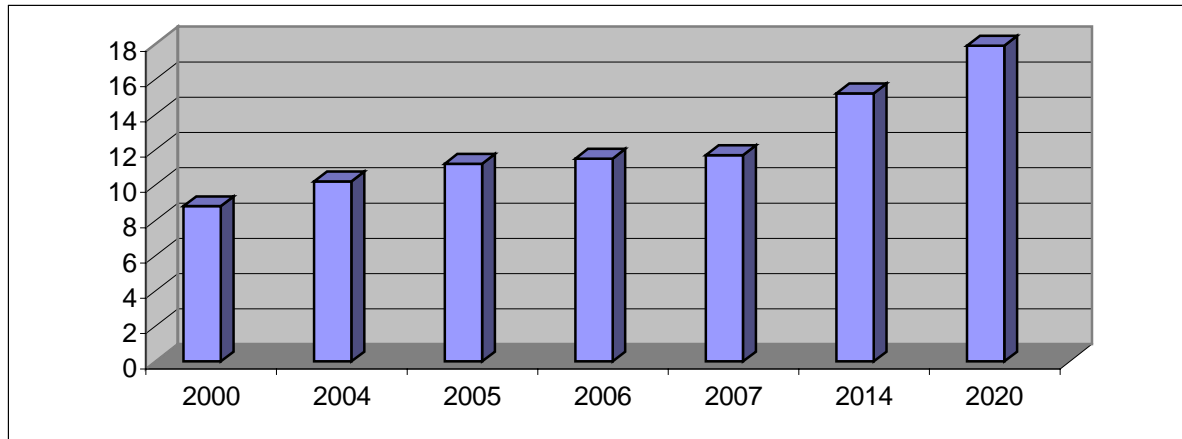
**Table 6.2: Schooling rates in higher education (percent)**

Years	2000	2007	2014	2020
Higher Education	29.0	40.3	45.5	49.5

Source: SPO

\*Graduate education excluded but extended education included.

One of the most important indicators of the increasing quality of the workforce is the share of the workforce that has received higher education in the total workforce, which is rapidly increasing in Turkey. Examining the share of the workforce that has received higher education in the total workforce in Graph 6.2 below, it is expected that this share, which stood at 8.8 percent in 2000, will rise to 17.9 percent in 2020. A Turkey with a predominantly young population and with nearly half its total workforce having received higher education would provide important contributions to the labour market in the EU after accession.

**Graph 6.2: Share of workforce that has received higher education in total workforce in Turkey (percent)**

Source: SPO

In parallel to economic development in Turkey, the structure of the labour market is also changing. As is seen in Table 6.3, the distribution of employment by sector is developing in favour of industry and services.

**Table 6.3: Development of sectoral shares in employment (percent)**

		1995	2000	2004	2005	2006	2007	2014	2020
Turkey	Agriculture	44.1	36.0	33.2	32.4	31.6	31.0	26.5	21.0
	Industry	16.0	17.6	18.4	18.4	18.5	18.7	19.0	21.0
	Services	39.9	46.4	48.4	49.2	49.9	50.3	54.3	58.0

Source: SPO

In demographic terms, United Nations Population Fund (UNFPA) studies on current and future demographic trends point out that in the coming period the economies of Western Europe will need more employees at every skill level in many sectors.

While flexible labour markets prepare the ground for increased migration of temporary labour, important developments in certain areas such as information technology increase the demand for skilled labour in those areas. Germany is a good case in point. To meet the need for skilled personnel in the area of information and communications technology in the labour market, this country has recently requested about 20,000 experts from non-EU member states in particular.

Demographic factors may have important effects on migration flows. Many experts and social scientists working on EU social policies point out that the shortage of skilled labour, starting in the 1980s, will be the basic factor affecting the labour markets in Europe. It is a known fact that the increase of the elderly population in all European countries in the 2000s and the reduced participation of the young population in the labour markets will result in a considerable shortage of skilled personnel in the member states, where employment is concentrated in production involving the use of high technology. Turkey holds an important potential to fill the deficit of skilled labour for the EU in the coming period.

**Table 6.4: Annual rate of population growth in Turkey (percent)**

	2000-10	2010-20	2020-30	2030-40	2040-50
<b>0 – 14</b>	0.14	-0.28	-0.32	-0.82	-0.99
<b>15 – 64</b>	1.71	1.30	0.73	0.25	-0.16
<b>65 +</b>	2.79	3.18	3.80	3.40	2.46
<b>TOTAL</b>	1.33	1.03	0.77	0.42	0.11

Source: SPO

**Table 6.5: Breakdown of Population by Age Group 1990-2070\* (1000)**

Age Group	2000	2005	2010	2015	2020	2025	2030	2040	2050	2060	2070
<b>0-14</b>	0.30	0.28	0.27	0.25	0.23	0.22	0.21	0.18	0.17	0.15	0.14
<b>15-64</b>	0.65	0.66	0.67	0.69	0.69	0.69	0.69	0.67	0.66	0.65	0.63
<b>65+</b>	0.05	0.06	0.06	0.07	0.08	0.09	0.10	0.14	0.18	0.20	0.23
<b>Total</b>	67,420	72,295	77,004	81,334	85,392	89,156	92,238	96,222	97,299	95,990	93,292

\*Provisional projections revised by the SIS, the SPO and the Hacettepe University Institute of Population Studies, according to the results of the Population and Health Survey of Turkey.

Table 6.5 includes the long-term population projection for Turkey by age groups. As can be seen there, 64.6 percent of the population is included between the ages of 15 and 64 according to the figures for 2000. The age group of 0 to 14 constitutes 30.5 percent of the population. According to Eurostat figures, this ratio is 16 percent for the EU-15. While it falls to 12.5 percent for the EU-15 in 2020, it will be 23 percent in Turkey. This means that Turkey with its young population could provide major contributions for the ageing Europe, because the current trend means that a smaller number of working people will have to support a greater number of retired people.

On the other hand, looking at the long-term projection of the population, it is estimated that in the 2050s the population will stop rising and begin to decline. Therefore, Turkey with its growing population is far from being a threat for Europe. On the contrary, it would provide a contribution through its rising young population.



## 7. Free Movement of Workers and Migration from Turkey to EU Countries

The arguments put forward against Turkey's membership of the EU include the large size of its population and the concern that migration on a large scale would take place from Turkey to the EU after accession.

In the process of globalisation in which the world finds itself, migration is a complex phenomenon which has an increasing importance in terms of both its causes and its effects and which is directed by many variables. Among the basic factors that direct migration between countries, one may count the difference of income between the country of destination and the country of origin, the condition of labour markets, geographical proximity, the tradition of migration, and ethnic, political and family ties. It may be said that cultural and linguistic elements are also influential in directing the phenomenon of migration.

In a study by De Mooij and Tang<sup>2</sup> for the Central Planbureau of the Netherlands, which has been made in view of the income difference between Turkey and the EU and of the development of population, it is estimated that, with the assumption of Turkey's accession in 2010, a total of 2.7 million people would migrate to EU countries over a period of 15 years following accession. For the countries of Central and Eastern Europe, it is estimated that this figure would be 2.9 million over the next 15 years.

In EU member states, there are some unjustified concerns about the likely negative effects of migration flows in the near future. In a way that removes those concerns, a study entitled "The Free Movement of Workers in the Context of Enlargement" which was made by the European Commission on 6 March 2001, it is pointed out that the impact of potential migration to member states in the long term would be limited to only 1 percent of the EU population.<sup>3</sup> The overall economic impact in the host countries would have a small positive contribution to national product while there would be a negligible negative impact on unemployment for the citizens of the host countries.

On the other hand, considering that Turkey is currently a candidate country and the uncertainty over the free movement of persons during the negotiating process if negotiations are started and following eventual accession, it seems difficult to identify the possible amount of migration from Turkey to the EU. The length of the negotiating process, the attitude of the EU side on the free movement of persons during negotiations, the length of any transitional period concerning the free movement of persons after accession, and the development of the Turkish economy, Turkey's social development and its rate of population growth in this process, are important elements that would shape possible migration from Turkey to the EU.

Another fact which needs to be considered is that Europe's population is rapidly ageing and that this situation, which is already an important problem, will result in a considerable need for working population in Europe after 2010. Turkey, which has a young, dynamic and educated population, could provide the young population to be needed by the European Union.

<sup>2</sup> Ruud de Mooij and Paul Tang, "Four Futures of Europe", Central Planbureau, Netherlands Bureau for Economic Policy Analysis, 2003.

<sup>3</sup> "The Free Movement of Workers in the Context of Enlargement", the European Commission, p. 60.

## **D- SOCIAL and CULTURAL ISSUES**

### **1. The Contribution of Turkey's Membership to the EU Mosaic**

Turkey has the heritage of a State which maintained the most tolerant administration of its time during the Middle and Modern Ages, which granted freedom of religion and conscience to the people of different faiths, languages and races under its rule for six centuries, and which managed to keep those nations together by allowing them to preserve their cultures and languages.

With its historical and cultural experience and with its dual identity due to being both European and Asian, Turkey establishes a very important link between Europe and the Black Sea, Caucasian and Central Asian countries. It also contributes to cultural, social and political rapprochement between the Islamic and Christian worlds, which is particularly needed after recent events.

Certain phenomena which do not befit the century in which we live, such as xenophobia, racism, prejudices against certain religions and identities, ethnic or religious extremism, and anti-Semitism, are rising again in the world and threatening humanity. In such a period, EU membership for Turkey, which has acted as a bridge between western culture and eastern culture for centuries, would have positive consequences particularly for the modernisation efforts of Islamic countries. Turkey's membership would make concrete the rapprochement between those countries and the EU. This would give added colour to the EU mosaic, which has become more diversified as a result of the latest enlargement, and make significant contributions to the strengthening of relations and cooperation as far as the Caucasus, Central Asia and Islamic countries.

During the recent debates on the draft European Constitution, it has been argued that the European Union is a Christian entity. It has been stated, especially by Valéry Giscard d'Estaing as the President of the Convention, that Turkey cannot be a part of the EU because it does not have a Christian heritage and the great majority of its population is Muslim. The display of such an attitude in the EU would be against the concept of diversity, one of the fundamental values advocated by the EU, and would also lead to polarisation between societies. Moreover, the member states of the EU have placed their systems on a secular foundation.

At present, there is a large number of Muslims in EU countries who are in harmony and peace with the values of the society in which they live. For example, France hosts 5 million Muslims, Germany 3.4 million, Britain 1.5 million and the Netherlands half a million, and the total Muslim population is around 14 million. Exclusion of Turkey and regarding the EU as a Christian club would damage harmony between Muslims and Christians.

**Table 1.1 : Muslim Population in EU Countries**

<b>Countries</b>	<b>Number of Muslims</b>	<b>Total</b>	<b>Proportion of Muslims</b>
<b>Belgium</b>	370,000 (1998)	10,192,240 (1998)	3.7 %
<b>Denmark</b>	150,000 (2000)	5,330,020 (2000)	2.8 %
<b>Germany</b>	3,400,000 (2002)	82,440,300 (2002)	3.9 %
<b>France</b>	5,000,000 (2002)	61,387,000 (2002)	8.1 %
<b>Finland</b>	20,000 (1999)	5,171,302 (1999)	0.4 %
<b>Greece</b>	370,000 (1999)	10,000,000 (1999)	3.5 %
<b>Britain</b>	1,591,000 (2001)	58,789,000 (2001)	2.7 %
<b>Ireland</b>	10,000 (2002)	3,917,336 (2002)	0.2 %
<b>Italy</b>	700,000 (1999)	57,596,097 (1999)	1.2 %
<b>Luxembourg</b>	7,000 (2000)	435,700 (2000)	1.6 %
<b>Netherlands</b>	695,600 (1998)	15,760,225 (1999)	4.6 %
<b>Austria</b>	350,000 (1999)	8,102,600 (1999)	4.0 %
<b>Portugal</b>	38,000 (2000)	10,000,000 (2000)	0.4 %
<b>Sweden</b>	300,000 (2000)	8,876,611 (2000)	3.4 %
<b>Spain</b>	400,000 (1999)	40,202,160 (1999)	1.0 %
<b>Total</b>	<b>13,401,600</b>	<b>378,200,591</b>	<b>3.5 %</b>

Source: Turkish Foundation for Research

Turkey, which is a democratic, secular and social state based on the rule of law and on respect for human rights, is an inseparable part of the European system of democratic values. Therefore, as long as Turkey's accession to the EU does not take place, the project of European integration will be deemed incomplete.

In addition, many cultural elements which have become symbols of European civilisation have their origins in the present territory of Turkey.

To conclude, Turkey's membership would show the way in the process of democratisation for Muslim societies. The inclusion within the EU of Turkey with a Muslim majority of its population and with a democratic, secular State based on the rule of law would help remove concerns about radical tendencies, break prejudices and create an environment of dialogue.

**ANNEXES:****International Organisations of which Turkey is a Founding Member**

<b>International Organisation</b>	<b>Year of Establishment</b>
<b>UN</b>	1945
<b>UNESCO</b>	1945
<b>OECD</b>	1960
<b>ICO (Islamic Conference Organisation)</b>	1969
<b>OSCE (Organisation for Security and Cooperation in Europe)</b>	1975
<b>BSEC (Black Sea Economic Cooperation Organisation)</b>	1992
<b>D-8</b>	1997
<b>ECO (Economic Cooperation Organisation)</b>	1985
<b>WTO</b>	1995

**International Organisations of which Turkey Became a Member Shortly After Establishment**

<b>International Organisation</b>	<b>Year of Establishment</b>	<b>Date of Turkey's Accession</b>
<b>World Bank</b>	1944	1947
<b>IMF</b>	1945	1947
<b>NATO</b>	1949	1952
<b>Council of Europe</b>	1949	1950

GDP	(at current prices, in millions euros)																
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>BELGIUM</b>	278000	289500	301485	313967	326965	340501	354598	369278	384567	400488	417068	434334	452316	471042	490543	510851	532001
<b>DENMARK</b>	194745	202938	211551	220529	229888	239644	249815	260417	271469	282990	295000	307520	320571	334176	348359	363143	378555
<b>GERMANY</b>	2185000	2244000	2328001	2415147	2505554	2599346	2696649	2797594	2902319	3010963	3123674	3240605	3361912	3487761	3618320	3753767	3894284
<b>GREECE</b>	164800	175500	186094	197316	209202	221790	235119	249231	264170	279981	296712	314412	333135	352935	373866	395988	419361
<b>SPAIN</b>	791600	843800	895633	950431	1008324	1069442	1133907	1201834	1273329	1348479	1427354	1509997	1596420	1686601	1780479	1877961	1978925
<b>FRANCE</b>	1602000	1667000	1734320	1804359	1877226	1953036	2031907	2113964	2199334	2288152	2380557	2476693	2576712	2680770	2789030	2901663	3018843
<b>IRELAND</b>	141100	151200	161460	172376	183989	196338	209469	223426	238258	254017	270756	288531	307403	327433	348689	371239	395156
<b>ITALY</b>	1348000	1403000	1467137	1534206	1604341	1677682	1754376	1834576	1918442	2006142	2097851	2193753	2294039	2398909	2508573	2623250	2743170
<b>LUXEMBOURG</b>	24330	25610	26958	28378	29872	31445	33100	34843	36678	38609	40641	42781	45034	47405	49901	52528	55294
<b>NETHERLANDS</b>	463800	472600	492208	512629	533897	556048	579118	603145	628169	654231	681374	709644	739086	769750	801687	834948	869589
<b>AUSTRIA</b>	231700	240300	249263	258561	268205	278209	288586	299351	310516	322099	334113	346575	359503	372912	386822	401250	416217
<b>PORTUGAL</b>	135100	141000	147992	155331	163033	171118	179603	188509	197857	207668	217966	228775	240119	252026	264523	277641	291408
<b>FINLAND</b>	147700	153800	160006	166462	173179	180167	187437	195000	202869	211055	219571	228431	237649	247238	257214	267593	278391
<b>SWEDEN</b>	277538	290520	303147	316322	330070	344416	359385	375004	391303	408309	426055	444572	463895	484056	505094	527047	549953
<b>UNITED KINGDOM</b>	1725690	1819091	1909315	2004013	2103408	2207733	2317232	2432162	2552792	2679406	2812299	2951783	3098186	3251849	3413135	3582419	3760100
<b>GASC</b>	11957	12735	13512	14349	15236	16177	17174	18231	19350	20536	21793	23122	24530	26019	27593	29258	31017
<b>CZECH REPUBLIC</b>	83234	88648	101814	108434	115485	122993	130990	139507	148578	158239	168528	179485	191155	203584	216821	230919	245933
<b>ESTONIA</b>	8110	8909	9739	10634	11612	12680	13846	15119	16510	18028	19686	21496	23473	25632	27989	30562	33373
<b>HUNGARY</b>	77792	84747	92114	100280	109168	118838	129359	140806	153258	166802	181532	197548	214961	233888	254455	276798	301060
<b>LATVIA</b>	9380	10136	10970	11782	12654	13590	14596	15675	16835	18081	19419	20856	22399	24056	25836	27747	29800
<b>LITHUANIA</b>	17151	18715	19610	21185	22886	24724	26710	28856	31173	33677	36382	39304	42461	45872	49556	53536	57836
<b>MALTA</b>	4238	4386	4608	4850	5105	5373	5656	5953	6266	6595	6942	7307	7691	8095	8520	8968	9439
<b>POLAND</b>	183148	196854	197699	211914	227151	243484	260992	279758	299873	321435	344548	369322	395877	424342	454854	487559	522617
<b>SLOVAKIA</b>	32533	34714	36629	39150	41845	44725	47804	51095	54612	58371	62390	66684	71275	76181	81425	87030	93021
<b>SLOVENIA</b>	25429	27239	27582	29489	31526	33702	36026	38508	41158	43987	47006	50227	53664	57330	61237	65402	69838
<b>BULGARIA</b>	19753	21707	23863	26233	28838	31702	34851	38312	42116	46299	50897	55951	61508	67616	74331	81713	89828
<b>ROMANIA</b>	55180	64097	73231	81739	89944	98026	106834	116434	126896	138299	150725	164269	179029	195116	212648	231755	252580
<b>TURKEY- Base Scenario</b>	241017	272793	304194	331857	361676	395672	434501	478040	526437	579733	638425	703060	774237	852621	938940	1033999	1138681
<b>TÜRKİYE- High Scenario</b>	241017	272793	307053	337939	371354	409405	452847	501628	555981	616013	682305	755442	836156	925247	1023474	1131861	1251408
<b>EU-15 (average)</b>	647407	674657	704971	736668	769810	804461	840687	878556	918138	959506	1002733	1047894	1095065	1144324	1195749	1249419	1305416
<b>EU-25 (average)</b>	406563	424278	443554	464084	485593	508128	531738	556474	582387	609534	637969	667750	698939	731594	765781	801563	839007

## GDP Growth Rate

( percent )

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2004-2020
BELGIUM	2.0	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
DENMARK	2.1	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
GERMANY	1.5	1.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.7
GREECE	3.9	3.3	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.7	2.7	2.7	2.9
SPAIN	2.7	3.3	2.9	2.8	2.8	2.8	2.7	2.7	2.7	2.6	2.6	2.5	2.4	2.4	2.3	2.2	2.1	2.6
FRANCE	1.7	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4
IRELAND	3.7	4.5	4.2	4.2	4.1	4.1	4.1	4.1	4.0	4.0	4.0	4.0	3.9	3.9	3.9	3.9	3.8	4.0
ITALY	1.2	2.0	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.4
LUXEMBOURG	2.4	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1
NETHERLANDS	1.0	1.6	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.3
AUSTRIA	1.8	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
PORTUGAL	0.9	2.2	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.7
FINLAND	2.6	2.8	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7
SWEDEN	2.3	2.5	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
UNITED KINGDOM	3.0	2.7	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.4
GASC	3.4	4.1	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.7	3.7	3.7	3.7	3.7	3.7	3.6	3.6	3.7
CZECH REPUBLIC	2.9	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4
ESTONIA	5.4	5.9	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3
HUNGARY	3.2	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.3	3.3	3.3	3.3	3.3	3.3	3.3
LATVIA	6.2	6.2	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.6
LITHUANIA	6.9	6.6	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.6
MALTA	1.4	2.0	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.5
POLAND	4.6	4.8	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5
SLOVAKIA	4.0	4.1	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3
SLOVENIA	3.2	3.6	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.4
BULGARIA	5.0	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5
ROMANIA	5.1	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3
TURKEY- Base Scenario	9.6	4.8	5.1	5.1	5.3	5.7	6.1	6.3	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.2
TÜRKİYE- High Scenario	9.6	4.8	6.1	6.0	6.2	6.5	6.9	7.0	7.1	7.1	7.0	7.0	6.9	6.9	6.9	6.9	6.8	6.8
EU-15 (average)	2.2	2.6	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.6	2.6	2.6	2.6	2.6	2.6	2.4
EU-25 (average)	2.6	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0

