TURKEY AND THE EU ENLARGEMENT
Processes of Incorporation

EDITED BY
Richard T. Griffiths and Durmuş Özdemir
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The editors would like to thank the contributors for their willingness to conform to the demands placed upon them by the editors. We also would like to thank the Royal Netherlands Embassy in Ankara for supporting us in the framework of the Netherlands, MATRA/KAP programme, Istanbul Netherlands consulate and Istanbul Bilgi University and Leiden University, the Netherlands.

We are very grateful to Consul-general Jan Giesen (ex) Dutch consul for support of the project. We would like to thank Nicole van Os for helping at the earlier conference work and Ida Petter at Leiden end.

Whilst every effort has been made to trace the owners of copyright material, in a few cases this has proved impossible and we take this opportunity to offer our apologies to any copyright holders whose rights we may have unwittingly infringed.
The aim of this book is to explore the implications of Turkey’s possible accession to the European Union. The prospect of European membership has kept Turkey going for more than forty years.\(^1\) Until recently Turkey’s request was resisted by the governments of the EU. Turkey was never turned down outright but the EU made it clear that massive political and economic reforms would be needed before entry could be considered. At the Helsinki summit in 1999 Turkey was promised a chance to join the EU. However, although its candidacy was unanimously accepted, there no date was set for beginning of negotiations on entry. This book is published on the eve of the decision to be taken - during the Dutch EU presidency – on a date for opening membership negotiations. With the decision looming by the end of the year, Turkey’s drive to gain European Union membership is now in a critical phase. The decision on whether to begin membership talks will be a political one based on several criteria, including Turkey’s efforts to ful-

\(^1\) Turkey first applied to join the European Economic Community in 1959. It was a signatory to a custom union agreement with the EU in 1995 and to become an official candidate for EU membership in 1999.
fil the Copenhagen criteria. However, other arguments will also be heard, including those concerning the costs and benefits of Turkish membership and the question whether Turkey is truly “European”.

This book will analyse the pro’s and con’s of Turkish membership on several of the central areas in the forthcoming debate. The authors represent a mixture of Turkish academics and European experts. The volume presents many arguments for and against Turkish membership, but it also reviews the underlying problems and weaknesses that might affect Turkish membership. Whilst the tone of the volume is broadly favourable towards membership, some of the authors fear doubt whether arguments themselves will carry the day and whether prejudice or fear might not carry more sway.

As editors, let us put our own position firmly “up front”. When the French foreign minister Robert Schuman made his famous speech in May 1950 offering to place French and German heavy industry under the control of a single, supranational “authority”, and so launching the process leading to today’s European Union, he insisted that membership was open to all those able and willing to accept the conditions. We believe in an open community, but one with its rules and standards. If a country wishes to accept these conditions, and is capable of fulfilling the obligations of membership, it should be accepted. This is not, however, the case. All new members must be unanimously approved by the existing member states and a negative decision in any one of them will be sufficient to block Turkey’s membership. This situation serves to emphasise the need for adequate information to the citizens of member states, all the more so since there is clear evidence that on this issue policy-makers are content to follow, rather than lead, public opinion and pander to nationalistic and racist prejudices.

This volume examines the implications of Turkish accession to the EU under three main categories. Therefore, this book is divided into three parts, preceded by a general history of Turkey-EU relations. Within the first group of arguments we touch upon current societal
issues, such as the public opinion in Turkey and that of Turkish migrants living in EU member countries. The second part will cover internal Turkish issues such as the economic and institutional reform in the last decade(s). The third and last part projects the implications of membership into a broader European perspective, covering politics, economics and security-issues.

The volume begins with a brief overview of Turkey-EU relations. For many Turks, it is a surprise that there should be any doubt about its Europeanness or its suitability to be an EU member. Asbeek Brusse and Griffiths observe that in 1948, the country was a founding member of the Organisation for European Economic Cooperation (the forerunner of the present-day OECD), in 1949 it formed part of the NATO and in 1950 it became a member of the Council of Europe. It applied to join the European Economic Community in 1958 and has had an association agreement since the signing of the Ankara agreement in 1963. However they argue that there was a break in the relationship caused by the seizure of power by the military in Turkey in 1980, by the increasing importance attached to human rights in international relations in the West. Moreover, from the mid-80s onwards the EEC and the European Union assumed more economic tasks, which had the effect of raising the standards to which new members were to adhere.

One of the important dimensions of EU membership, treated in Part I of the book, is the political and administrative environment and the civil society. Within these concepts, attention will first be paid to public opinion. Our intention is not to provide an overview of public opinion in the current EU member countries. Instead, we will focus on to the lesser known aspect; the public opinion of Turks themselves. In Chapter Two, Görgün, from the Turkish daily newspaper *Milliyet*, outlines some public opinion survey results. It is interesting to see that what ordinary Turkish people think about European Union. Their notions and preconceptions, however, clearly show that a much more needs to be done in the area of informing citizens and she recommends
that an all-out effort should be made to increase the level of awareness of Turkish people on EU issues.

Turkish public opinion surveys are not restricted to the Turks who live in Turkey. There are a large number of Turks currently living in Europe (Euro-Turks) and in Chapter Three, Kaya examines the results of surveys conducted in France and in Germany. One crucial question asked was whether their social integration is successful. Although the results were sometimes contradictory, they suggested that German-Turks generally are more communitarian, religious and conservative than the French-Turks. Thus the French-Turks appeared to be more in favour of integration. However, the Euro-Turk survey results have one more interesting conclusion about possible reverse migration. The answer to the question ‘Would you consider going back to Turkey if Turkey joins the EU?’ was a conclusive affirmative. Although it will be very difficult to predict reverse migration after Turkey’s membership, thirty per cent indicated plans of a definite return to their home country. These results confirm the expected reverse migration after Turkish membership as was the case for some other EU members like Spain, Portugal and Italy.

In Chapter Four Asbeek Brusse en Schoonenboom examine the role of Islam in Turkey’s bid for EU membership. Although religion as such is not part of the Copenhagen criteria, the fact that Turkey’s population is predominantly Muslim has gained in public relevance against the background of the growing concerns in EU countries about Muslims and Islam. Since September 11, 2001, many people fear that the EU’s insistence on reducing state control over religion and limiting the role of the army in state policy in Turkey may actually expose its society and politics to religious fundamentalism and intolerance. After briefly demonstrating that religion is not entirely absent from civil society in the current EU member states, the authors focus on the historical foundations of the secular state in Turkey and the role of political Islam, state Islam and religious liberties.

Part II of the book consists of three chapters considering
Turkish reforms. The reforms undertaken during the integration process have had many dimensions. The most debated subject is that of human rights in Turkey. However, the human rights issue provides only a narrow definition of the structural integration process. The influence of the EU on the political and constitutional structure of Turkey is not limited to enlarging the scope of human rights. Yazıcı explores the other matters such as liberalisation and democratisation and the eventual establishment of a consolidated parliamentary democracy in Turkey. Chapter Five develops this argument and shows how the EU prospect will help Turkey to democratise the authoritarian legacy inherited from the military rulers. She pays particular attention to the constitutional reforms, the so-called “democratisation packages” which substantially advanced the liberalisation and democratisation process in Turkey by reducing the role of the military in government and by enhancing the scope of fundamental rights and liberties. She concludes that constitutional engineering alone is not sufficient to establish and consolidate democracy. It requires a broader democratisation effort which gradually matures in societies, as is happening in Turkey at the moment.

The next chapter examines economical reforms within the state structure. It is written by Uğur Emek who works for the Turkish State Planning Organisation. The chapter outlines the important role of the traditional patrimonial, bureaucratic state culture in Turkey. The role of the structure of the state on economic development is obvious. In fact, the structure of state may affect all other players such as the public sector, business environment and working life. Thus, he concludes, Turkey actually needs a state that manages. Hence, governance of the public sector and corporate sector together with the reforms of the financial system are particularly important. There are observed significant improvements in these reforms. However, it still remains to be seen whether the reform effort will be sustained. As Emek rightly asks ‘Can reformers win the power struggle against the beneficiaries of the previous system?’ Here, the support of the EU for reforms becomes
crucial. The Corruption perception index score of Turkey gradually worsened during 1990’s. In fact, the unregistered black economy is greater than the registered economy according to many researchers in this area. This causes misleading statistical data. For example: per capita GDP doubles at least if this argument is correct. These findings outline the importance of administrative corruption in economic life and how reduction of it can be achieved by the prospect of EU membership.

Lejour, in Chapter Seven, clarifies the effect of improvements in national institutions on the Turkish economy, along with two other effects: access to the internal market and the free movement of labour. He makes a comparative analysis for these three effects, taking the case of membership prospect as opposed to the non-membership case. It is likely that EU membership improves the performance of Turkey’s national institutions and reduces widespread corruption, which hinders economic transactions. The Corruption Index improves after membership. (A more general economic integration aspect of Turkish accession to the EU is examined in chapter 8.) Lejour focuses on the trade effects of accession to the European internal market. One of the effects is reduced administrative barriers to trade, i.e. reduced cost of trade. The second effect is a reduction of technical barriers to trade. The third effect is that risk and uncertainty would be reduced. His research examines the crucial macroeconomic effects of Turkey’s accession to the internal market. The welfare gains of accession to the internal market are positive for Turkey and significantly high. Although the welfare gains for the EU is negligible relative to the total size of the EU economy, they remain positive. The third economic effect results from the free movement of labour. Although forecasting the migration effect is not an easy task, the migration simulation results in this chapter are very interesting. For example: post migration membership reduces overall Turkish GDP by 2.2 per cent while in Germany it increases by 2.2 per cent and 0.6 per cent in the Netherlands. Lejour concludes that the accession of Turkey to the EU
will bring overall economic benefits for Turkey without exerting a big effect on current member countries of the EU. However, the largest economic gains can be obtained through national institutional reforms in Turkey.

Discussions about EU membership of Turkey are primarily of a political nature but the economic implications are equally, if not more, important. Part III consists of four chapters. The first chapter starts with a broader examination of economic integration. Özdemir scrutinises the main features of the economic integration for the Turkish case. First, he outlines the main features of the static and dynamic effects of the Turkish economic integration. Second, specific attention is paid to the benefits of economic integration. Due to the customs union agreement between Turkey and EU, partial benefits are achieved. Currently, Turkey is a major market for EU exporters but the major part of economic integration is yet to be achieved. All results of his research on economic integration point to the conclusion that accession of Turkey would bring benefits to the both EU and Turkey. Particular attention is paid to dynamic effects of economic integration. The peace dividend effect specifically, which has been avoided mostly, is crucially important in such an accession process.

The economic integration argument has another important dimension in the budget of the European Union. One of the main objections to the membership of Turkey from the current members stems from budgetary worries. Griffiths concentrates on the implications on the EU budget and anticipates possible policy changes in Chapter Nine. Analysis of the income of the EU budget revealed no problems. However the expenditure side was controversial. If the current policies remain, it will result in large budgetary flows in Turkey’s favour and this would create a huge budgetary imbalance. The main expenditure items are the Common Agricultural Policy (CAP) and the Structural and Cohesion Funds. Together they account for eighty per cent of the total budget. Griffiths emphasises the necessity of the reform of the CAP. In the light of such a reform, the solution can be
summarised in two ways. One obvious solution is to nationalize the CAP (or part of it). The second solution is to scrap the whole policy. Regardless of any reform of the CAP, Turkey would also receive large amounts from the Structural and Cohesion Funds. As Griffiths points out, although Turkish farmers may lose, the Turkish consumer would definitely be on the gaining side after a suggested reform of the CAP and re-used resources for the Funds. Since agricultural integration is a worrying concept in Europe, we need to discuss the matter further.

Grethe analyses the integration of agricultural markets from a Turkish perspective in Chapter Ten. It is a well known fact that the Union’s agricultural market is highly regulated. Due to the size of the Turkish agricultural sector, full membership under the current form of the CAP would lead to high additional budgetary outlay for the EU. Grethe reviews three conceivable options regarding Turkish agriculture. The first option is that the agricultural sector remains subject to preferential trade rules which are gradually extended. The second option is that agricultural products are fully included in the Customs Union between Turkey and the EU. A third option is that Turkey becomes a member of the EU and the CAP would fully apply to the Turkish agricultural sector. Chapter Ten examines all scenarios and concludes that the liberalisation of agricultural markets provides significant gains for the Turkish economy but the cost would be a redistribution of income from agricultural producers to consumers. However, a possible scenario is to make a low direct payment to Turkish agricultural producers from the EU budget at the time of Turkish accession.

The last chapter covers the central political debate about Turkey and regional security, which created the political necessity of embracing Turkey. Turkish membership could potentially defuse tension between the West and Islam. Güvenç and Memişoğlu outline the modern concept of security. Due to the danger of a ‘clash of civilisation’ the old way of creating security with a ‘buffer zone’ role for Turkey, is the biggest mistake to be made by the EU. Although there is
no consensus in Europe on matters of security, the general idea is that terrorism, proliferation of weapons of mass destruction, regional conflict, state failure and organised crime could danger EU security. Güvenç and Memişoğlu further outline that new threats imply that there is a great need for a comprehensive approach to security and conflict prevention. Turkish membership can potentially be a regional security provider for EU. As it was argued in the case for peace dividend, Turkish membership is the best way to guarantee progress in increasing security, stability and prosperity between particularly Greece, Turkey, Cyprus and Caucasus and the Middle East.

Turkey’s membership is one of the most debated enlargements in the history of the EU. It has been already been long debated and there is no doubt that it will continue to be discussed even after membership. Turkey’s application for full membership of the European Union is not so much a challenge as an opportunity for Europe, which must not be allowed to pass. The process of integration is always a difficult one and Turkish integration will be even more challenging. But it will be worth the effort; for prosperity, for peace and for a secure Europe.
PART I

A General History of Turkey-EU Relations and the Current Societal Issues
1.1. INTRODUCTION

The question of Turkey’s membership of the European Union is certainly not new. Back in 1959, barely one year after the establishment of the European Community, Turkey submitted an official application for membership. Although this initiative resulted in 1963 in the signature of an Association Treaty (the Treaty of Ankara) there was no doubt among policy-makers in Brussels and national leaders in Ankara that eventually Turkey would be considered for full membership. Now, at the start of the 21st century, Turkey qualifies as the longest standing associate partner of the EU. In the interval, it has seen the door for membership (to others) open on five separate occasions, but Turkey itself, at least formally, has never advanced beyond the waiting-room. On 14 April 1987, the Turkish government submitted a new application for membership. This led eventually, at the EU Council meeting in Helsinki (1999) to a formal recognition of Turkey’s status as a candidate for membership. Since then the door for Turkey has stayed open and both sides await the start of formal membership negotiations. The decision on when these will start will
be taken under the Dutch chairmanship of the EU Council in the second half of 2004.

Anyone following the heated discussions around this crucial decision, will read or hear little of these historical links between Turkey and the EU or of the formal commitments, embodied in various treaties, agreements and decisions, that the EU has already undertaken towards Turkey. Increasingly one still hears the argument that Turkey is not really a “European” country and therefore should never be considered for membership. In the Netherlands there is a persistent rumor that the EU leaders in Copenhagen (2002) had only a few minutes discussion before taking their decision to pass final judgment on whether or not to start actual membership negotiations with Turkey in December 2004. Both the Euro-skeptics and the opponents of Turkish membership see the outcome of the Copenhagen Council as just one more of a long list of incidents that reinforce their belief that the Union takes its important decisions in the secrecy of back-room politics.

For those who favour Turkish membership, the tenor of the debate is, to say the least, frustrating. However, it is typical of a bilateral relationship that has been primarily determined by the dynamic of the European integration process and, more specifically, by changes within the EU itself. If one thing is certain it is that the European Union of the 21st century is a clearly different organisation from the then European Economic Community on whose door Turkey first knocked in 1959. There has been an explosive growth in the number of policy areas in states have agreed to share their sovereignty and the number of members-states has itself grown from six to twenty-five. Moreover, the international context within which the Union must operate had changed dramatically. Whereas in 1959, Europe found itself a potential battleground for an ideological (and military) conflict with a super-power in the form of the Soviet Union, by the 21st century the Cold War was over and instead the world was confronting random acts of brutalised violence from terrorist groups that borrow their legitimacy from religious extremism. As a result of these changes,
the member states of the Union and Turkey have both been forced to readjust their positions on the question of Turkish EU membership. The assessments of future risks and future opportunities, far more than past obligations, have determined the perspectives for Turkish accession.

This introduction will quickly survey the relations between Turkey and the EEC/EU. Throughout, we will deliberately maintain a dynamic perspective, by examining the degree in which this bilateral relationship has been influenced by and is interconnected with the main changes in the international environment, and in internal EU and domestic Turkish political relations. We will analyse this interaction in three separate, chronological sections. Section 1.2 will cover the period 1923-1970, beginning with the creation of the Turkish Republic and ending with signature by the EEC and Turkey of the so-called Additional Protocols to the Association Agreement. In this section the accent will lie on Turkey’s position in Europe’s postwar architecture and the background to Turkey’s first application for EEC membership. Section 1.3 will trace developments through the 1970s and 1980s, that led initially to a cooling in the mutual relationship but that ended in a second Turkish membership application (1987). Section 1.4 will analyse the factors that subsequently determined the mutual relationship and that contributed to the formal recognition in 1999 of Turkey as a candidate member and the decision of the European Council in Copenhagen (2002) to pronounce upon the opening of formal membership negotiations in December 2004.

1.2. EUROPEAN PLAYER AND WESTERN ALLY, 1923-1972

It is generally agreed that the establishment in 1923 of an independent Turkish Republic under the leadership of its first president Mustafa Kemal Pasha (Atatürk) represented the start of “europeanisation” in Turkey and of Turkey’s European ambitions (Yüksel 2002: 131). It is less well-known that these developments represented the climatic reaction to a series of traumatic military defeats inflicted by the European
powers on the Ottoman Empire in the 18th and 19th centuries, that had prompted a long period of modernisation and state formation along the lines of the European model. In the course of the 19th century reformist administrators had succeeded in modernising and strengthening the state bureaucracy and the army and in establishing the constitutional foundations of the state, primarily under the influence of the French secular example. The group of Young Turks, to which Atatürk also belonged, pushed further in this direction between 1908 and 1918, whilst at the same time deflecting it in a more nationalistic direction. Following on ten years of military struggle between 1912 and 1922, as successively the Balkan War, the First World War and the Turkish struggle for independence ran their bloody and destructive course, the Republic of Turkey emerged as one of successor states of the former Ottoman Empire, alongside Bulgaria, Greece, Albania and Iraq (Zürcher 2004: 93-101 en Zürcher 2002: 14-15).

After 1923, the preservation of its own independence and integrity on both the world and European stage remained the foremost goal of the young Turkish state. To this end in 1939 the country concluded a defence alliance with Britain and France, former enemies in both the First World War and the struggle for independence. Nevertheless, when the Second World War broke out, Turkey remained neutral until the beginning of 1945. In the postwar climate of the Cold War, neutrality no longer appeared a feasible option and the government turned to a firm identification with the West as a cornerstone of its foreign policy. This received further impetus as Communist influence appeared to spread in Greece, Italy and Iran, and when the Soviet Union itself began to exert pressure on the country to cooperate with it militarily. Against this backdrop, the United States especially did its best to tie Turkey into its own post-war institutional architecture. Together with fifteen other European countries, including Greece, Turkey received American economic and military support through the European Recovery Program (Marshall Aid) and later through Mutual Defence Assistance. The country became one of
the founders of the Organisation for European Economic Cooperation (OEEC) in 1948 and the Council of Europe (1949). It fought alongside Western troops in Korea and, after its admission into the North Atlantic Treaty Organisation (NATO) and its associate membership of the Western European Union, it grew to become one of the crucial cornerstones of the free West. In short, at a time when the rise of the Soviet Union and the American efforts to “contain” the communist threat defined the political, economic and mental map of Europe, Turkey placed itself deliberately and emphatically on the side of the West and Western Europe. In the then prevailing international situation Turkey was also seen as a natural partner in the process of European integration.

Anyone looking back with the benefit of hindsight to the first Turkish approaches to the then EEC in the 1960s and 70s would not be surprised that the rivalry with Greece would play an important role. The Greek application for associate membership of the EEC in 1959, threatened to isolate Turkey politically and prompted the Turkish government to follow suit less than a month later. It is instructive to reflect, from the present-day perspective, that partly because of its larger market and cheap labour reserves, Turkey offered an economically more attractive prospect that did Greece (Yüksel 2002: 131). However, from the beginning the EEC adopted an ambivalent stance towards the membership applications of both bitter rivals. On the one hand, the applications signaled a recognition of the supremacy of the EEC, under leadership of France and Germany, over its rival trade bloc, the European Free Trade Association, under the leadership of the United Kingdom. On the other hand, for various reasons, the applications were something of an embarrassment for the EEC and its member states. First, the membership of one of the two rivals would possible contribute to destabilizing the precarious equilibrium in the Eastern Mediterranean, and with it, the relations within the NATO alliance (Tsoukalis 1981: 134). Secondly, both countries had weak and underdeveloped political and economic systems. Politically they were
characterised by seriously polarized domestic political and periodic military interventions. Economically, they employed dirigist economic policies and were subject to repeated economic crises. The internal political problems, especially undermined economic relations with the EEC, that depended upon a stable commercial environment and an ability to fulfill mutual (liberalisation) obligations. In addition, especially in the longer term, the mutual antagonism between Greece and Turkey would itself aggravate the inherent tensions in the EEC’s political attitudes towards them. As members of the EEC and the Council of Europe, they regularly criticized them for the poor functioning of democracy and of the rule of law in both countries, but as strategic allies within NATO they were forced to work closely with their military apparatus (Tsoukalis 1981: 32).

The developments in the relationship of both Greece and Turkey with the EEC ran almost in parallel until the beginning of the 1970s. An association agreement with Greece came into force in 1962. The negotiations on the incorporation of the Community’s common agricultural policy, however, were unilaterally suspended by the European Community after the Greek military coup of April 1967. One year after the fall of the colonel’s regime in 1974, the Greek government submitted a new application for membership. In Turkey there was a military seizure of power in 1960, under the leadership of Gürsel, in the course of which the premier Menderes and his minister of foreign affairs and finance were both executed. However, a new civilian government under İnönü managed to restart the association negotiations and in September 1963 the Treaty of Ankara was signed. Article 28 of the Treaty stipulated that ‘once the functioning of the Accord reaches the contracting parties will examine the possibility of Turkey’s accession to the Community’ (Strang & Redmond 1991: 38). The Treaty, therefore, quite unambiguously served as an incentive to prepare Turkey for membership at a later date (Yüksel 2002: 133).

The Treaty anticipated a five-year preparatory phase (1964-1969), followed immediately by a twelve year transition period during
which the customs union would come about and Turkish economic policy would converge towards that of the EEC. During a third phase further coordination would take place in the economic, fiscal and competition policy of both parties. The Treaty also incorporated temporary measures such as the maintenance of import quotas by the EEC on important Turkish export articles as tobacco, raisins, nuts and dried figs. The preparatory phase got off to a flying start as Turkey reaped the benefits of rapidly expanding export opportunities, loans from the European Investment Bank and large foreign exchange earnings from emigrants remittances following the surge in the demand of “guest-workers” in Germany and the Netherlands especially. However the climate of mutual relations rapidly cooled. This was partly because the Turkish authorities postponed the planned reductions in import tariffs, ostensibly because of a sharply deteriorating balance-of-payments but also because of the political pressure exerted by Turkish domestic producers. The deterioration in the internal political climate in Turkey also contributed to the more distant attitude of EEC leaders. Following violent clashes between right and left the Demirel government resigned, after heavy pressure from the army. The appointment of a new civilian government, however, allowed talks on the implementation of tariff reductions for the transition to the customs union quickly to be resumed. In 1972 the then European Communities approved a supplementary Protocol, setting out the timetable for the realisation of the customs union, the harmonisation of policy and the liberalisation of the free movement of labour. Although approved in 1972, it would not be until the 1990s that implementation of the agreement would take shape.

1.3. MUTUAL MISUNDERSTANDING AND IMPOTENCE, 1972-1987

After the entry into force of the Supplementary Protocol, mutual relations between the EC and Turkey stagnated throughout the 1970s and 80s. Both internal-domestic and external reasons explain this state of affairs. First the Cyprus question now emerged as a serious obstacle to
relations with the EC, and one which has persisted right to the present-day. When the Greek Junta declared the whole island, which had great strategic importance for Turkey, to be part of Greece, it directly provoked a Turkish military intervention, ostensible to protect the Turkish-Cypriot minority on the island. Ironically, the Turkish intervention helped reveal the bankruptcy of the colonels regime in Greece and thus start the democratisation process that would eventually lead to Greek EC membership in 1981. For Turkey, by contrast, the intervention would serve for years to push the country further from membership, partly because of successive Greek vetoes and partly through the refusal of Turkish governments to accept international arbitration aimed at finding a settlement agreeable to all parties.

Second, both Turkey and the EC had to deal with the negative consequences of two successive oil crises (1973 and 1979) and the world-wide economic recession. The unfavourable general economic climate and the return of international protectionism exposed the many weaknesses in the dual Turkish economy and the dirigist economic policy of its government. In 1980 a group of large, non-proitable and primarily domestically oriented government enterprises accounted for nearly 40 per cent of Turkish industrial production. These had only survived because trade protection, import substitution loans and subsidies. These enterprises operated alongside a sector of small-scale family firms whose development prospects were severely limited by shortage of capital and restricted access to credit. The agricultural sector was similarly characterised by a dual system of, on the one hand, large, mechanised and capital intensive businesses and, on the other, millions of almost self-sufficient small-holdings.

Third, the EEC itself became much more protectionist in the 1970s and 80s, especially in the sectors of textiles and agriculture; two important Turkish export sectors. Moreover, because of rising unemployment, member states became far more restrictive in opening their labour markets for foreign workers, especially those from outside the Community. In addition, the Community intensified its trade relation-
ship with its Mediterranean trading partners, Greece, Spain and Portugal, which, by the mid 1970s, had all applied for full membership. Turkey became increasingly uneasy at what it saw as clear evidence of unfair preferential treatment. It responded by reneging of its trade liberalisation commitments and demanding from the EC new concessions on the admission of Turkish migrants, more financial support and new arrangements for the free movement of labour (Nicholson & East 1987: 204).

Despite all the public statements to the contrary, it became ever more clear to both parties that it would be unrealistic to attempt to blow new life into the association agreement. This held even more true for the fast disappearing perspectives of future full membership. In the 1980s the EC focussed all its attention and energies on bringing its Southern expansion to a successful conclusion, to completing the internal market and to broadening and deepening European cooperation in existing and in new policy areas. Briefly, in 1980, there were negotiations over a possible revision of the Treaty of Ankara, but these came to nothing. However nine EC member-states together decided that, in a later stadium, Turkey would have the right to apply for membership. It must be admitted that they all knew that there was not the faintest possibility that Turkey could fulfil all the obligations associated with EC membership (adopting the so-called *acquis communautaire*) at any time in the not-too-distant future and that the decision to admit Greece as a member effectively guaranteed a veto against Turkish membership. In other words, as *The Economist* dryly expressed it, ‘much ingenuity [was] being used to devise a polite formula for saying “no”’ (cited. in Tsoukalis 1981: 144).

In the event, these new promises were never put to the test. In September 1980 the Turkish General Evren led a new military coup against civilian rule. And herein lies another domestic-political explanation for the cooling of the relationship between the EC and Turkey. The last years of civilian rule had been marked by an increasing political polarisation in Turkey, with a bitter armed struggle going on
between right- and left-wing groups that had resulted in thousands of deaths. The reestablishment of order by the army under Evren’s leadership was accompanied by the dissolution of political parties and trades unions and the incarceration of thousands of civilians. In 1983, under the ever watchful eye of the army, Turkey adopted a new constitution that formally prepared the way for the restoration of democracy but that placed serious restrictions on the political and civil rights. Moreover, the new regime introduced a sort of state-islam as an ideological counterweight to against radical-left and religious ideologies (Zürcher 2002: 24; idem, 2004). Whilst this was going on, the EC, and especially the European Parliament, was becoming increasingly active and alert over questions of democracy and human rights, partly because of the democratic transitions that had occurred in all three of the new Southern members and because of the influence of the Helsinki Process in the context of the Organisation for Security and Cooperation in Europe (OSCE). The developments in Turkey therefore immediately provoked the suspension of financial aid the indefinite postponement of all further talks with Turkey within the parliamentary EC-Turkey Association Council, that was, in the event, to last until 1986. Even after the restoration of formal democracy in 1983 and the election of premier Özal, and after the resumption of the work of the Association Council, relations with the EEC remained extremely restrained.

1.4. THE ROAD TO FORMAL CANDIDATE-MEMBERSHIP, 1987-2004

In April 1987 the Özal government submitted a new Turkish membership application on the Grounds of article 237 of the EEC Treaty. This stipulated that any “European country” that wished to do so could submit an application whereupon, following normal procedures, the Council would ask the European Commission to issue an advice on the question. When, two year later, the Commission eventually produced that advice, it became clear that the price for entry had risen consider-
ably; the result of both internal EC and Turkish domestic-political changes. As the Council shortly before had confirmed, the member-states and the Commission had directed all their resources to making a success of the European agenda of completing the internal market and increasing the EC’s institutional capacity (via the so-called European Act). A new expansion in the direction of Turkey would be completely at odds with the realisation of that agenda. Not only would an still economically unstable country be incapable of implementing the ever-expanding economic and social *acquis*, but Turkish membership would place a disproportionate strain on EC expenditures on agricultural and structural policies, that had already increased sharply following the Southern expansion (Yüksel 2002: 138).

Besides these considerations, despite the exhortations of the Council of Europe and the European Parliament to accelerate internal reforms, the improvements in democratic and human rights in Turkey had not advanced beyond a few, largely cosmetic, adjustments. One explanation for the tardy Turkish performance was the civil war against the Kurdish PKK, a party that began in the 1980s to employ guerrilla tactics to realise their aim of establishing an independent Kurdish state. The militant nationalism and chauvinism that began to permeate ‘official’ Turkish ideology and the widespread abuse of civil rights that accompanied the struggle accentuated the already existing humanitarian objections on the EC-side against full Turkish membership (Zürcher 2002: 26-27). Although neither the Commission nor the Council ever denied the principle of an eventual Turkish membership, they both kept Turkey at arms length. As far as they were concerned, the best Turkey could hope for in the circumstances was an offer of more intensive cooperation, some increase in aid and the revival of the plans for a customs union. During the Association Council of March 1995 this offer received more substance in four specific areas: the completion of the customs union, closer cooperation on other EU policy areas, increased financial help and the opening of a dialogue on questions of democracy and human rights.
To begin with the customs union, by the end of December 1955 Turkey and the EU had succeeded in more or less abolishing all import duties, and other barriers with the same effect such as import quotas, on their mutual trade. It is worth noting, however, that, for the time being, agricultural raw materials were excluded from the whole operation. By the year 2000 Turkey had completed the agreed timetable for the adjustment of its trade policy to meet the requirements of the EU’s common trade regime. At the same time cooperation was intensified in the policy areas of industry, energy, transport, telecommunications, environment, agriculture, statistics, ICT, justice and home affairs and culture. The third dimension, the EU’s assistance policy, took shape in the form of a five-year program, worth 375 million ECU, designed to reduce Turkey’s burden of taxation, loans worth 70 million ECU from the European Investment Bank, funds from the EU’s MEDA program designed to support partners in the Mediterranean area, as well as additional macro-economic support within the framework of IMF-approves programs (Yüksel 2002: 143-144).

The fourth front of more intensive contacts between the EU and Turkey concerned the dialogue on democracy and human rights. In the course of the 1990s, these issues became ever more central in the debate on the possibility and merits of full Turkish membership of the EU. (Gültasli 2002: 189; Zürcher 2002: 32). This tendency was partly attributable to a pronounced shift in the international environment that left neither the EU itself nor its relations unaffected. In the wake of the end of the Cold War, the unification of Germany and the membership application of ten countries from Central and Eastern Europe, Cyprus and Malta, human rights and democracy assumed a more central position in constructing a European identity. This appeared explicitly in the famous Copenhagen criteria for membership (named after the Copenhagen Council meeting of 1993). The first criterion specified that to qualify for membership countries had possess stable institutions “guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities”. Only then did the other two
criteria, on the possession of a competitive market economy and the institutional capacity to absorb and implement the *acquis communautaire*, take effect. Since the 1990s there is not a single European forum where issues concerning Turkey are on the agenda, where the that will not involve a discussion or a communication over democracy and human rights in that country.

Parallel with the increasing focus on democracy and human rights in the Turkey-debate, we can see in the 1990s in many member-states a reduced concern with Turkey’s role as a strategic ally and an enormous fixation on internal EU projects, as the move towards Economic and Monetary Union, and on the relations with Central and Eastern Europe. In the new institutional architecture that was constructed after the Cold War, the WEU was, at the insistence of the United States, initially conceived as the defence arm of the EU and as a bridge to NATO and, thus, also to the NATO-ally, Turkey. As other non-EU members among the allies, Turkey was able to gain access to EU deliberations on security issues through its associate status of the WEU. However the decision to integrate the WEU completely into the EU was seen by Turkey as part of a deliberate strategy to exclude it from the future European security structure. Once again, American pressure succeeded in securing additional commitments towards Turkey, but this did not completely defuse tensions. Turkey continued to feel left out and discriminated against. On the other hand, within the EU there was a growing irritation over Turkey’s demands for full participation in Europe’s future defence and security policy, under threat of a Turkish veto against the use of NATO resources in EU-security operations (Çayhan 2003).

The irritations on both sides reached a high-point in 1997. After the EU had yet again urged Turkey to find a solution to the Cyprus-question, to improve its human rights record and to ameliorate conditions in Kurdish areas, the Turkish minister of foreign affairs Çiller threatened to block the NATO membership of Poland, Hungary and the Czech Republic unless Turkey was also given the status of can-
candidate-member of the EU. The EU finally took its decision on the membership question at the Luxembourg Council in December that year. It was decided to open membership negotiations in April 1998 with Hungary, Poland, Estonia, Slovenia, the Czech Republic and Slovenia. A second group of six countries, including Bulgaria and Romania, received the formal status of candidate-member, but were not considered yet ready for the opening of membership negotiations. Missing from both lists was Turkey. This prompted the Turkish government to partially suspend its dialogue with the EU.

The end of 1997 was the latest of a series of deep-points in Turkish-EU relations. Since then, however, much has changed. As mentioned at the start of this chapter, at the end of 1999 the European Council in Helsinki belatedly gave Turkey its long-awaited status of candidate-member and committed itself including Turkey into the community pre-accession framework. Then, in March 2001, the European Council of Ministers agreed to a membership-partnership. This involved stipulating the main measures, in the short- and medium-term, that Turkey had to undertake to satisfy the membership criteria. A National Programme for the Adoption of the Acquis, agreed by both sides, helped to greatly accelerate the tempo of reform and resulted in a long list of constitutional changes. The forces within Turkey that contributed to these changes, and the obstacles that still remain in the path to a successful conclusion of membership negotiations will be dealt with extensively in the following chapters of this volume.

**Literature**


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2.1. INTRODUCTION

In the recently opened European Union information centre in Istanbul, one Turkish citizen turned up with the question ‘Can the EU cover my medical expenses?’. Although this question is not representative for all Turks, it nonetheless illustrates the need to investigate Turkish public opinion and common knowledge of EU matters. Below I will describe the awareness, preconceptions, expectations, fears, hopes, aspirations, and demands of Turkish people, on the eve of the European Commission’s decision on opening negotiations towards eventual membership of the EU.

According to the Open Society Institute (Açık Toplum Enstitüsü 2004) the European Commission takes Turkish public opinion very serious. Let us start with some statistics. Over sixty per cent of Turkish people support a future link with and even membership of the EU. Sixty-eight per cent of Turks answered ‘yes’ as far as membership is considered and half of the nation’s population holds a positive opinion on EU matters (Uluç 2004). These opinions, and others expressed below, stem from various surveys conducted by the European
Commission (Eurobarometer)\(^1\) and Turkish survey institutions – *Strateji Mori, Açık Toplum Enstitüsü* in cooperation with Bosphorus University in Istanbul.

Following the argument of Mehmet Uğur (2000) I discuss the EU as being *Turkey’s Anchoring Point and Credibility Dilemma*. Turkey has been trying to integrate its social, economic and cultural life to European standards, while at the same time attempting to preserve its own culture. This effort has not been relaxed since 1963 – when the agreement on membership took place (Karluk 1998).\(^2\) The results of opinion-poll data suggest that this process has not yet reached its end. On the one hand the surveys show that Turkish people still see Europe as a *door of hope* (Roy 2002). Even so, many Turks feel that struggling to enter the EU is a waste of time because Europeans will never accept them.

2.2. THE EU AS A DOOR OF HOPE

During the last years Turkey has taken many steps to meet the Copenhagen criteria. However, there are still things to be done. The past half century has witnessed accelerating change in demographic and cultural structures. Since 1950, Turkey has experienced many changes generated by massive population flows from the countryside to the towns. Population growth, demographic distribution and the density of settled spaces have all experienced considerable change (Sönmez 2003).

This population mobility took place not only within the national borders but spread to embrace other countries. The immigration

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1 Since 1973, the European Commission has been monitoring the evolution of public opinion in the Member States and candidate nations, thus helping the preparation of texts, decision-making and the evaluation of its work. Their surveys and studies address major topics concerning European citizenship: enlargement, social situation, health, culture, information technology, environment, the Euro, defence, etcetera.

2 Turkey’s relationship with the then European Community started in 1963 with the Ankara Agreement and continued in 1987 when application for full membership was submitted. Ever since, full membership is Turkey’s ambition (Karluk 1998).
flows, both legal and illegal, to Germany, the Netherlands and other Northern European countries with a labour shortage since the 1960s are well known. More recent international migration stems from the Turkish economic crisis of the past ten years which precipitated unprecedented unemployment rates and consequent poverty. Turks continue to look beyond their borders, especially towards Europe, in order to acquire a decent level of welfare.

One cannot be certain about the exact level of existing unemployment - Turkey has no unemployment benefits and no centralised bureau for documentation. A rough approximation can be derived from counting the inactive labour force. Research suggests that Turkey has one of the highest unemployment rates in Europe (Sönmez 2003). Despite a recent surge of growth, according to the State Institute of Statistics (DIE 2003) the unemployment rate in Turkey for the last quarter of 2003 was 10,3 per cent. Among the young the unemployment rate rises up to thirty per cent. Therefore it is fair to say that unemployment is the main motive for migration and that many Turks consider that the right of European citizens to work in any EU country might prove a solution to the Turkish unemployment problem, if and when Turkey enters the European Union.

To that end, very interesting questions are posed and answered in a volume by TURKAB (EU-Turkey Cooperation Association) (Roy 2002) entitled What is EU? The issues it raises embrace all aspects of social life and answer questions as:

‘Is there poverty in the EU?’;
‘Is there a so called European citizenship?’;
‘Do European citizens need passports to visit fellow European countries?’;

Even though Turkey’s growth rate rose to 5,9 per cent in 2003, this had no effect on unemployment. According to official data, the number of unemployed reached 2,493,000 and the percentage became 10,5 per cent. The government announced 2004 as ‘year against unemployment’. This is very important if one considers that amongst the increasing total population of 70 million, almost 50 million are young people (Milliyet 2004).
‘What if an EU citizen needs health care while visiting an EU country other than its own?';
‘Are degrees obtained in one European country equivalent in any other European country?’;
‘Are all European citizens entitled to jobs in any EU country?’;
‘How do you find a job in a fellow EU country?’;
‘Do you need a residence permit?’
‘If a family works in an EU country other than their own, is it entitled to citizenship rights?’
‘Does everybody in the EU have health insurance, including non-working members of the family’;
‘Do new fathers have “maternity” leave?’
‘What is the number of working hours in the EU?’
‘Are there any established rights for employees in the EU?’

These questions demonstrate Turkish people’s anxieties towards potential accession as well as their hopeful expectations of this (Roy 2002).

The full report of the Public Opinion Analysis sector of the European Commission (Eurobarometer), based on research in the 13 candidate countries during summer 2003, mentions that the major issue of concern for Turkish people is unemployment (86 per cent). Organised crime comes second (84 per cent) and poverty third (83 per cent). An impressive 91 per cent of young people believed that tackling unemployment should be a top priority of the state. Many people (69 per cent) hope and believe that EU accession will help solve these problems and even if it does not, a majority (58 per cent) believes that Turkey will benefit from entry (Sonumut 2001). Many Turks (46 per cent) hope that their quality of life and their lifestyle will benefit from accession. Not all candidate countries were so hopeful.

Turkish optimism was high on other issues too. Asked about their expectations for 2004, 46 per cent hoped for an improvement while 32 per cent anticipated no change. Similarly, 41 per cent felt that the economy would improve while 28 per cent felt it would stay unchanged. All these factors explain why 67 per cent agrees with Turkey joining the EU in the near future. Among the candidate coun-
tries, this approval rate is second only to Bulgaria (73 per cent). (European Commission 2003a)

Similar results appear in another survey. Sixty per cent of Turks supports EU membership and 68 per cent answered that they would vote for it in a possible referendum (European Commission 2003b). Their main motivation is work and a better standard-of-living.

Few Turks however want EU membership in order to acquire a European identity. Turks seem unwilling to trade-off their national identity, whatever the EU benefits. In every survey, Turkish identity is always ahead of the European one. Fifty-seven per cent said that they feel only Turkish, while 34 per cent went so far as to assert that being European is not something they are proud of. Furthermore, a majority of Turks (54 per cent) are suspicious to the level of democracy existing in countries of the European Union (54 per cent). What is interesting here is that amongst all the candidate countries, Turkey has the lowest desire of, or expectation from, a European identity (Uluç 2004). This trend is also evident among young Turks. Considering that Turkey has one of the most youthful populations in Europe4 this is a very important point. However, many young Turks are ambiguous towards the relation between the EU and Turkey. For example, 65 per cent of Turkey’s youth claims that if Turkey had a chance to be a full member of EU within a couple of years, they would certainly support it but, at the same time, only 39.3 per cent saw Turkey as part of Europe, while 37.3 per cent considered it part of the Middle East (Strateji Mori 2003).

Turks generally are also unwilling to surrender national control over their troops or on defence issues. Here, too, they seem to differ significantly from EU citizens and citizens of other candidate nations. This, however, did not deter 70 per cent of respondents from agreeing that the European Union should become involved in any eventual international crises (European Commission 2003).

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4 This may well be one of the reasons that the EU is seriously thinking of accepting Turkey into its union.
2.3. THE EU: TRUST ISSUES
The Turkey-EU relationship started as early as 1959 and, writing now in May 2004, there is still uncertainty among Turks over whether it will ever become a full member ( Özilhan 2003). One of the reasons for this mistrust is that countries that started their accession process during the 1990s have already become full members whereas Turkey is still not a member, forty-five years after the issue was first raised. It is not surprising, therefore, that however much Turks desire EU membership, they no longer trust Europe. Back in 2001, more than half (58 per cent) of Turks believed that Turkey would benefit from joining the EU but thirty-one per cent did not anticipate membership before 2010 and a respectable eleven per cent felt that Turkey will never join at all (Sonumut 2001). This lack of trust might have to do with the Copenhagen criteria. How can they be met, if the EU in order to protect one of its members (Greece) has to be very strict on the Cyprus issue? (Kayhan 2003) A solution to this problem, which is outside Turkey’s control, still forms an unofficial yet very important condition for Turkey’s accession.

Actually, Turkish people too demand democratic governance based on respect of human rights and personal freedom. Only if Turkish people themselves begin to vigorously demand democracy, will the EU itself stop being seen as a source of interference and external pressure (Karakaş 2003). On the other hand, Turkey should stop acting as if it were always being pressured by the EU, and should stop leaving everything to the last minute. Once Turkish politicians start claiming that reforms are being enacted for the benefit of the Turkish people rather than in response to EU demands, the Turkish people will see the Copenhagen criteria as positive and useful (Lüle 2003).

2.4. THE EU: A PUZZLE
In EU member states around five per cent of the national income is devoted to education, as opposed to 2.2 per cent in Turkey. In addition, per head of the population Turkey has the lowest number of edu-
cational institutions in Europe, with a glaring deficiency in pre-school institutions (Gazalci 2003).

In 2001, 82 per cent of the Turkish population claimed to be aware of Turkey’s EU application but 57 per cent of them were unfamiliar with the Union’s enlargement policies. On the other hand, 95 per cent claimed knowledge of the EU’s institutions (Eurobarometer 2001). In a country where twelve per cent of the population is illiterate and where forty-three per cent does not progress beyond primary education (Hürriyet 1999), this degree of political literacy is indeed remarkable. But experience suggests that Turks are not well informed at all.

Moreover, 47 per cent does not trust European information sources, although oddly enough, they do believe that their level of information during the negotiations has been satisfactory. This said, fifty per cent of the informants stated that they did not trust the EU per se. Thirty-four per cent trusted the European parliament, whereas just 28 per cent trusted the European Commission (Uluç 2004). The paradox of this is that the EU as an international institution is trusted more than any other institution; more than for example, NATO, the European Court of Human Rights and the Council of Europe. This brings into discussion the extent to which Turkish people are aware of the nature of EU.

Sönmez (2003) suggests that, only when local institutions get stronger, will information transmission problems be solved, as local authorities are closer (bureaucratically and socially) to the citizens being informed. However, this will only happen when all political levels agree to strengthening the role of local authorities in providing information and reinforcing attitudes. To this end, a first step has already been taken in the context of preparation for EU membership. For example, in 2003 the World Academy for Local Governance and Democracy (WALD) organised a seminar attended by 150 people from local authorities such as Antalya, Diyarbakır, Çorum and Nevşehir. The aim of the project was to provide correct and detailed information about the EU, to discuss positive and negative perceptions of it, as well as to eliminate unfound-
ed preconceptions. Moreover, it aimed at constituting a discourse among local authorities about the EU. The meeting demonstrated a deep lack of knowledge of the EU amongst Turkish local authorities.

Can Baydarol, member of the executive board of the Turkish-European Foundation (Türkiye - Avrupa Vakfı), conducted a seminar for local authorities. Afterwards he said: “Our seminar was very simple. For example, we describe Europe as a cow from which you get milk as long as you know how to do it. We try to explain that the EU is not a Christian Club and that we can not just enter but have to do it by following a process. Even though local authorities are willing to adopt the EU’s project for accession, they don’t know how to do it. One of their main problems is self-confidence.” The following preconceptions and demands exist:

‘We are Muslims, they are Christian’
‘The whole point of the EU is to move immigrants to their home towns’
‘How can we get funding if we are applying to save endangered species’
‘If we enter the EU, will ‘kokorec’ [certain meal] be prohibited for us?’
‘Is the Sevres Agreement on the agenda again’
‘What is the EU?’
‘Is our muhtarlik (local authorities) an institution in the EU?’
(Görgün 2003).

Little wonder that local authorities sometimes feel overwhelmed.

Another example is the establishment of a EU Information Centre by the European Commission in Istanbul in January 2004. This effort has been made so that citizens can get answers to questions relevant to the EU. Even though the centre is supposed to be answer-

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5 The centre was inaugurated by the president of the Commission, Romano Prodi, with the presence of Secretary of State and Turkish Foreign Minister Abdullah Gül. At present there are four experts to manage the office. The questions are answered either by phone or e-mail.
ing questions on EU legislation, it’s function and history, most people inquire after their own personal matters.

‘Can somebody look after my child?’
‘I have a walking disability, can the EU help me?’
‘Can the EU cover my medical expenses?’

The Centre’s director Seda Domanic stated: ‘We were supposed to give information on political and administrational matters but many demands refer to matters such as visa issuing, adoption cases, military service, unemployment and scholarships. So far, no political questions have been asked on issues like Cyprus and Greece.’ (Oğuz 2004). This comment proves not only that Turks are unaware of what the EU is, but also that they have a completely wrong idea about its overall function.

One fact that the Turkish media often criticizes is the inability of Turkish people, both ordinary citizens and bureaucrats, to get funding from EU institutions even though the level of funding earmarked for Turkey seems to be large. In the prologue of the book *European Support Projects in Turkey* (2003), Hansjörg Kretschmer, the representative of the European Commission in Turkey, claims that the book is on the list of best selling books in Turkey. This proves the extent of Turks’ interest in EU funding. However, the gap between the availability of funds and their take-up, points to a sharp contrast between theory and practice. According to EU sources, the funding available for Turkey during the years 2000-2006 is €2,520 million of which €1,285 million in grants. However, over the last three years Turkey has successfully submitted 300 projects absorbing only €600 million. The reason why Turkey was unable to use a greater percentage of the available funding is its lack of expertise, the lack of desire to apply, inappropriate domestic institutions, as well as the EU’s ignorance of this situation in Turkey (Tepeli 2004).

A survey of Turks’ anxieties, fears and questions about the EU at the end of 2003 carried the suggestive title *The Suspicion of Europe,*
in Turkey. The results show the general trend in favour of accepting EU membership. At the time of the survey, no less than 74.4 per cent supported Turkey’s accession. This represented a considerable shift over the previous year. Hakan Yılmaz commented that “the result of the survey we did in 2002 was ten per cent lower than the present one. The reason lies in the European orientation of the ruling Justice and Development Party (AKP). This transformed many individuals’ opinions from negative to positive and the people who follow AKP turned to the EU. That is why AKP’s role in this issue is very important”. (Öktener 2003) No less than 78.8 per cent considers EU membership positive for Turkey and 88 per cent believes that in the event of accession, Turkey’s economy will be stronger, unemployment will decrease and life expectancy will increase. However only 25.5 per cent believes that Turkey can be a full member within the next ten years.

The survey also touched identity issues. Most respondents (54.2 per cent) felt that in the near future they will still be calling themselves Turks. Most Turks (60.2 per cent) thought that geographically Turkey belongs to Europe, though that percentage dropped slightly (to 51.2 per cent) on the issue whether Turkey belonged historically to Europe. Turkish people have a real fear of exclusion from the EU. For example, 34.4 per cent thinks that Turkey is being judged by double standards and 49.7 per cent believes that the EU does not really intend to accept Turkey at all, and is stringing the government and the people along to distract them. Finally, 40.1 per cent thinks that Europeans consider Eastern Europe as part of Europe but Turkey as a part of Asia.

In addition, Turks still hold a lingering anxiety about independence and hegemony. For example, 21.8 per cent believes that accession will damage Turkish national independence and a further 33.7

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6 The survey took place between 17 October and 10 November 2003, amongst adults (>18 years). 68 per cent of the informants are urban citizens and 32 per cent come from suburban areas. The total sample counts 2123 individuals. It is the most recent survey till today. The survey was prepared by The Open Society Institute, Bosphorus University, Scientific Research Project Commission and Bosphorus University European Workers Centre.
per cent considers that following European rules will diminish Turkish statehood. Not surprisingly, 44.5 per cent consider European symbols such as the European flag less important than their Turkish equivalents (Yılmaz 2003) though it is probable that if this question were asked to citizens of EU member states the answer might even be worse.

Turkey is the only Muslim country which has deliberately turned its face towards the West. It has a common geographical and historical border with Europe and it attempts to apply the same secular and democratic principles. These elements make Turkey unique amongst the 55 Islamic countries of the planet (Karluk 1998). It is not surprising that the Turkish people are concerned about religion. A significant minority believes that European tolerance stops short of proclaiming freedom of religion (28.6 per cent); that the EU is a Christian Club (36.1 per cent) and that the EU refuses to consider Turkey as different from other Muslim countries (45.3 per cent).

Replying to this anxiety over religion Kural-Shaw (2003) claims that, because of the immigration flows, most European countries have become partly Muslim in terms of appropriating the secular principles of Islam. In most countries, especially among the elites and the youth, the impact of religion on daily life has become very limited. She goes on to claim that without daily religious observance, religion becomes merely an identity and nothing to be feared. Personally, I would take issue with the proposition that by accepting and respecting Muslim populations, a country becomes in some way Muslim. It is true that European countries have millions of Muslim inhabitants, but that does not make them Muslim.

The final anxiety among the Turks is a fear of national division and demoralization. No less than 45.5 per cent of Turks believes that Europe helped terrorist groups like the PKK in Turkey and 28.7 per cent thinks that future membership of the EU will divide the country. Although in Turkey there is dynamism and variety in everyday life, social structures continue to be dominated by traditional and authoritarian trends like family ties, work environment and political control.
This leads to gender inequality, social repression of youth and exclusion of certain actors from decision making (Sönmez 2003). Bearing this situation in mind, it is easy to see why Turks fear that Europe will have a ‘demoralizing’ impact. An impressive 93 per cent thinks (but does not necessarily approve of the fact) that Europeans are liberal as far as sexuality is concerned and only 3.2 per cent thinks that European family ties are strong. Only 4.1 per cent thinks that European youngsters are respectful to their parents; 1.7 per cent sees Europeans as hospitable and 9.8 per cent thinks that they value neighbourliness as do Turks. Small wonder that 32.6 per cent thinks that EU membership automatically undermines the social morale in Turkey (Yılmaz 2003).

2.5. CONCLUSION
The fact that Turkey strongly desires accession to the EU does not mean that Turks are well aware of what the EU actually is. Nevertheless, it is not necessarily accurate to assume that Turks are less (or more) informed than the EU citizens themselves. Turks might not have the experience of living in the EU but that does not automatically mean that they know less. Nonetheless, none would claim that they are experts on EU matters.

For most Turkish people the EU represents political and economical stability as well as future prosperity. For others it is perceived as a ‘critical’, ‘dangerous’ and ‘unnecessary’ system. Opposition to Turkey’s EU membership is strongest among radical islamists and right wing nationalists.

Another group, mostly intellectuals, have an ambivalent perception. On the one hand, they take Turkey’s candidacy very seriously but on the other hand they feel the Union’s attitude towards Turkey to be insincere, especially with regard to the conditions attached to eventual membership. They think that the EU has double standards for candidate nations – one set for Turkey and another for the rest. And they attribute this to the Union’s wish to remain a ‘Christian
Nevertheless, they also believe that Turkey is not yet ready to be a member of the EU. This stems from the recognition that Turkey is still violating human rights, that the political situation is unstable and that social inequalities still persist.

There are many different opinions about the EU in Turkey. While the average citizen is still asking whether the EU is a Christian club, well-educated, wealthy Turks support joining the EU on the grounds that the world is undergoing significant political, economic and cultural transformations and regional organisations such as the EU have gained in importance and influence. Of course, anti-global nationalist groups, on either the left or the right, are opposed to membership. However their number is very low. To sum up, it would be no mistake to say that there are as many opinions about the EU in Turkey as there are people living there (Baydarol 2004).

Human development does not only relate to economic improvement but also to social, political, cultural, educational and health-related rights. It has to be accepted that those standards are basic human rights (Sönmez 2003). In Turkey, gross national product, per capita income and personal development are all relatively low. For example, looking at the rank order of education and health policies among 173 countries, Turkey’s position is 85th (Karakaş 2003). Moreover among European countries Turkey has the least even distribution of wealth (Sönmez 2003). Much of the divergence of opinion about the EU amongst the Turkish public is a reflection of disparities, not only on the basis of income or region but also in terms of social stratification such as that between rich-poor, urban-rural and educated-uneducated.

There are three major questions in Turkish people’s minds:

‘Why should Turkey enter the EU?’
‘Why would the EU accept us?’
‘Are there any choices other than joining?’
Over the last couple of years the Turkish public has been fed information about the EU either by the state or by civil society institutions and by the media. However, the message is not a unitary one. The state only pays attention to the Copenhagen criteria, civil society institutions and academics concentrate on living standards. The media focusses on possible consequences of membership. This unintended “division of labour” renders the information process unproductive and the level of awareness inadequate. There is a paradox that despite the vast amount of information on Turkey–EU issues, ignorance is widespread. Turkish citizens need to be systematically informed on these questions in a clear and uncomplicated way.

If Turkish people are expected to take a positive attitude towards the EU, the government, civil society and related institutions should co-operate with EU institutions and give clear information to all social strata of society and not concentrate their efforts on members of the elite, academia and bureaucracy. This will build-up grassroots support for the European project, one which to date has been too much top-down.

Information flows are not the only problem. Participation in the accession process on either local or general levels has not been encouraged because there is no adequate mechanism. If and when a date of accession is set, the hopes and support of the Turkish people will rise. It will dispel the cynicism, whereby seventy per cent of Turks do not believe that the EU wants Turkey as a member. Without a date, public opinion may well turn against the whole venture.

After the World Trade Center bombing, it became clear that nations that were prepared to solve their democratic and development problems peacefully will gain security and power in their international relations. This process affects Turkey too (Keyman 2003). Turkey is at a crossroads. It will choose either democratisation, economic development and a more secure future or it will retreat from the international changes and live in an undefined limbo. From the positive acceleration of the relationship between Turkey and the EU, as well as from
the increasing and widening democratisation and the policies directed at economic stability, it is obvious which direction it has chosen (Keyman 2003). This needs to be reinforced by the commencement of full membership negotiations.

In order to meet the political criteria of membership, the most important factors are the political and administrative environment and the civil society. Local authorities should expand their responsibilities in this direction. My suggestion is that an all-out effort should be made to increase the level of awareness of Turkish people on EU issues. That awareness should concern basic knowledge of the mechanisms of the EU as an institution. This can only be achieved through co-operation between the government - providing the information - and the citizens - who will receive it. This will prove helpful for the EU in dealing with Turkey, and indispensable to Turkey in making decisions on its own future.

**References**


*The State Institute of Statistics (SIS) yearbook for the 4th period data of year 2003.


chapter 2: what turks think of europe, opinions on the european union in turkey


CHAPTER 3

Recoding Europeanness: A Comparative Study on German-Turks and French-Turks

Ayhan Kaya

3.1. INTRODUCTION

This chapter is part of an ongoing research project on Turkish émigrés in Europe, Euro-Turks: A Bridge or a Breach between Turkey and the European Union, conducted by Ayhan Kaya and Ferhat Kentel started in September 2003 and due to be completed in December 2004. The research was done in Germany and France, and included both qualitative and quantitative methods. Generally speaking, Western European states have tended to see Islam as a threat to their national security. One conclusion will be that Euro-Turks do not pose a threat to the political and social system of their countries of settlement, but rather show considerable willingness to incorporate to

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1 It included in-depth interviews and focus-group discussions, as well as 1065 structured interviews with 90 questions in German, and 600 interviews in France. They were conducted in December 2003 by two local public poll companies in Germany and France, with the involvement of Turkish speaking university students who were fluent in either German or French. The interviews were conducted in one of three languages (Turkish, German and French) depending upon the choice of the interviewees. It should be noted that twenty percent of the interviews in Germany were conducted in German, and thirty percent of those held in France were conducted in French.
themselves into that system. Moreover, the evidence collected to date shows that Euro-Turks attitudes to Islam could be interpreted as a quest for *justice* and *fairness* on their part. Another conclusion will be that EU states should respond to the claims of ethnic by abandoning the *security discourse* and engaging instead in a *justice discourse*.

Although Islam is often considered and represented as a threat to the European way of life, this chapter will argue that Islamic religious resurgence is a response to phenomena as unemployment, racism, xenophobia, exclusion (and sometimes assimilation) that already exist in the West. Under such circumstances, a discourse on culture, identity, religion, ethnicity and traditions forms part of the response to such challenges, therefore, and the past becomes an essential focal point for minorities in general and migrant groups in particular. Such a discourse serves at least a dual purpose for migrant communities. First, it is a way of coming to terms with the present, without explicitly criticizing the status quo. Minorities or migrants use the ‘glorious’ past as a strategic tool for absorbing the unpleasantness of day-to-day life, that is often defined by exclusion, structural outsiderism, poverty, racism and institutional discrimination. Second, because the past is what they claim to be their own, it helps to recover a sense of the self that is not dependent on criteria handed down by others (Ganguly 1992, p. 40; See also Kaya 2001). This is a form of politics familiar among outsider groups. Alisdair MacIntyre (1971) suggested that there are two forms of politics: *politics of those within* and *politics of those excluded*. Those *within* tend to use legitimate political institutions (such as parliament, political parties and the media) to pursue their goals. Those *excluded* use culture, ethnicity, religion and tradition to help realise their aims.

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2 This classification is made by Will Kymlicka (2002) to refer to the ways in which demands of minority groups have been identified in western and eastern European countries. He notes that western European democracies usually define minority claims as a quest for justice and fairness, while eastern European states find such claims a threat to their national security.
3.2. EURO-TURKS: A BRIDGE OR A BREACH BETWEEN TURKEY AND THE EUROPEAN UNION?

Our research highlights the question of whether the Euro-Turks living in Germany and France can be a driving force for Turkey in its process of integration into the EU. It maps out the social, political, and cultural discourses of the Turkish diaspora on Turkey-EU relations in each country. Migrants of Turkish origin in Europe, and their descendants, form a rather heterogeneous group in respect to their recent economic, political, cultural, ethnic and religious dispositions. As a result, their views on the prospects of Turkey’s EU membership point in several (sometimes conflicting) directions. Another question addressed by our research is whether Turkish communities abroad offer the home country new opportunities and prospects for the formation of a more open and democratic society. Another premise of this work is that boundaries between Turkey and the diaspora cannot any longer be strictly demarcated. For instance, the Islamic resurgence in the diaspora has resulted in the reinforcement of religious organisations at home. The same process is also visible in the revival of minority Kurdish and Alevi culture in Turkey, since both social movements are partly influenced by what is happening in Europe.

Migrants of Turkish origin and their descendants can no longer be simply considered as temporary migrant communities, living with the ‘myth of return’, nor are they passive victims of global capitalism, alienated by the system and swept up in a destiny dominated by the capitalist West. Rather, they have become permanent settlers, active social agents and decision-makers. For instance, today’s German-Turks have little in common with the old “guest-worker” stereotypes of the past. They are a recognised and highly active section of the population. They form a dynamic and flexible business sector that benefits the whole country. German-Turkish intellectuals have had a large impact on the formation and articulation of these active roles and identities. It is clearly wrong, therefore to view the Euro-Turks as passive, obedient, powerless and incompetent.
Our research aims at understanding whether Euro-Turks have developed any commitments towards the Europe, in general, and the European Union, in particular. What kind of political cultures have they generated in the west? What strategies of incorporation have they constructed in their countries of settlement? How do they consider essential issues as citizenship, democratisation, political participation, globalisation, human rights, equality, rule of law, justice, religion, multiculturalism, inter-culturalism, coexistence and political institutions? The answers to these questions will show that Euro-Turks do not pose a threat to their countries of settlement, but rather that they aim to incorporate themselves into the western democracies and that they try to forge a European identity for themselves.

Before beginning, a word about the contextual use of the terms ‘Euro-Turk’, ‘German-Turk’ and ‘French-Turk’ in this chapter. Although such identifications do not have a strong currency among the Turkish origin migrants themselves, nor among other Europeans, around 60 per cent of the German-Turks we interviewed identified themselves as European/Turkish or Turkish/European, and around seventy per cent of the French-Turks define themselves in similar terms.

3.3. EUROPEANNES: A CONSTANT PROCESS
OF BEING AND BECOMING

The data gathered in our research suggests that the Euro-Turks have no concrete understanding of Europeanness. However, the same observation could be made for citizens of their host societies. Few Europeans have a deep-rooted sense of Europeanness, despite efforts by the political elite of the European Union to construct one. The Tindemans Report – submitted to the European Council in December 1975 – prompted the member states to form a unified political entity with her own flag, anthem, myths, memories, peoples, regions, and rights and duties granted to the EU citizens (Tindemans 1975; Maas 2004).

The definition of Europeanness is, of course, subject to the
visions of the political parties in power and there are at least two current variants. The first, proposed by Conservatives, defines Europeanness as a static and proscribed cultural and political entity. The second, proposed by Social Democrats, Liberals, Socialists and Greens, understands ‘Europeanness’ as a fluid, ongoing, dynamic and nonessentialist process of being and becoming. The latter definition welcomes cultural and religious differences, including Islam. Our research shows that Euro-Turks seem to be aware of this distinction, and that this awareness is beginning to influence their political preferences (see Table 3.1).

In the early stages of the migratory process, Euro-Turks used to be more oriented towards the conservative parties due to their scepticism towards the left wing parties in Turkey itself. Table 3.1, however, shows that German-Turks have recently become more affiliated with the left wing political parties such as the Social Democrats (27 per cent) and the Greens (8.5 per cent). The same trend is also visible among the French-Turks. The swing to the left suggest that Euro-Turks are becoming more reflexive in the daily politics of their countries of settlement, rather than derivative of earlier political affiliations back home, in a way that suggests that they are actually very well inte-

<table>
<thead>
<tr>
<th></th>
<th>Germany</th>
<th>France</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Count</td>
<td>Per cent</td>
</tr>
<tr>
<td>Liberal parties</td>
<td>35</td>
<td>3,3</td>
</tr>
<tr>
<td>Conservative parties</td>
<td>28</td>
<td>2,6</td>
</tr>
<tr>
<td>Social democratic parties</td>
<td>288</td>
<td>27,0</td>
</tr>
<tr>
<td>Greens and environmentalist parties</td>
<td>91</td>
<td>8,5</td>
</tr>
<tr>
<td>Radical right and nationalist</td>
<td>9</td>
<td>0,8</td>
</tr>
<tr>
<td>Radical left and communist parties</td>
<td>13</td>
<td>1,2</td>
</tr>
<tr>
<td>In equal distance to all</td>
<td>44</td>
<td>4,1</td>
</tr>
<tr>
<td>None of those above</td>
<td>557</td>
<td>52,3</td>
</tr>
<tr>
<td>Total</td>
<td>1065</td>
<td>100,0</td>
</tr>
</tbody>
</table>

In the early stages of the migratory process, Euro-Turks used to be more oriented towards the conservative parties due to their scepticism towards the left wing parties in Turkey itself. Table 3.1, however, shows that German-Turks have recently become more affiliated with the left wing political parties such as the Social Democrats (27 per cent) and the Greens (8.5 per cent). The same trend is also visible among the French-Turks. The swing to the left suggest that Euro-Turks are becoming more reflexive in the daily politics of their countries of settlement, rather than derivative of earlier political affiliations back home, in a way that suggests that they are actually very well inte-
grated. Nevertheless, in each country a small majority are not engaged in domestic party politics at all. Some German-Turks are disillusioned by recent manoeuvres by parties like the Christian Democratic Union (CDU) to use Turkey’s candidature of the EU as a campaign instrument to attract right-wing nationalist votes.

3.4. EURO-TURKS’ PERSPECTIVES ON THE EUROPEAN UNION

Focus group discussions, in-depth interviews and structured interviews show that the more Euro-Turks are in favour of Turkey’s membership of the EU than are against it. The balance in favour is only margin among the German-Turks but among the French-Turks the balance is over 3:1 (Table 3.2).

<table>
<thead>
<tr>
<th></th>
<th>Germany Count</th>
<th>Germany Per cent</th>
<th>France Count</th>
<th>France Per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very negative</td>
<td>59</td>
<td>5,5</td>
<td>25</td>
<td>4,2</td>
</tr>
<tr>
<td>Negative</td>
<td>237</td>
<td>22,3</td>
<td>74</td>
<td>12,3</td>
</tr>
<tr>
<td>Both positive and negative</td>
<td>312</td>
<td>29,3</td>
<td>137</td>
<td>22,8</td>
</tr>
<tr>
<td>Positive</td>
<td>313</td>
<td>29,4</td>
<td>285</td>
<td>47,5</td>
</tr>
<tr>
<td>Very positive</td>
<td>29</td>
<td>2,7</td>
<td>39</td>
<td>6,5</td>
</tr>
<tr>
<td>No idea</td>
<td>115</td>
<td>10,8</td>
<td>40</td>
<td>6,7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1065</strong></td>
<td><strong>100,0</strong></td>
<td><strong>600</strong></td>
<td><strong>100,0</strong></td>
</tr>
</tbody>
</table>

Those German-Turks who are negative about the EU are likely to mimic the attitude of many other Germans that the EU has benefited greatly from German membership, but has given too little in return. On the other hand, those French-Turks who are positive about the EU are likely to think that the EU benefited them materially.

On the specific question of approval of the Euro, however, both groups were overwhelming in their disapproval, although sizeable minority (25 per cent) of the French-Turks were in favour of the new
currency (Table 3.3). Again, this reflects the more negative tenor of the domestic debate on the euro in Germany than in France.

If one turns to cultural attitudes towards the European Union, nearly half of the German-Turks and 64 per cent of the French-Turks see the EU primarily in terms of economic cooperation. However sizable groups of the German-Turks (twenty per cent) and French-Turks (eleven per cent) are inclined see the European Union primarily as a Christian Club (Table 3.4)

TABLE 3.3
To what Extent are you Positive or Negative About the Euro?

<table>
<thead>
<tr>
<th></th>
<th>Germany</th>
<th></th>
<th>France</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Count</td>
<td>Per cent</td>
<td>Count</td>
<td>Per cent</td>
</tr>
<tr>
<td>Very negative</td>
<td>537</td>
<td>50,4</td>
<td>166</td>
<td>27,7</td>
</tr>
<tr>
<td>Negative</td>
<td>371</td>
<td>34,8</td>
<td>175</td>
<td>29,2</td>
</tr>
<tr>
<td>Both positive and negative</td>
<td>71</td>
<td>6,7</td>
<td>97</td>
<td>16,2</td>
</tr>
<tr>
<td>Positive</td>
<td>46</td>
<td>4,3</td>
<td>127</td>
<td>21,2</td>
</tr>
<tr>
<td>Very positive</td>
<td>17</td>
<td>1,6</td>
<td>25</td>
<td>4,2</td>
</tr>
<tr>
<td>No idea</td>
<td>23</td>
<td>2,2</td>
<td>10</td>
<td>1,7</td>
</tr>
<tr>
<td>Total</td>
<td>1065</td>
<td>100,0</td>
<td>600</td>
<td>100,0</td>
</tr>
</tbody>
</table>

TABLE 3.4
What Does ‘European Union’ Mean to you?

<table>
<thead>
<tr>
<th></th>
<th>Germany</th>
<th></th>
<th>France</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Count</td>
<td>Per cent</td>
<td>Count</td>
<td>Per cent</td>
</tr>
<tr>
<td>Economic cooperation</td>
<td>513</td>
<td>48,2</td>
<td>382</td>
<td>63,7</td>
</tr>
<tr>
<td>A Christians-only club</td>
<td>227</td>
<td>21,3</td>
<td>67</td>
<td>11,2</td>
</tr>
<tr>
<td>A common cultural policy</td>
<td>61</td>
<td>5,7</td>
<td>34</td>
<td>5,7</td>
</tr>
<tr>
<td>A democracy project</td>
<td>69</td>
<td>6,5</td>
<td>38</td>
<td>6,3</td>
</tr>
<tr>
<td>Exploitation and imperialism</td>
<td>74</td>
<td>6,9</td>
<td>24</td>
<td>4,0</td>
</tr>
<tr>
<td>A political and military super power</td>
<td>51</td>
<td>4,8</td>
<td>44</td>
<td>7,3</td>
</tr>
<tr>
<td>A bureaucratic community</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>detached from public</td>
<td>70</td>
<td>6,6</td>
<td>11</td>
<td>1,8</td>
</tr>
<tr>
<td>Total</td>
<td>1065</td>
<td>100,0</td>
<td>600</td>
<td>100,0</td>
</tr>
</tbody>
</table>
By and large, the Euro-Turks are in favour of Turkey’s entry to the Union. However, this is more obvious in France (57 per cent) than in Germany (40 per cent) (Table 3.5).

The interviewees were asked what the EU meant to them, and they were given various items to comment on.

The opinions of German-Turks and French-Turks were remarkably similar: according to our investigation, Turkey’s entry into the EU would not divide the country; it would not end Turkey’s independence; it would enhance Turkish democracy and the respect for human rights. They also agreed that membership would result in more migration from Turkey into the EU countries. On the other hand, there is a big discrepancy between the German-Turks and the French-Turks on whether EU membership would cause moral breakdown in Turkey (52 per cent of the German-Turks, 36 per cent of the French-Turks) and whether it would enhance job opportunities in Turkey (61 per cent of the German-Turks; and 83 per cent of the French-Turks answering positively).

Overall, the responses suggest that French-Turks are in favour of Turkey’s EU membership, and that they have fewer cultural, moral and communal concerns than do their German counterparts (Table 3.6).

One of the commonly expressed concerns regarding Turkey’s EU membership is the prospect of immense waves of migration. More
than two-thirds of the Euro-Turks in our investigation answered that they share this view. Curiously, most Turks in Europe (almost 80 per cent in Germany and 60 per cent in France) would not recommend their countrymen to follow them. The reason they gave referred to difficulties confronting new migrants rising unemployment, home-sickness, low wages, disciplined working conditions, lack of tolerance, and an undermining of moral values. One cannot help reflecting on the possibility that the transmission of experiences of Euro-Turks to the Turks in Turkey, would help stem the potential tide. It is worth reflecting, in this context, that the previous experiences of the integration of Spain, Italy, Portugal and Greece into the Union did not result in immense migration either. On the contrary, it resulted in reverse migration. This could also occur in Turkey. The proportion of people who would consider going back to the homeland in case of Turkey’s membership to the Union, is more than 30 per cent in both countries (Table 3.7).

3.5. BUILDING NEW IDENTITIES AND BRIDGES

Our research also explored the impact that the Euro-Turks considered themselves to have on their host land. Again they were offered various responses, some negative, some positive.
Both groups emphasise the positive contribution that they make to the labour force and to job creation, but large proportions in both France and Germany also emphasise the cultural contribution that they make to their host countries, with sizeable numbers singling out the greater stress on family ethics and their more enhanced humanitarian values. Very few Euro-Turks considered that their presence had made no positive contribution at all. The reverse side of this last observation is mirrored in the fact that 32 per cent of the French-Turks and 25 per cent of the German-Turks believed that Turks have had no negative impacts on their host societies. When contemplating the negative side of their presence, they tended to attribute this negative impact to their incapability of obeying rules, their closed communities and their distinctive values.

Misuse of the social security system, which also figured on the list, was one of the most debated issues among the young generation German-Turks in our in-depth interviews and focus group discussions, and this was also related to a feeling Turks were inclined to be lazy. The French-Turks were rather more inclined than their German counterparts to stress the inability to adapt to local values and the tendency of constructing ethnic enclaves (Table 3.8).

The ways in which issues have been differently phrased by German-Turks and French-Turks can be explained by the separate

<table>
<thead>
<tr>
<th></th>
<th>Germany</th>
<th>France</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Count</td>
<td>Per cent</td>
</tr>
<tr>
<td>Yes, I certainly would go back.</td>
<td>91</td>
<td>8,5</td>
</tr>
<tr>
<td>Yes, I would.</td>
<td>204</td>
<td>19,2</td>
</tr>
<tr>
<td>I don’t know.</td>
<td>405</td>
<td>38,0</td>
</tr>
<tr>
<td>No, I wouldn’t.</td>
<td>253</td>
<td>23,8</td>
</tr>
<tr>
<td>No, I certainly wouldn’t go back.</td>
<td>112</td>
<td>10,5</td>
</tr>
<tr>
<td>Total</td>
<td>1065</td>
<td>100,0</td>
</tr>
</tbody>
</table>
incorporation regimes applied by Germany and France towards migrants. The issue of ethnic enclaves and communities raised by the French-Turks seems to be highly linked with the fact that the French Republican state tradition is very sensitive about homogeneity and blind to ethnic differences. The liberal democratic regime in contemporary Germany, by contrast, recognises differences in ways that do not problematise ethnic and cultural enclaves as much as does the French state.

In their own eyes Euro-Turks have gained strong merits in terms of developing a democratic political culture that highlights human rights, democratisation, participation and reflexivity, rule of law, rights, equality and trust. The Euro-Turks have adopted a *rights-specific* -political culture rather than a *duty-specific*- one, as is the case in Turkey. The answers given to the individual questions comparing

### TABLE 3.8
What kind Impact do the Turks have on the Host Society? (multi-response)

<table>
<thead>
<tr>
<th>Positive Impact</th>
<th>Germany N=1065</th>
<th>France N=600</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labour force</td>
<td>688</td>
<td>440</td>
</tr>
<tr>
<td>Count Per cent</td>
<td>64,6</td>
<td>73,3</td>
</tr>
<tr>
<td>Cultural diversity and richness</td>
<td>568</td>
<td>252</td>
</tr>
<tr>
<td>Count Per cent</td>
<td>53,3</td>
<td>42,0</td>
</tr>
<tr>
<td>Creating new job opportunities</td>
<td>405</td>
<td>242</td>
</tr>
<tr>
<td>Count Per cent</td>
<td>38,0</td>
<td>40,3</td>
</tr>
<tr>
<td>Bringing new familial and ethnical values</td>
<td>341</td>
<td>121</td>
</tr>
<tr>
<td>Count Per cent</td>
<td>32,0</td>
<td>20,2</td>
</tr>
<tr>
<td>Bringing humanitarian quality</td>
<td>286</td>
<td>111</td>
</tr>
<tr>
<td>Count Per cent</td>
<td>26,9</td>
<td>18,5</td>
</tr>
<tr>
<td>Others</td>
<td>11</td>
<td>4</td>
</tr>
<tr>
<td>Count Per cent</td>
<td>1,0</td>
<td>0,4</td>
</tr>
<tr>
<td>None</td>
<td>41</td>
<td>29</td>
</tr>
<tr>
<td>Count Per cent</td>
<td>3,8</td>
<td>4,8</td>
</tr>
<tr>
<td>Negative Impact</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Not obeying rules</td>
<td>387</td>
<td>141</td>
</tr>
<tr>
<td>Count Per cent</td>
<td>36,3</td>
<td>23,5</td>
</tr>
<tr>
<td>Not adapting with local values</td>
<td>287</td>
<td>198</td>
</tr>
<tr>
<td>Count Per cent</td>
<td>26,9</td>
<td>33,0</td>
</tr>
<tr>
<td>Constructing their own closed communities</td>
<td>282</td>
<td>195</td>
</tr>
<tr>
<td>Count Per cent</td>
<td>26,5</td>
<td>32,5</td>
</tr>
<tr>
<td>Abusing the social security system</td>
<td>268</td>
<td>109</td>
</tr>
<tr>
<td>Count Per cent</td>
<td>25,2</td>
<td>18,2</td>
</tr>
<tr>
<td>Being lazy</td>
<td>252</td>
<td>92</td>
</tr>
<tr>
<td>Count Per cent</td>
<td>23,7</td>
<td>15,3</td>
</tr>
<tr>
<td>Others</td>
<td>17</td>
<td>9</td>
</tr>
<tr>
<td>Count Per cent</td>
<td>1,6</td>
<td>1,5</td>
</tr>
<tr>
<td>None</td>
<td>262</td>
<td>191</td>
</tr>
<tr>
<td>Count Per cent</td>
<td>24,6</td>
<td>31,8</td>
</tr>
</tbody>
</table>
France and Germany to Turkey indicate that Germany and France are considered by respondents to be much more democratic than Turkey. Interestingly, Turkey was considered more favourable than the host nations when the interviewees were asked about mutual tolerance and moral values.

While on the one hand, Euro-Turks are officially defined in Turkey as either ‘gurbetçi’, or ‘Yurtdışındaki vatandaşlarımız’ (‘our citizens abroad’), on the other hand, they are stereotypically defined in Turkey as either ‘Almanyali’ or ‘Almanci’ (German-like). Both terms ('Almanyali' and 'Almanci') carry a rather negative connotation in Turkey. The Turkish stereotypes about the Euro-Turks are those of being rich, eating pork, living a very comfortable life, losing their Turkishness and becoming more and more German or French (Kaya 2001).

In recent years, Euro-Turks have begun to raise their voices in complaint against the paternalistic approach of the Turkish state towards them. They no longer want to be perceived as passive, obedient and in urgent need of support from the Turkish government, nor, for that matter, as cash machines making foreign currency for the home land. As part of a constituency of four million Turks in the West, they prefer to become more active in developing Turkish-EU relations and in helping Turkey adapt to the new EU regimes.

Many Turks in Germany (59 per cent) and even more in France (74 per cent) either already have EU citizenship or are planning to apply for it (Table 3.9). These high numbers indicate that Euro-Turks are seeking integration and political participation.

The latest statistics indicate that the number of naturalized German-Turks has doubled since the year 2000, when the new citizenship law was put into force. On the other hand, the fact that sizeable minorities are apparently unwilling to German or French citizenship does not necessarily mean that they are against integration,

3 These questions embraced human rights, educational system, police, democracy, social security system, job opportunities, legal system, the respect for rules and regulations, value human capital, equality, freedom of faith, and cultural dialogue.
or that they are nationalist or Islamist. It is probable that some of them are satisfied with denizenship status, defined as giving migrants civil, social, and cultural, but not political rights (Hammar 1990). It is also possible that they are reluctant to sacrifice their remaining rights to vote in local elections in Turkey by acquiring a new citizenship.

Three further, specifically German factors may also play a role. It is possible that German-Turks had expected a more democratic citizenship law to be put into effect; one without limitation on dual citizenship. As their expectations diminished, they might have seen little further benefit in acquiring German citizenship. Again, German-Turks may have been discouraged by the relatively heavy bureaucracy in cities such as Berlin. The last, but not the least important, explanation would lie in the fact that the wide networks of communication and transportation between Germany and Turkey play a crucial role in the formation and maintenance of a diasporic identity among transnational communities. This modern circuitry connects the migrants both to the homeland and to the rest of the world. This is the reason why it becomes so much easier for German-Turks to live on ‘both banks of the river’ at the same time. German-Turks exemplify a growing stream of what has been called ‘globalisation from below’ (Brecher et al.

<table>
<thead>
<tr>
<th></th>
<th>Germany Count</th>
<th>Germany Per cent</th>
<th>France Count</th>
<th>France Per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes, I am</td>
<td>279</td>
<td>26,2</td>
<td>213</td>
<td>35,5</td>
</tr>
<tr>
<td>I have already applied.</td>
<td>74</td>
<td>6,9</td>
<td>44</td>
<td>7,3</td>
</tr>
<tr>
<td>I am planning to apply.</td>
<td>277</td>
<td>26,0</td>
<td>188</td>
<td>31,4</td>
</tr>
<tr>
<td>I am not planning to apply.</td>
<td>435</td>
<td>40,8</td>
<td>155</td>
<td>25,8</td>
</tr>
<tr>
<td>Total</td>
<td>1065</td>
<td>100,0</td>
<td>600</td>
<td>100,0</td>
</tr>
</tbody>
</table>
The enhanced access of transnational migrants and their descendants to these social, cultural, political and economical mechanisms enable them to transcend the exclusionary conditions imposed upon them by the German nation-state. In this context, traditional ideas of national citizenship lose their legitimacy for contemporary migrants, who would be better served by new forms of citizenship such as double or even multiple citizenships, post-national, transnational, or “diasporic” citizenship. The current legal reforms allow descendants of the Turkish migrants to acquire dual citizenship for a period of time and they offer German-born ‘foreigners’ the opportunity to go beyond their previously defined ‘denizen’ status, to enjoy political as well as civic, social, cultural and environmental rights. In other words, the new laws partially distance us from the hegemony of the once essentialized ethnic identities such as ‘German’, ‘Turkish’, ‘Kurdish’, ‘Iranian’. They hold the potential of opening the way for the construction of hyphenated civic identities and bridges such as ‘German-Turk’ ‘German-Kurdish’, or ‘German-Iranian’.

Table 3.10 shows that Euro-Turks themselves confirm these hyphenated identities, with majorities in both countries accepting both

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4 These figures differ from the findings of Hakan Yilmaz (2003) in which 54 per cent of the respondents defined themselves as “Turkish”, 30,5 per cent as Turkish-European and 4,7 per cent as European-Turkish.
Turkish and European identities. Even so, sizeable minorities still define themselves solely as “Turkish”.4 These figures, however, dip when more specific options are proposed (Table 3.11)

The sum of those defining themselves either as a German citizen, a German-Turk, a world citizen or EU citizen is 27 per cent, a figure which rises to 47 per cent among the French-Turks. An explanation for difference between those defining themselves as either German-Turks or French-Turks lies probably because of the definition of ‘Germanness’ and ‘Frenchness’. While Germanness is considered to be an ethnic nomination, Frenchness is defined as a civic nomination, where people of non-French descent also have their place. French-Turks are also more inclined to describe themselves as Turkish citizen than their German counterparts.

Class differences also influence the way Euro-Turks define Europeanness. The working class tended to define ‘Europeanness’ in terms that usually paralleled the dominant discourse in Turkey. Their definitions included such notions as values, democracy, equality,

### TABLE 3.11
Which one of the Terms Below Defines you Best? (Multiresponse)

<table>
<thead>
<tr>
<th></th>
<th>Germany N=1065</th>
<th></th>
<th>France N=600</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Count</td>
<td>Per cent</td>
<td>Count</td>
<td>Per cent</td>
</tr>
<tr>
<td>Turkish citizen</td>
<td>256</td>
<td>24,0</td>
<td>213</td>
<td>35,5</td>
</tr>
<tr>
<td>Turkish</td>
<td>240</td>
<td>22,5</td>
<td>145</td>
<td>24,2</td>
</tr>
<tr>
<td>Kurdish</td>
<td>45</td>
<td>4,2</td>
<td>23</td>
<td>3,8</td>
</tr>
<tr>
<td>Muslim</td>
<td>348</td>
<td>32,7</td>
<td>96</td>
<td>16,0</td>
</tr>
<tr>
<td>Muslim-Turkish</td>
<td>424</td>
<td>39,8</td>
<td>244</td>
<td>40,7</td>
</tr>
<tr>
<td>Alevi</td>
<td>35</td>
<td>3,3</td>
<td>22</td>
<td>3,7</td>
</tr>
<tr>
<td>German (French) citizen</td>
<td>74</td>
<td>6,9</td>
<td>54</td>
<td>9,0</td>
</tr>
<tr>
<td>German (French)-Turk</td>
<td>77</td>
<td>7,2</td>
<td>106</td>
<td>17,7</td>
</tr>
<tr>
<td>Euro-Turk</td>
<td>60</td>
<td>5,6</td>
<td>36</td>
<td>6,0</td>
</tr>
<tr>
<td>World citizen</td>
<td>56</td>
<td>5,3</td>
<td>64</td>
<td>10,7</td>
</tr>
<tr>
<td>EU Citizen</td>
<td>22</td>
<td>2,1</td>
<td>25</td>
<td>4,2</td>
</tr>
<tr>
<td>Others</td>
<td>10</td>
<td>1,0</td>
<td>1</td>
<td>0,2</td>
</tr>
</tbody>
</table>
human rights and modernisation, and ‘Europeanness’ represented a teleological project emphasizing constant progress towards a fixed objective. First and second generation middle class migrants also tended to reproduce this discourse. There is also a generational difference in the content of this discourse. First generation migrants, in the 1960s and 1970s, developed a discourse revolving around economic issues. The second generation, in the 1980s, generated a ideological and political discourse which in fact originated from homeland-related issues. However, the third and fourth generation youngsters, who were mostly born in their country of settlement, have developed a cosmopolitan identity that underlines differences, diversity and citizenship. They tend to feel that they should respond to an externally defined label ‘Europeanness’; instead, they feel that they already have such an identity. They have developed a culture-specific discourse stressing intercultural dialogue, cultural capital, difference, diversity, tolerance and multiculturalism. (Kaya 2001; Kivisto 2002)

If we move beyond national or ethnic identifiers, we can see a far more diverse pattern of identities, and marked contrasts between French- and German-Turks. The top five descriptors with which German-Turks identify themselves are, in order, religious, patriotic, nationalist, democrat and conservative. Among the French-Turks the greatest identification is as nationalist, religious, Atatürkist, patriot and laicist (Table 3.12). This shows us again that such definitions are subject to the dominant regimes of representation by the majority society. It also shows that the French-Turks are rather republican and unitarist, while the German-Turks are communitarian.

Turning to specific religious affiliations, 50 per cent of German-Turks defined themselves as Sunni-Muslims and 44 per cent as Muslim; the equivalent figures for French-Turks were 46 and 40 per cent respectively (details not shown). It was interesting that almost 10 per cent of the French-Turks defined themselves as unbelievers, compared 3.4 per cent of the German-Turks. The percentage of both groups adhering strictly to all the requirements of their faith is rela-
tively small, but this is not much different from figures reported for Turks in Turkey. On the other hand, 90 per cent of German-Turks and 80 per cent of French-Turks are either actively or passively religious (Table 3.13).

When asked separately whether their faith had strengthened or weakened, around 49 per cent of the German-Turks and 37 per cent of the French-Turks reported that their faith has recently become stronger. On the other hand, some 12 per cent in both countries reported that their faith had weakened.

The research into the religious beliefs and practices demonstrates that Islam remains to be the most essential source of reference for a great number of Euro-Turks in defining their identities, though this is consistently stronger among German-Turks than their French
counterparts. Hence, religiosity seems to provide Euro-Turks with an instrument of recognition vis-à-vis the majority society and a source of strong-self esteem. On the other hand, the identification with Islam also helps distance the Turks from the majority in the societies in which they live and, ironically, feeds the Euro-Turks’ complaints against the oppressive weight of national hegemony.

### TABLE 3.13
How do you define yourself with the following statements regarding your faith?

<table>
<thead>
<tr>
<th></th>
<th>Germany Count</th>
<th>Germany Per cent</th>
<th>France Count</th>
<th>France Per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quite a religious person fulfilling all the requirements of my faith</td>
<td>80</td>
<td>7,5</td>
<td>58</td>
<td>9,7</td>
</tr>
<tr>
<td>Someone trying to fulfil his religious requirements</td>
<td>571</td>
<td>53,6</td>
<td>279</td>
<td>46,5</td>
</tr>
<tr>
<td>Faithful, but not fulfilling the religious requirements</td>
<td>377</td>
<td>35,4</td>
<td>197</td>
<td>32,8</td>
</tr>
<tr>
<td>Someone who doesn’t really believe in faith</td>
<td>26</td>
<td>2,4</td>
<td>28</td>
<td>4,7</td>
</tr>
<tr>
<td>Someone who does not have faith</td>
<td>11</td>
<td>1,0</td>
<td>35</td>
<td>5,8</td>
</tr>
<tr>
<td>No response</td>
<td>3</td>
<td>,5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>1065</td>
<td>100,0</td>
<td>600</td>
<td>100,0</td>
</tr>
</tbody>
</table>

### TABLE 3.14
Has your religious faith become stronger or weaker than before?

<table>
<thead>
<tr>
<th></th>
<th>Germany Count</th>
<th>Germany Per cent</th>
<th>France Count</th>
<th>France Per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Become stronger</td>
<td>516</td>
<td>48,5</td>
<td>219</td>
<td>36,5</td>
</tr>
<tr>
<td>Become weaker</td>
<td>131</td>
<td>12,3</td>
<td>68</td>
<td>11,3</td>
</tr>
<tr>
<td>No difference</td>
<td>418</td>
<td>39,2</td>
<td>313</td>
<td>52,2</td>
</tr>
<tr>
<td>Total</td>
<td>1065</td>
<td>100,0</td>
<td>600</td>
<td>100,0</td>
</tr>
</tbody>
</table>
3.6. CONCLUSION
The data gathered by the structured interviews indicate that German-Turks, generally speaking, are more communitarian, religious and conservative than the French-Turks. Compared to the French-Turks, the German-Turks seem to be less in favour of integration, content as they are with their ethnic enclaves, religious archipelagos and traditional solidarity networks. However, other findings in our research indicate the opposite. Compared to the German-Turks, the French-Turks seem to engage themselves more in modern ways of life, orientating themselves to integration, French language, secularism, laicism, and French media. However, their interests in French domestic politics, political parties, internet, theatres, and cinemas is declining. German-Turks seem to generate more cosmopolitan, hybrid, global, and reflexive identities in a way that redefines Europeanness, a concept which itself is subject to a constant change. Overall, the experiences of the German-Turks actually seem to indicate that Islam does not necessarily contradict with Europeanness, cosmopolitanism, modernity, and globalism.

In contrast to the stereotypical image of Islam in the West, there are recently some Islamic-oriented movements such as the *Cojepiennes* based in Strasbourg, who are determined to adapt themselves to the western way of life, while maintaining their own identities. The *Cojepiennes* are composed of Turkish Muslims from all parts of France who identify themselves with a hyphenated identity: they consider themselves French-Muslim-Turks (Fransalı Müslüman Türkler). Its leaders have expressed the willingness to incorporate themselves into the western way of life without setting up a challenge to the Christian West. Modern interpretation of Islam proves that this religion does not pose a threat to the Western values, its main concern is to incorporate itself into the existing social and political system. In other words, Islam does not pose a security threat to the European Union, but it is actually in search of justice and fairness.

Western democracies and citizenship regimes seem to fail by not
treating minority claims as a quest for justice. As Kymlicka and Norman stated “immigrant groups that feel alienated from the larger national and [religious] identity are likely to be alienated from the political arena as well” (2000, p. 39). Traditional citizenship rhetoric is inclined to advance the interests of the dominant national groups at the expense of migrants. Hence, the classical understanding of citizenship is unlikely to help resolve issues of co-existence of ‘culturally discrete’ entities. In order to avoid the potentiality of conflict and alienation, it is essential that citizenship laws should not be based on prescribed cultural, religious, linguistic and ethnic qualities. Moderate and democratic citizenship laws form a vital counterweight to the tendency among migrant groups to emphasise their own ethnicity, religiosity and nationality.

Acknowledgements
I would like to express my gratitude to the Open Society Institute, Heinrich Böll Stiftung, Istanbul Bilgi University, Turkish Ministry of Foreign Affairs, and General Secretariat of European Union Affairs, Ankara, for their invaluable support for conducting the research. Hakan Altunay from the Open Society Institute has put a tremendous effort in setting up the content of the research. We are grateful to him for his never-ending enthusiasm and feedback. I also thank Ferhat Kentel, Nese Erdilek, Bianca Kaiser, Martin Greve, Alan Duben, Gülten Kazgan, Nihal Incioglu, Özge Onursal, Gülşah Çapan, Lale Duruiz, Şule Kut and Oğuz Özerden for their continuous support throughout the entire research. I owe special thanks to Veri Research Company for managing the structured interviews in both countries. Last but not least, I want to thank to all those Euro-Turks who have shared their thoughts with us; they have provided us with a long journey which was extremely fruitful and enlightening.

References


part i: a general history of turkey-EU relations and the current societal issues
4.1. INTRODUCTION

Can Europe be reconciled with Islam? This question emerges ever more frequently in public discussions in the run up to the European Council decision of December 2004. So far, many European politicians have adopted a wait-and-see attitude towards this issue. To the extent that religion has cropped up in the political debate, this has been mainly in the context of concerns about Turkey’s ability to guarantee religious liberties. Only a handful of people have openly questioned whether a Muslim country such as Turkey can fit into an EU that is inspired by ‘Judeo-Christian values.’ This reticence is understandable. After Turkey became an associate EU partner in 1963, European heads of government elevated its status to an ‘EU candidate country’ at the end of 1999. In doing so, they have already committed themselves in principle to a possible Turkish membership. Moreover,
representatives of secular states have to maintain some distance from making substantive judgements on religious issues.

Even so, Turkey’s Islamic character will inevitably become entwined in the political decision-making process. Assuming that the accession negotiations will eventually culminate in an accession treaty, this would have to be ratified by all member states either through referenda or by the approval of national parliaments. Perceptions of Turkish Islam and Muslims among parliamentarians and the electorate will therefore inevitably play a role in the accession debates.

Debates on the poor integration of some groups of Muslims in EU member states, the growing assertiveness of second-generation Muslims, and the worldwide rise of fundamentalism and Islamic terrorism have all placed ‘Islam’ and ‘Muslims’ in an increasingly controversial position. In 1999, when the European Council, in the wake of its historic decision on the EU’s eastward expansion also decided to grant Turkey candidate membership status, ‘9-11’ had yet to happen. The attacks dramatically changed the social and political climate and awoke dormant feelings of deep unease.

It would be all too easy to trivialise such fears of Islam. It is not only in the EU member states but also in Turkey itself, that public and political manifestations of Islam raise controversy. Evidence for this can be found in the countless ‘headscarf incidents’ in Turkey, as well as in the periodic interventions by the Turkish military against democratically elected leaders with overt religious affiliations. Many supporters of Turkish nationalist and secular parties fear that it is precisely the religious fundamentalists who would be given free rein should the military as a result of EU pressure be forced to withdraw from politics. They are wary of demands by the European Parliament that Turkey should adopt a ‘more relaxed position’ towards religion in general and Islam in particular. Other groups, too, such as emancipated young women, atheists and gays, distrust the current government of the moderately religious AK Party, and expect that this party will eventually show its ‘true’ anti-secular colours.
Against this background, we believe it is useful explicitly to discuss the issue of Turkish Islam. The central question of this contribution is thus: does the fact that the majority of Turkey’s population are Muslims, form an impediment to Turkey’s accession to the EU?

This question requires some understanding of the Union itself and the role of religion within the EU (section 4.2). Clearly, there exist widely divergent views on what the Union is, how it should develop in the future and what role there is for religion at the European and the national level. Each viewpoint would apply different criteria to assess whether Turkey and Turkish Islam are consistent with EU membership. We subsequently examine several questions which are relevant for an assessment of Turkish Islam and Turkey as a Muslim country. These are: how deeply-rooted is the secular state in Turkey (section 4.3)? What is the relationship between Turkish Islam and the democratic constitutional state? We examine the ways in which the Turkish state has dealt with the emergence since the 1950s of explicitly Islam-inspired political movements (political Islam) (section 4.4) and the implications of Turkish state-Islam for the freedom of religion (section 4.5). Section 4.6 confronts the evidence from this inquiry with the central question and formulates our final conclusions.

4.2. RELIGION IN THE EUROPEAN UNION AND THE MEMBER STATES
The EU typifies itself as an union of values and objectives, founded on the principles of freedom, democracy and respect for human rights, fundamental freedoms and the constitutional state. These fundamental freedoms include the freedom of thought, conscience and religion. In addition, the Union respects religious and cultural diversity among and within its member states. Religion as such is therefore not a part of the EUs common values, and religious (or cultural and historical) characteristics cannot legitimately be used to exclude potential members.

It is evident that present and future member states must have a democratic constitutional system that acknowledges and guarantees
the autonomy of church and state and the freedom of religion and conscience. The principle that church and state respect each other’s autonomy has been laid down in national constitutions, in so-called concordats or agreements between the state and religious denominations, or has become embedded via the jurisprudence of national Constitutional Courts. It implies that state and church each have separate domains of authority. Areas where the state has exclusive jurisdiction must be protected from direct interference by churches and religious communities. Conversely, the state has no direct authority over the internal affairs of churches or religious communities. None of this, however, prevents the state from requiring religious communities to observe the principles of the law. The fundamental right of freedom of religion and conscience implies that followers of minority religions, atheists, and agnostics, by virtue of their beliefs, meet no restrictions in the exercise of their political and civil rights. This has legal implications both at the individual and the collective levels. The constitutional state should protect the individual from (group) coercion. The individual, however, may not, even for the sake of his (religious) conviction or affiliation, violate the fundamental principles of the state. The state must also realise the right to collective worship. Although these rights form part of the freedom of association and assembly and the freedom of expression, it is important that European states recognise the principle that these collective rights are open to all religious groups. From this flows the principle of the neutrality of the state towards religion: states may not favour one belief system over another. Their political process, for example, must be equally accessible to persons of all persuasions. Contrary to what is often thought, this does not necessarily mean that faith and politics should be separated.

In the case of Turkey’s candidature, the European Commission on several occasions criticised the situation of inadequate religious rights. The 2003 Regular Report concluded:
“Concerning freedom of religion, the changes introduced by the reform packages have not yet produced the desired effects. Executive bodies continue to adopt a very restrictive interpretation of the relevant provisions, so that religious freedom is subject to serious limitations as compared with European standards. This is particularly the case for the absence of legal personality, education and training of ecclesiastic personnel as well as full enjoyment of property rights of religious communities” (European Commission 2003).

Although these ‘European standards’ can be seen as referring to the principles of the freedom of religion embodied in the European Convention on Human Rights, there is no conformity among member states over how this freedom and autonomy from the state should be effectuated. First, it appears that although European states do indeed enjoy a considerable real autonomy of church and state, by no means all have broken all official constitutional links with the church. Only the Netherlands and France (and, until the fall of communism, most Central and Eastern European countries) can be classified as states that have cut the constitutional ties between the dominant religion or church and the state (a process known as ‘disestablishment’). England has a state church under the formal leadership of the head of state. The Prime Minister, via the head of state, appoints not only the head of the church (the Archbishop of Canterbury) but also the upper echelons of the Church of England. Places are reserved in the House of Lords for 26 senior bishops, in their function as ‘Lords Spiritual’, while six of the 33 officials charged with the management of church property are government civil servants. All these functionaries (including, by virtue of their office, the Prime Minister and the Minister of Sports and Culture) are accountable to parliament and to the General Synod of the Church of England. Over the course of time, countries such as Scotland, Norway, Denmark and Switzerland have replaced systems allowing for strong state domination over the church with weaker constitutional links, but they have not entirely dispensed with
their state church. Nonetheless, one cannot say that any of these countries are less democratic or modern.

Second, the absence of a state church does not imply an absolute separation of church and state. In most countries where the state church was eventually abolished, or where it never existed in the first place, actual political and cultural domination by one church usually persisted, at least for a while. As a result, the mutual political and cultural influence of religion, state and society generally continued. For example, in countries such as Poland, Greece, Ireland, Bulgaria, Romania and Armenia, the ties between the state, the nation and the dominant church have remained very strong. In the last three, the struggle for independence against the Ottoman and Turkish Muslims accentuated the ethnic significance of the church.

Third, the formal constitutional or legal recognition by the state of a specific religion or religious community is no guarantee that its members can actually establish themselves as a congregation – they may encounter local administrative or political hurdles. In the Netherlands, for example, even after the 1983 constitutional changes formally severed the financial ties between church and state, various subsidy schemes for prayer areas and Muslim services were nevertheless established within the framework of the country’s integration policy. Since, formally, religious activities may not be subsidised, they are pragmatically labelled as social and cultural activities. One exception to this rule is the right to special education guaranteed in article 23 of the constitution, which protects state funding of religiously-based education. The English situation offers another example. England does not even have a legal statute which provides churches other than the Church of England with formal recognition or subsidies. Nevertheless, since the 1980s, many Islamic prayer-rooms have been registered as charitable organisations, enabling them to qualify for certain tax benefits. These charity benefits are also used by countless Islamic socio-cultural institutions and festivals. However, the establishment of Islamic schools in England has encountered more
problems than in the Netherlands because of greater local political resistance.

It is laicist France that best conforms to the pure model of separation of church and state. Since 1905, there has been legal, administrative, political and cultural separation of church and state in France, and the state observes strict neutrality. Religious pluralism formally exists exclusively in the private sphere and the civic domain of civil society, not in the state domain. The state guarantees freedom of religion and conscience and freedom to worship, formally without recognising, funding or subsidising religious services. However, there is also a formal control-function entrusted to the Prime Minister, who (except in Alsace-Lorraine) has the right to propose cardinals and bishops, though the final appointment is left to the Vatican. Nevertheless, for decades, France has been unable to avoid de facto pluralism into the public sphere, though the state has primarily accommodated such pluralism as part of its cultural policy. With the influx of large groups of Muslims, however, the spectre of France’s turbulent past has again surfaced. Apart from the government, which has banned ostentatious religious symbols in public buildings since September 2004, there are numerous other (also religious) groups in France who fully support this formal insistence on strict neutrality. They see it as a safeguard for peace, order and religious freedom. As we will show below, notwithstanding some differences, there are interesting similarities between Turkish and French laicism.

Like France, Belgium, the Netherlands, Austria and Germany do not have a state church, but unlike France, they do support religious pluralism in an administrative, political, cultural and, to a lesser extent, legal sense (for example, through family law). They recognise and encourage diverse religious organisations and try to draw these into the administrative, political and cultural domain, either by means of (often decentralised) negotiations or by the provision of information and the creation of advisory bodies. For instance, Norway, Denmark, Finland, England and Scotland combine a rela-
tively weak state church with a limited degree of administrative, political and cultural pluralism. They do not accommodate pluralism in a formal or legal sense, but instead employ a pragmatic approach to demands to institutionalise different religions. The new and candidate EU member states further increase the diversity of traditions and regulations in Europe. Although their systems differ widely amongst themselves, in conformity with the political Copenhagen criterion, they have all enshrined freedom of religion in their constitutions. Even so, it is inevitable that, in practice, these countries afford a certain privileged treatment to traditional religious communities. Several countries, including Bulgaria, Romania and Lithuania, go even further. They pursue a deliberate policy that allows the dominant religion to bind and build the nation.

4.3. THE SECULAR STATE: HISTORICAL FOUNDATIONS
Many arguments against Turkish EU membership assume that ‘Islam’ and ‘Europe’ are two different entities that are historically only distantly related. Such arguments usually see Muslims as a group of post-war immigrants and their immediate descendants. They are not seldom associated with adherents of Islamic fundamentalism. Such views embrace crude generalisations, in which the West and Islam are synonymous for separate civilisations that are basically incompatible. Seen from this perspective, Turkey would not qualify for EU membership. Historically, however, the area now known as Europe has virtually always been home to Muslims. There has been a century-long Muslim presence in Greece, and for long periods the Ottoman Empire occupied an area most people now regard as European territory. Europe’s relationship with the Ottoman Empire, with present-day Turkey at its centre, was marked by long intervals of hostility and warfare. These form the basis of Europe’s deep-rooted hostile image of Islam, an image that, incidentally, reinforced the construction of Europe’s own identity. However, the relationship was equally marked by periods of mutual coopera-
tion and reciprocal influence. The modern Turkish republic deliberately exposed itself to these influences.

Zürcher and Van der Linden (2004) point out that the process of secularisation did not begin in the 1920s with Mustafa Kemal Pasha (Atatürk). Rather, these reforms formed the conclusion of almost a century of secularisation of state institutions. Nor can we characterise the pre-reform situation as a theocracy, though that remained the ideal among Islamic legal scholars of the time. While still officially considered Islamic, the Ottoman state had in practice always had a secular administration. Moreover, the Islamic legal system itself had only a limited scope, restricting itself mainly to family law and contract law. The administration of the vast Ottoman empire obviously required a far wider scope of legislation than this. It was the task of the religious scholars (or ulema) to check that these other rules conformed to religious law. The ulema thus provided religious legitimisation to Ottoman state policies. Islam was thus a cultural and political bridge between the state elite and the mass of the population. This double-sided nature of the Ottoman Empire, the decision-making autonomy of the sovereign and its religious legitimisation, sparked a modernisation movement already in the 19th century. After a series of setbacks, the state institutions were modernised on the European model, with new codes of law, new courts etc. France, in particular, served as a model, and these innovations were designed on laicist principles. The Ottoman Empire began to transmute into a modern state. Although modernisation was still accompanied by explicit references to religious law, in reality an elite emerged with a materialistic, scientific and secularised worldview.

As elsewhere in Europe, in 1848 the principle of the (divine) sovereignty of the ruler came into dispute. These controversies also involved the search for new forms of legitimacy, including nationalism (‘Osmanism’) and democracy (and citizenship). In 1876, the first constitution was agreed, and elections were held for the first Ottoman parliament, which guaranteed a proportional number of seats for the non-Muslims who comprised 40 per cent of the Empire’s population.
Incidentally, the timing of these developments towards democracy more or less mirrored that of large parts of Western Europe. The constitution made no mention of state religion, and although Islam-inspired arguments were used in parliamentary debates, the core message remained: democracy is inherent in Islam.

After the Ottoman defeat by Russia, the Berlin peace treaty (1878) required the Empire to relinquish territory, with the result that the share of the Muslim population in the remaining territory steadily increased. The earlier political liberalisation now faced an ideological backlash, designed to create a new identity among the Muslim citizens, and to add a new mystique and authority to the sultanate. This new nationalism, coloured with strong religious tints, mobilised Islam as a social cement and as a means of reinforcing state power. It resulted, under sultan Abdülhamit II (1876-1909), in far-reaching state intervention in the contents and propagation of religion. The state also assumed new responsibilities in education, communication and transport. This phase was extremely important in shaping views on the role of the state, which would later carry over into the creation of the Republic (Zürcher and Van der Linden 2004).

The revolution of 1908 by the ‘Young Turks’ witnessed the restoration of the constitution and parliament and the end of the sultanate. In substance, however, the national revival envisaged by the Young Turks represented a continuation of Abdülhamit’s ideology. It, too, aimed at enhanced state power, centralisation and standardisation, using the Islamic identity as a social cement for the population. This emphasis on Islam in the nationalist ideology was further reinforced by the Balkan war, in which the Ottoman Empire was attacked by four Christian Balkan states. The Young Turks propagated a modern Islam with an open attitude towards science; an Islam purged of the superstition of the Sufi sheiks and the conservatism of the ulema. Numerous measures were introduced to reduce the role of religious institutions in education, law, hospitals and to replace these by increasing state control. Atatürk and his supporters belonged to the
radical wing of the Young Turks. Their ‘Kemalist’ movement they developed, built on and advanced the programme of the Young Turks, and the founding of the Turkish Republic in 1923 gave them the opportunity to put these ideas into practice.

Until the Second World War, measures gradually promoting secularisation and efforts at state and nation building were all imposed from above. They proved particularly popular among the urban population. However, the new power centres could not afford to ignore Islam. After all, Islam was embedded in the beliefs and vocabulary of an increasingly Muslim population (the consequence of territorial losses and population swaps after the Balkan Wars). Yet it was always the needs of the state that controlled the institutional framework and determined the political role that Islam could or should play. This hierarchical and paternalistic ordering of society, and the enforced modernisation it enacted, also found counterparts in Western Europe between the wars.

4.4. THE TURKISH STATE AND POLITICAL ISLAM

After the Second World War, the Kemalist top-down model of cultural and political modernisation, in which Islam was marginalised as a reactionary bulwark, made way for a model that allowed more scope for bottom-up influence. Partly through fear of the communist Soviet Union and partly under American influence, in 1946 Turkey turned to the democratic path and introduced multi-party democracy. The many rural voters, barely touched by Kemalist modernisation, now became a relevant factor; so too did the opponents of Atatürk’s authoritarian de-Islamisation in political and public life. Initially this brought to power non-religious political parties, who were more tolerant towards Islam, prompting the government to reintroduce Islamic education at schools, to establish courses for preachers, to allow the call to prayer to be made in Arabic, etc. These changes were viewed with great suspicion by the Kemalists and the military, which after 1960 increasingly began to see itself as the guardian of Atatürk’s legacy. Heavily
seeped in a faith in state sovereignty, the military had difficulty accepting the possible consequences of popular sovereignty.

However, neither the non-religious Democratic Party nor its successor, the equally non-religious Justice Party, questioned the secular nature of the state control of mosques and muftis (advisors on matters of faith). Zürcher and Van der Linden suggest that the post-war period has seen two opposing interpretations of secularism: the Kemalist vision which saw secularism as a safeguard for freedom of thought against Islam, and a more neutral secularism that wanted to protect the state from religious influence, but expected the state to respect freedom of religion. In the words of Süleyman Demirel of the Justice Party: the state should be secular, but this does not mean that the individual should be as well (Zürcher and Van der Linden 2004).

Since the 1960s, a political movement has emerged that is explicitly based on Islamic principles. This movement, in which Necmettin Erbakan played a central role, articulated the ideals of small entrepreneurs and traditionally-minded citizens who, unlike the workers and industrialists, considered themselves unrepresented in the existing political spectrum. The Islamic elements of its political programme (the ‘National Vision’, or *Milli Görüş*) concentrated on strengthening ethics and morals in education and upbringing, fighting usury and corruption, abolishing articles in the constitution and criminal law that penalised the political use of religion, and freeing religion from state control. The Kemalist principle of equal rights for men and women – such as the voting rights for women, dating from 1934, and equal rights regarding education and employment – was left untouched. State secularism was accepted as the point of departure; freedom of conscience and expression were seen as the basis for democracy and human rights.

Like the other religiously-inspired parties, Erbakan’s party was banned during the 1980 military coup. The establishment still harboured the notion that this more ‘populist’ Islam represented an anti-modernist and anti-secular force. The junta launched an ideological
offensive to immunise the entire population against radical Islamic movements (i.e. those not controlled by the state) and to immunise the youth against socialism. The major tool in this offensive was Turkish nationalism. Islam was seen as only one component of the Turkish identity, though an important one. The junta had picked up some of its ideas from another movement, the ‘Turkish-Islamic Synthesis’, which was established in response to the leftist climate of the 1960s. In the period before 1995, this movement became very influential. Its supporters came from various conservative parties, particularly from the Nationalist Action Party which had a strong appeal among impoverished youth of the ghettos and which had also been banned in 1980. The ideological offensive stressed Turkish identity, unity and harmony, and military and authoritarian values. It presented Islam as an ‘enlightened’ religion, open towards science and technology. The Directorate for Religious Affairs, the Diyanet, was entrusted with protecting and propagating this state-Islam as central to Turkish national identity. Not surprisingly, following the coup, many adherents of the Turkish-Islamic Synthesis landed important positions, especially in the educational and cultural sectors.

The Welfare Party, relaunched by Erbakan as an Islamic party in 1983, broke through in the elections of 1994 and 1995. Ironically, the Islamic politics of the junta itself probably prepared the path for its success. The party’s supporters were found mainly among the local shopkeepers and traders, the affluent Anatolian entrepreneurial class of the provincial towns (whose numbers had grown rapidly as a result of economic liberalisation) and the migrants that moved to the big cities in ever-increasing numbers in the 1980s and 1990s. Because of the state’s inability to offer these migrants essential services, they had to rely on private networks, particularly the – officially banned - mystic brotherhoods which were active in the cities. In 1997, a new military coup resulted in Erbakan’s fall and the outlawing of his party. The party resurfaced as the Virtue Party, but it had little success and fared badly in the 1999 elections before it being banned in 2001. It almost
immediately bounced back as the Felicity Party, with an extremely religious programme, a strong emphasis on conservative values and standards and the intention to Islamise education. The party was soon split, however, because the younger members wanted far less emphasis on religion and because a separate party might increase their chances of being accepted as a governing party by the military and other sectors of the state apparatus. It might also increase their chances of being accepted by the voters as well, since various elections had shown a majority against a strongly religious programme. The new Party for Justice and Development (AK Party), established in 2001, presented itself as a broad conservative party, with respect for Islamic values and standards but without an explicitly religious programme. In 2002, it won by such a large majority that, for the first time since World War II, a single-party government was formed. The government was accepted by the military, although its activities are still followed with apprehension.

One noticeable aspect of the history of Turkish political parties is that even the Islamic political formations that shared the Turkish political landscape in recent decades also favoured the principle of separation of the state and religion, though they did advocate, (and in the case of the current AKP government allow) more freedom of religion than Kemalists would countenance. The confrontations between the state apparatus, including the military, on the one hand, and Islamic parties on the other, revolve around the two interpretations of secularism mentioned above: one where the state has a *dominance* over religion and the other where both are *autonomous* domains on an equal footing. The separation of state and religion itself, however, is a broadly accepted facet of political life in Turkey, and its roots run deep, as deep as those in most EU member states.

4.5. STATE-ISLAM AND FREEDOM OF RELIGION
Despite the formal separation between the state and religion and the constitutionally guaranteed religious freedoms, the Turkish state still
exercises a strong control over religion. This is a legacy of the Ottoman period, although it reached its zenith in the heyday of Kemalism. Restrictions on and state intervention in the content of religion go further than what is customary in EU member states. This explains why the EU is critically monitoring freedom of religion in Turkey.

However desirable greater freedom of religion may be, one needs also to consider the specific Turkish context. The incorporation of Turkish Islam by the state was accelerated on two occasions: in the early 1920s and in 1982. In the 1920s, the last vestiges of Islamic influence on the state were abolished with the dismantling the ‘caliphate’ and the ‘ṣeyhiislām’ (highest religious legal advisor). The latter was replaced by the Diyanet, with wide-ranging powers over religious life, including managing mosques, appointing preachers, offering instruction on the content of sermons and suppressing brotherhoods etc. This made possible the secularisation of the law and paved the way to a ‘popular edification’ focusing on modern Islam. The 1980 military coup must be placed against the backdrop of the international rise of fundamentalism, which the establishment feared might spill over into Muslim Turkey. Islamic political parties were abolished, and in 1982 the Diyanet was constitutionally entrusted with the task of protecting Turkish national identity. To counter undesirable Islamic influences, it was to propagate of the ‘correct’, Sunni Islam through the mosques and compulsory classes in schools on Islam, with a strong emphasis on ethics, human rights and each citizen’s duties towards state and country.

From the current European perspective, these measures are indeed somewhat excessive. This also applies to the ban on Erbakan’s Welfare Party in 1998 (upheld, incidentally, by the European Court of Human Rights). Even so, other European countries in the postwar period have also sometimes considered banning parties (usually communist, racist or fascist parties) that they considered a threat to democracy and the constitutional state. Moreover, notwithstanding
the formal separation of church and state, EU states also maintain privileged relations with respect to both finance and content with certain denominations, though none went so far as the Diyanet. Nor, in the EU, is freedom of religion unlimited; fear of sects, for example, occasionally results in a ban or refusal to grant a licence.

As described in section 4.2, the dogma of separation of church and state permitted existing arrangements between the two to continue, though their content differed from state to state, as did legal restrictions on the freedom of religion. Turkey is therefore no exception in its desire to protect its constitutional characteristics. One must concede, however, that it is exceptional that state organs co-determine the content of the religious message; the messengers themselves – the imams – are also civil servants. Even in European states where a state church exists, such as the Anglican Church in England and the Presbyterian Church in Scotland, such a church remains an autonomous institution with respect to religious substance. In Sunni Islam, which is the dominant religion in Turkey, there is no institution comparable to a church. The Diyanet could be considered its functional equivalent, in the sense that administering religious personnel and effects is an important function. Equally, although Turkey also goes further than Europe in ensuring the ‘correctness’ of religious education, it should be remembered that European states also maintain some controls, though in the form of a tie between the cash flow and the (legal) conditions for receiving it. This can be supervised, because the religious communities in question are legally accountable bodies. The absence of a similar institutionalised position of religion in Turkey, means that there are no such bodies to which powers and responsibilities can be transferred. In Sunni Islam, without a body such as the Diyanet, every mosque would be fully autonomous in practice.

The Diyanet includes representatives of traditional Islam and the more modern Sunni Islam. One result is that the state-Islam that is propagated by mosques and schools remains sufficiently flexible and
realistic to offer a safe middle path, but that it does not exactly radiate renewal. The resulting message is a mixed appeal of social conservatism, human rights and freedoms, patriotism and obedience to the state. From the state’s perspective, it is a safe message that is guaranteed by its institutional position. Similar safety is attained in Europe by tying church institutions that lie outside its domain, to both various conditions and to statutory supervision. The historically determined links between the Diyanet and the state have not served to prevent the emergence of alternative expressions of Islam. The educational activities of the Süleymançılars and the Fethullahçılıars are a good example of this. This plurality in practice has yet been formally recognised.

Given the increasing freedom of religion and the emergence of Islamic political parties, it is no surprise that the Diyanet’s position has come under discussion. This discussion has naturally spilled over onto the compulsory education in state-Islam and ethics at school, and the favouring of certain denominations. Various participants have urged the state to adopt a more neutral stance towards religion. The smaller Özgürlük ve Dayanışma Partisi, for example, has questioned the constitutional position of the Diyanet, and was disbanded for its pains. It is very difficult for the state apparatus to countenance changing the status of the Diyanet, since it represents an important instrument in the control of Islam. However, the incident has led to a decision, following a ruling of the Constitutional Court, to scrap the legal provision for disbanding a party on the grounds that it had challenged the position of the Diyanet.

Turkey’s EU membership would confront the Union with a state whose historical development has left it with ties between religion and the state that go further than those of any other member. This relationship is unlikely to change much in the short term, but the longer term is a different matter. As democratisation advances in Turkey, it will contribute to the formal recognition of greater social plurality, including religious plurality. This, in its turn, will have implications for
the way in which the state intervenes in religion, and possibly even for
the position of the Diyanet. As demonstrated by Zürcher and Van der
Linden’s account of the so-called ‘pocket catechism’, part of the mes-
sage is that Islam requires obedience to the state. Further democrati-
sation will undermine this Islamic legitimacy for a strong state, and to
contest state actions will be regarded as a normal phenomenon.
Democratisation will mean that society will acquire more influence
over the state through the political arena. This would allow the Islam
advanced by the Diyanet to acquire a more civil and individual char-
acter. The Diyanet might even offer its facilities to other Islamic move-
ments and religions, giving it a new position, and one more indepen-
dent of state power.

4.6. CONCLUSION
Islam, like Christianity, has many faces. Turkish Islam has its own,
unique characteristics and its extensive plurality is largely determined
by Turkish history and context. This is also true of the political man-
ifestations of Islam in Turkey. Are there developments in Turkey that
have a negative influence on the attitude of Turkish Islam towards
essential EU values? We believe the answer to this question is negative.
The Turkish state is constitutionally protected against religious influ-
ences. In this respect the country has the same rigorous separation
between the state and religion as does France. Indeed, France’s so-
called laicism provided the model for the constitution of the Republic
of Turkey. However, other than in France, the Turkish state still exer-
cises a strong control and influence over religion.

The rise of Islam as a politically relevant phenomenon should
be seen in the context of its forced marginalization in the previous
decades. This denial of Islamic identity by the upper classes was never
shared by much the population at large. At the same time, this rise was
underpinned by important socio-economic changes in Turkey, such as
the development of a substantial middle class in rural areas and in the
smaller towns, for whom Islam constitutes a normal part of everyday
life. Until now, Islamic parties have been met by profound distrust from the establishment in and around governmental institutions, who identify strongly with Kemalist thinking. Both the Constitutional Court and the armed forces have intervened on several occasions and banned such parties. Since 1982, as a counterweight to the radical left and religious views, the army institutionalised a form of ‘state-Islam’ which still enjoys a privileged position today. This version of state religion combines a strong emphasis on social conservatism and nationalism with a moderate version of Islam and is propagated through mosques and through compulsory religious education in schools. This state-Islam, which is firmly embedded in a secular state system and which reflects the beliefs of the majority of the population and of conservative political bodies, has given recognition to the importance attached to Islam by the broad public.

For the new Islamic political parties that were created during the last decade, the principle of the separation of state and religion was an important conditioning factor. However, they attached different consequences to it. Although they accepted the secular state, they also wanted to increase the freedom of religion and therefore opposed the strong government controls on religion. Whilst supporting the existing democratic system, they have fought to make it accessible to religion-based parties. In addition, they consider freedom of conscience and freedom of expression as the basis of democracy and human rights.

While it is possible to view this emphasis on these freedoms as an effort to enlarge the legitimate scope for one’s own views, the current government party (AK Party), which itself grew from a government banned Islam-inspired party, emphasises human rights even more strongly from the standpoint of pluralism. The party intrinsically values differences in religion, culture, and opinions, and it considers secularism as the principle of freedom that enables their exercise and expression.
LITERATURE
PART II

Turkish Reforms
5.1. INTRODUCTION

The purpose of this chapter is to examine the impact of the European Union on the liberalisation and democratisation process in Turkey. Contrary to common belief, the influence of the EU on the political and constitutional structure in Turkey is not limited to enlarging the scope of human rights and strengthening their safeguards, but also involves other matters, which are concerned with liberalisation and democratisation and the eventual establishment of a consolidated democracy.

Before starting, it must be mentioned that the main expectation held by both the EU and democratic forces within Turkey, was that the authoritarian constitutional and legal norms which were inherited from the military government would be eliminated. Leading members of Turkey’s military elite, united in the National Security Council, who were responsible for the 12 September military intervention and who stayed in power from 1980 to 1983, aimed at redesigning Turkish politics in an authoritarian image. These rulers saw the Constitution of 1961 and its political order as responsible for the crisis that occurred
in the late 1970s and that precipitated the military intervention in the first place. Therefore, the military rulers’ basic aim was to prevent the recurrence of such a crisis and the need to intervene again. Thus, they not only aimed at preparing a new constitution but also at restructuring Turkish politics.

As a result, Turkey has inherited an authoritarian legacy from the military rulers that cannot easily be eliminated. At present, the most urgent question facing Turkey is the establishment of a consolidated, sustainable democracy or, expressed differently, a liberal democracy underpinned by both liberalisation and democratisation.

Alfred Stepan suggests that “in an authoritarian setting, liberalisation may entail a mix of policy and social changes, such as less censorship of the media, somewhat greater working room for the organisation of the autonomous working class activities, the reintroduction of some legal safeguards such as habeas corpus for individuals, the releasing of most political prisoners, the return of political exiles, possibly measures for improving the distribution of income, and most important the toleration for political opposition. Democratisation entails liberalisation but is a wider and more specifically political concept. Democratisation requires open contestation for the right to win control of the government, and this, in turn requires free elections, the results of which determine who governs. Using these definitions, it is clear there can be liberalisation without democratisation. Liberalisation refers fundamentally to civil society, democratisation involves civil society but it refers fundamentally to political society.” (Stepan 1988, p. 6)

The results of much research in comparative politics suggests that democratic consolidation or the establishment of a liberal democracy requires both liberalisation and democratisation and the elimination of military prerogatives from the constitutional and political order (Diamond 1997a, 1997b; Linz & Stepan 1996; Diamond 1999). Considering Turkey’s recent transition from a virtual military dictatorship to an elected civilian government, it is not unreasonable to claim
that although this transitional period was initiated by the general elections of 1983, these three dimensions of democratic consolidation have not yet been completed (Özbudun 2000, p.125-149; Özbudun 1996). Even so, ever since 1983, under the influence of the globalisation of democratic norms and the encouraging effect of the prospect of EU membership, significant constitutional and legal reforms have been adopted. These reforms played a major role in strengthening and deepening democratic values in the Turkish political order. They are not sufficient, however, to complete the transformation of its political system into a liberal or consolidated democracy.

Indeed, the Constitution of 1982 has so far been amended several times. The 1995, 1999, 2001 and 2004 reforms are more important in terms of democratisation and liberalisation than the others. In addition, the innovations introduced in the 2001 reforms have been deepened by the democratisation packages which were adopted between February 2002 and August 2003. Because of their influence on democratisation, these constitutional reforms and democratisation packages will be dealt with below.

Prepared under the influence of the military rulers, the various articles of the original text of the 1982 Constitution reflected the authoritarian attitude of the National Security Council (NSC) regime. This attitude is most sharply visible in the articles regulating fundamental rights and liberties. Although this constitution enumerates all the citizen’s fundamental rights and liberties, their scope was strictly limited by the restrictions included not only in the relevant articles but also in Article 13 which was a general restrictive clause. Thus, under the system of the original text of the Constitution, the restrictions became the rule, while fundamental rights and liberties and their safeguards were the exception. However, the reforms of 1995 and 2001 substantially modified the authoritarian nature of the 1982 Constitution.
The Constitutional Reforms of 1995
The constitutional reforms of 1995 significantly reduced the restrictions on political and civil rights and liberties. For example, the original text of the Constitution had explicitly forbidden cooperation and collaboration between political parties and civil society organisations. These prohibitions were eliminated by the 1995 reforms. Moreover, political parties were allowed to establish youth and women organisations and organise themselves abroad. Furthermore, university teaching staff and students were permitted to become members in political parties and the voting age was lowered from 20 to 18. In addition, the prohibition preventing a deputy from resigning from his or her political party for joining another party was eliminated. Finally, the provision that in the event of a party being prohibited by the Constitutional Court all deputies were to be dismissed, was substantially amended. Instead, the Constitution stated that the deputy who caused the prohibition of his or her party by his or her own words and actions should automatically be dismissed following the publication of this decision in the Official Gazette, but the status of the other deputies of that political party would not be affected by the prohibition ruling.

Besides these constitutional amendments, the government had – in 1987- adopted the right to individual application to the European Commission of Human Rights and –in 1990- it had recognised the binding effects of decisions of the European Court of Human Rights. These changes have played a significant role in the liberalisation and democratisation of the Turkish legal system.

The Constitutional Reforms of 2001 and 2004
The reforms of 2001 significantly reinforced constitutional safeguards of fundamental rights and liberties. It also enlarged, to some extent, the scope of the freedom of expression and other rights which are related to it, such as the freedom of association and the freedom of the press. Furthermore, it permitted the review of the constitutionality of
the legislative acts passed under the National Security Council regime, which held power between 1980 and 1983.

Generally speaking, the 2001 constitutional reforms substantially furthered the liberalisation and democratisation processes in Turkey. The amendment of Article 13, which was concerned with the general restrictions on fundamental rights and liberties, and Article 118, regulating the structure of the NSC and the influence of its decisions on civilian governments, as well as the elimination of the provisional Article 15 which contains a prohibition of the judicial review on the legislative acts of the NSC regime (1980-1983) have a particularly important role in these processes. The constitutional amendments of 2004, especially that of Article 90 regulating international agreements, have further strengthened these effects. This will be dealt with below.

**Amendments for Liberalisation and Democratisation**

The 2001 Reforms not only amended various articles of the Constitution regulating fundamental rights and liberties, but also significantly changed the general perspective of the Constitution with regard to freedoms and their restrictions. Article 13 which was a general restrictive clause, has been transformed into a general protective clause by this amendment. Indeed, the original text of this article included various reasons, which were applicable to the restriction of all rights and liberties written in the Constitution. This article stated as well that all rights and liberties could also be restricted by the reasons stated in their specific articles. Thus, under the original text of the Constitution, the restrictions were the rule, while the rights and liberties were the exception. The 2001 reforms eliminated the general reasons for restriction stated in Article 13 and stipulated that fundamental rights and liberties can only be restricted by the reasons given in their specific articles. Moreover, limits were placed on these restrictions to ensure that the requirements of a democratic social order and conformity to the words and the spirit of the Constitution were maintained. Two further elements were added to Article 13 as limits to
restrictions on the fundamental rights and liberties. One is the principle of proportionality; the other is the provision that no restriction could infringe upon the essence of a fundamental right and liberty. Hence, the restrictions on the rights and liberties have become the exception, and the protection of these rights and liberties has become the rule, just as it was in the case of the system that the 1961 Constitution adopted.

In addition, the constitutional reforms of 2001 made the prohibition of political parties more difficult. Before the amendment, the Constitutional Court had the power to prohibit a political party if it had become a focus of anti-constitutional activities. Now, depending on the gravity of the case, the Court can deprive the party totally or partially from access to state funds instead of closing it down permanently. Furthermore, the concept of becoming a focus of anti-constitutional activities has been more narrowly and explicitly defined. Finally, the Constitutional Court’s decisions on the prohibition of parties have to be taken by a three-fifths majority of the Court, instead of a simple majority, as was the case before the amendment.

Moreover, the pre-trial detention period for collectively committed crimes was shortened from fifteen days to four. The death penalty was restricted to crimes committed during war or the imminent threat thereof and to acts of terrorism. The latter exception was later eliminated by the democratisation package of August 2002. Eventually, death penalty including the cases of war or the imminent threat of war has been totally abolished by the 2004 constitutional amendment. In addition, three other references to death penalty in Articles 15, 17 and 87 of the Constitution were deleted. Thus, Turkey has not only achieved conformity with the standards of the case law of the European Court of Human Rights, but also removed the constitutional obstacle for the ratification of the 13th Additional Protocol to the European Convention of Human Rights. (Özbudun & Yazıcı 2004, p. 22)

The amendments to Article 10 –regulating the principle of equality– and Article 90 –regulating the legal status of international
agreements in Turkish law— in 2004 have also enlarged the scope of fundamental rights and liberties and strengthened their safeguards. The previous text of Article 10 stated that “all individuals are equal before the law without any discrimination irrespective of language, race, colour, sex, political opinion, philosophical belief, religion, sect or any such considerations”. The 2004 amendment added a provision to Article 10 stating that “women and men have equal rights. The State is obliged to put this equality into effect” in order to strengthen the social position of women in the society. This amendment provided to some extent conformity with the Article 20 –part II, title 3- of the constitutional draft of the EU. The Constitutional draft of the Union states the equality of all individuals before the law in its Article 20 –part II, title 3–, and the principle of non-discrimination in its Article 21 –part II, title 3. In addition, the draft stipulates in its Article 23 –part II, title 3– that “equality between men and women must be ensured in all areas including employment, work and pay.” The same article states as well that “the principle of equality shall not prevent the maintenance or adoption of the measures providing for special advantages in favour of the under-represented sex”. Furthermore, the draft contains provisions providing special protection for children – Article 24—, the elderly – Article 25 – and disabled –Article 26. The 2004 amendment has stated specifically the equality between men and women somewhat similarly to the draft Constitution of the Union.

Finally, the 2004 amendment to Article 90 – regulating international agreements– has had a significant effect on enlarging the scope of fundamental rights and liberties and strengthening their safeguards. The previous text of the article stated that “international agreements duly put into effect carry the force of law.” Therefore, in case of a conflict between international agreements and domestic laws, the principles of “lex posteriori derogat legi anteriori” and “lex specialis derogat legi generali” were applied. However, the amended Article 90 explicitly states that “in case of possible conflicts between the international agreements which were duly put into effect concerning funda-
mental rights and liberties and domestic laws, containing different provisions on the same subject, international agreements shall prevail.” This amendment puts international agreements on fundamental rights and liberties somewhere in between constitutional norms and ordinary legislation, thereby guaranteeing the application of the European Convention of Human Rights and other international agreements pertaining to fundamental rights and liberties more effectively (Özbudun & Yazıcı 2004, p. 26)

Amendments Concerning Civilianisation
The 2001 reforms made a significant change in Article 118, which regulates the National Security Council. According to the original text of the Article, the NSC was composed of five military members (Chief of the General Staff and four commanders) and four civilian members (the Prime Minister, Minister of Interior, Minister of Foreign Affairs and Minister of Defense) in addition to the President of the Republic who may come from either a civilian or a military background. Furthermore, the decisions of the Council which concern the independence of the state, the indivisibility of the state with its territory and the nation, and the peace and security of the society had to be given priority consideration by the Council of Ministers. The 2001 reforms increased the number of civilian members of the Council and weakened the effects of its decisions on the Council of Ministers. The advisory character of the NSC decisions has been explicitly underlined.

The original text of the provisional Article 15 of the Constitution stated in its third paragraph that the acts of the NSC shall not be subject to the judicial review of the Constitutional Court. This paragraph has been abolished, strengthening the principles of “rule of law” and the supremacy of the Constitution. However, this abolition does not automatically allow the judicial review of these acts, since it does not make abstract judicial review possible, only concrete review of cases stemming from these acts (Yazıcı 1997, Özbudun & Yazıcı 1996, Özbudun 2002).
Finally, the State Security Courts which were established by the constitutional amendment of 1973—following the half military coup of 1971—and totally civilianized by the 1999 reforms were abolished by the 2004 constitutional reforms. Thus, one of the important institutions inherited by the military government was eliminated from the constitutional order.

5.3. DEMOCRATISATION PACKAGES
FOR LIBERALISATION, DEMOCRATISATION
AND CIVILIANISATION

The authoritarian legacy was eliminated not only by these constitutional reforms, but also by several legal reforms which were adopted between February 2002 and August 2003. These legal reforms are called “Democratisation Packages”. These packages enlarged the scope of certain fundamental rights and liberties such as the freedom of thought, freedom of expression, freedom of press, freedom of association and so on. In addition, these packages abolished certain military prerogatives vis-à-vis the civilian government.

One of these packages includes a significant amendment, which is concerned with the structure of the NSC. According to the original text of the law which regulates the Council, the Secretary General of the Council can only be appointed from among high-ranking military officers. The package states, however, that the Secretary General of the Council shall either be a high ranking military officer or a high level civilian bureaucrat. In August 2004, the government appointed a former ambassador to this post, as the first civilian Secretary General of the Council.

Another of these packages includes an innovation that provides transparency for public expenditures. Before the adoption of this reform, certain public expenditures were not subject to the judicial control of the Court of Accounts. The package states that all public expenditures, including those of military institutions, shall be subject to the judicial control of the Court of Accounts. The Court of
Accounts shall exercise this control on behalf of the Grand National Assembly upon the demand of its Speaker.

Furthermore, the package outlaws the trying of civilians by military courts for any reason. The package also includes certain measures to prevent torture and mistreatment by the police.

In addition, the package contains new provisions with regard to the cultural rights of the minority groups. Thus, minority groups are granted the right to use their languages in radio and television broadcasts and are permitted to establish language courses and to use their native names.\(^1\)

Finally, the adoption of the law on right to information in November 2003 is another important innovation for Turkey in terms of democratisation. This law aims to provide full transparency for all activities related to the state. Thus, the adoption of this law is expected to play a significant role in the consolidation of democracy. In fact, in the literature of contemporary political science, the notable role of the right to information in consolidating democracy is stated by many authors. For instance, in his famous book *Polyarchy*, Robert Dahl claims that the right to information is one of the eight essential elements of polyarchy (Dahl 1971, p. 3). Similarly, Larry Diamond suggests that the establishment of a liberal democracy requires alternative sources of information among the existence of other parameters (Diamond 1999, p. 11). Indeed, the basic dimensions of democracy such as opposition, participation, accountability and responsibility of the government can become effective only when individuals are granted the right to information. Guaranteeing Turkish citizens their right to information would be a major step in fulfilling the EU’s requirement that Turkey conforms its legal order to the basic norms of the Union.

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\(^1\) For a full list of all packages and their details: see *Açık Sayfa Aylık Aktüel Hukuk Dergisi*, sayı 45-46, Temmuz Ağustos 2003 and *Açık Sayfa* “Uyum Yasalarına Toplu Bir Bakış” Ek. sayı: 45-46 Temmuz Ağustos 2003 derleyen: Av.Akın Atalay.
5.4. CONCLUSION
Constitutional engineering alone is not sufficient to establish and consolidate democracy. It requires broader efforts which encourage free negotiation, bargaining and a strong consensual compromise among various groups of the society – linguistic, ethnic, social, political, sectarian, religious and so on. One must call to mind that such efforts occur spontaneously as a result of the natural, historical, sociological, political and economic dynamics of a society. Constitutional or legal engineering methods can only encourage the improvement of these dynamics. In fact, as Adam Przeworski suggests “democracy becomes the only game in town, when no one can imagine acting outside democratic institutions, when all the losers want to do is to try again within the same institutions under which they have just lost. Democracy is consolidated when it becomes self-enforcing, that is when all the relevant political forces find it best to continue to submit their interests and values to the uncertain interplay of the institutions.” (Przeworski 1991, p. 26).

Linz and Stepan suggest a broader definition of a consolidated democracy which combines behavioural, attitudinal and constitutional dimensions. For the authors “behaviorally, democracy becomes the only game in town when no significant political group seriously attempts to overthrow the democratic regime or to promote domestic or international violence in order to secede from the state (...). Attitudinally, democracy, becomes the only game in town when, even in the face of severe political and economic crises, the overwhelming majority of the people believe that any further political change must emerge from within the parameters of democratic procedures. Constitutionally, democracy becomes the only game in town when all of the actors in the polity become habituated to the fact that political conflict within the state will be resolved according to the established norms, and that violations of these norms are likely to be both ineffective and costly. In short, with consolidation, democracy becomes routinized and deeply internalized in social, institutional and even psy-
chological life, as well as in political calculations for achieving success” (Linz and Stepan 1997, p. 15-16) These definitions indicate explicitly that the consolidation of a democracy refers to a situation that cannot be created only by legal engineering methods.

**BIBLIOGRAPHY**

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6.1. INTRODUCTION

The economic policies implemented in Turkey until the 1980s were a typical example of the kind of protectionism often seen in developing countries. Since the early 1990s, the country has pursued a policy of import substitution. Previously, the sectors where domestic production had been deemed sufficient, were subsidized in various ways by the state and protected from international competition. However, since the late 1990s, Turkey has witnessed foreign currency shortages, delays in obtaining import licenses and foreign exchange, shortages of petroleum and other important products, high inflation and a negative growth rate.

At the beginning of the 1980s, the government had launched an economic programme designed to diminish its role in the economy and to liberalise the foreign trade regime and the financial system. Nevertheless, economic crises in Turkey persisted throughout the 1990s; with the financial crises in 1994 and in November 2000/February 2001 the most noticeable examples. What we now observe in Turkey is a protected, uncompetitive and inefficient industrial struc-
ture. The most striking features of the economic policy environment in Turkey during last two decades have been: volatile growth rates, a high and persistent inflation rate, high public sector deficits, a deteriorating income distribution, a poorly regulated financial system, political instability, the dominance of a distributive political culture, and high levels of corruption. It is true that over the last two decades the role of the government in the economy has diminished but corruption, uncertainty, and instability in Turkish economy have remained.

An analysis of standard macro economic policies will not be sufficient to explain Turkey’s economic performance. In order to overcome instability, uncertainty and corruption in the economy, the analysis has to move beyond the usual juxtaposition of states and markets. The role, and capacity, of the state in the economy should be examined both from an instructional and an historical perspective. As asserted by the economic historian Douglass North (1994, p. 359) “institutions\(^1\) form the incentive structure of a society, and the political and economic institutions, in consequence, are the underlying determinants of economic performance. Time as it relates to economic and societal change is the dimension in which the learning process of human beings shape the way institutions evolve”. In this regard, we should pay attention to how markets develop rather than on how they operate, and how the governance structure should develop and coordinate economic transactions in the markets. Thus we should analyse in a more comprehensive way the interaction among economic agents; especially between the state and interest groups representing businessmen, labour and agriculture.

In order to explore the relationship among the main economic actors, I will deal with the mode of capital accumulation and the dominant political culture. The latter is formed by a strong patrimonial state tradition, which dates back to the Ottoman Empire. Within this

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\(^1\) North uses the term “institution” broadly, referring not only to organisations, but to the constraints or frameworks within which markets operate, formal-constitutions, laws, or regulations-or informal, such as norms of behaviour, conventions, and self-imposed codes of conduct.
policy context, the chosen businessmen are supported by the state in several ways, including rationed cheap credit, cheap inputs from state owned enterprises, and protection from foreign competition. To implement this strategy, the bureaucrats in a patrimonial state need large discretionary powers and loyalty to their political masters. Eligible entrepreneurs were incorporated into the distributive policies of the patrimonial state that used a large public sector to provide employment opportunities for lower-income groups and supported certain business groups through a wide variety of subsidies.

These discretionary and discriminatory government interventions might have been innocent and necessary when they were introduced but, over time, they have undermined the foundations of the Turkish economy. First, they have eroded stability in the decision-making process. Sudden and unexpected changes in rules have undermined investors’ commitments to long-term investment decisions. Instead, investors have preferred trade requiring shorter time horizons than those needed for investment decisions. Second, discriminatory state interventions have distorted market competition and rendered the functioning of the economy less efficient. Businessmen preferred competing for handouts in governmental buildings in Ankara to fighting for clients in national and international markets. This competition to obtain governmental rents has led to a rent-seeking society and increased corruption in administrative transactions. As a result of the direction of public funds to selected interest groups, fiscal deficits have soared and caused a high and volatile inflation in Turkey. Consequently, in the 1990s, the Turkish economy became a textbook case of boom-bust growth performance, with a relatively low average growth rate and high volatility.

Naturally, the uncertainty in the decision-making and in the rule-implementation processes, the corruption in administrative transactions, and an unstable economy undermine the efficiency and norms

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2 See section 6.5.3 on Rent Creating/Seeking Activities.
of behaviour of economic agents. In turn, the basis of trust within the society has been eroded. The random nature of incentives has undermined economic performance and reduced the Turkish economy to a vicious circle of successive crises.

To increase the efficiency in the economy, the Turkish government has recently introduced important structural policy reforms designed to improve the quality of the rules and their enforcement and to set up a level playing field. These reforms aim at restructuring public, financial and corporate sector governance. The object is to improve the operation of incentives to individual agents. This will allow the market to operate more efficiently and, ultimately, provide Turkey with a well-functioning market economy.

In the rest of the chapter we will examine in more detail the characteristics of dominant political culture and the mode of capital accumulation in Turkey. This will include a short history of the role of state in the economic development. After that we will discuss the performance of economic agents and the interaction between state and markets. Finally we will review Turkish structural reforms and anticipate their future results.

6.2. CHARACTERISTICS OF POLITICAL CULTURE IN TURKEY
One important explanatory variable of Turkish political culture is the patrimonial state tradition whose roots go back to Ottoman Empire (Mardin 1967 and 1973; Heper 1985). Of course, it is not possible to explain Turkish political culture within a single model. However the idea of a patrimonial bureaucratic culture offers an informative and constructive framework to illuminate societal developments in Turkey. In patrimonial politics, the government represents legitimacy. It sus-

3 In various studies, the term regulatory reforms or second-generation reforms are used instead of structural reforms. Since, the term structural reforms is used in the official documents of Turkey, both in domestic and in international context with EU, IMF, an Word bank, I prefer using the term structural reforms in this study.
tains its authority through a patrimonial bureaucrat class whose personal fate depends on the government. Members of this patrimonial bureaucratic class derive their legitimacy from their loyalty to the government rather than their merits. Since the patrimonial government could become vulnerable if it tolerates any clustering in the periphery, to protect itself it has to maintain a tight control on the whole society, instead of decentralizing the power.

In the Ottoman Empire, the central government was trying to keep the local dynamics in the periphery rather than compromise with them. The scepticism of the centre towards the periphery and periphery’s attempts to undermine the authority of the centre has continuously kept centre-periphery tension alive and active. This tension has led the centre to behave casually and arbitrarily towards the periphery, while encouraging, if not forcing, the periphery to resist and disobey the decisions and rules of the centre (Heper 1985). Due in part to this tension, politicians and bureaucrats in the centre have been unable to establish, in the course of decision-making and implementation process, an institutional relationship with formal interest groups from the periphery, such as labour unions and business associations. The weakness of this institutional relationship between interest groups and government officials has helped widen patron-client networks and allowed patronage and nepotism to dominate top-level bureaucratic nominations.

6.3. THE CHOSEN MODE OF CAPITAL ACCUMULATION IN TURKEY
Since the early 1900s, the power of the state in Turkey has been mobilized to accelerate economic development. The government’s objective was to accumulate capital in eligible hands, using public funds to develop Turkish and Muslim business groups (Mardin 1980; Buğra 1995; Toprak 2003). In the process, the paternalistic state became seen as an institution that guarantees the lives of large part of populace. For lower-income groups this derived largely from the provision of employment opportunities within a large public sector. For business-
men, the benefit has lain primarily in cheap credits from public banks and cheap inputs from state enterprises.\(^4\)

As argued by Atiyas et al. (1998, p.33) “...public finances under representative democracies are vulnerable to the pressures from distributive politics”. In the course of time, the public funds, which had originally been used to create a Turkish and Muslim business class, have been mobilized to support different interest groups for different purposes. Later, the leadership and organisational characteristics of political parties and the tradition of political competition combined to perpetuate the practice of distributive policies. It is further reinforced by constituency behaviour. Populist politics in Turkey has historical roots and remain an important means of political competition. The politics of directing public funds to special interest groups and social classes have become the predominant feature of Turkish political culture, especially after the introduction of multi-party democracy in the 1950s. Along with a political party system too reliant on leadership and populism, the competition both within and between political parties has almost made distributive policies almost an addiction in Turkey.

Turkey has not been the only country to attempt to compensate for an absence of domestic capital accumulation, and the lack of an entrepreneurial class, by using a combination of subsidies and import controls. Both Korea and Taiwan have followed similar paths. However, the dimensions of government interventions in Turkey have been quite different from those elsewhere. In Korea and Taiwan, the governments adopted a long-term industrial strategy, implemented it consistently and thus helped diminish uncertainty in the economy. By contrast, in Turkey state interventions have been the most important

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\(^4\) I do not argue whether these polices were necessary, normal and innocent when they were adopted. All I want to do is to trace the historical roots of state-market interaction. As the study of Toprak (2003) indicates these policies were originally put in force during World War I. The basic priority of the war economy is general security rather than general welfare, which is the basic priority of the economics.
element in generating economy and it had uncertainty negative impact on economic transactions (Buğra 1995).

The chosen mode of capital accumulation has also become one of the important causes of corruption in Turkey, since the development of viable entrepreneurs through the use of public funds requires a discretionary governance structure in the public sector. Moreover, by distorting competition in the markets, this governance structure itself creates unequal opportunities among entrepreneurs (Sak 2001). As Buğra (1995, p.126) asserts, “the businessmen compete in governmental and ministerial buildings in Ankara rather than in the markets”.

6.4. THE CHANGING ROLE OF THE STATE IN ECONOMIC DEVELOPMENT

As mentioned above, from the early 1900s to 1980s, Turkey has followed a policy of import substitution. The state, frustrated by the lack of capital accumulation, a qualified labour force and capable entrepreneurs, assumed the task of kick-starting economic development itself. However, by the late 1970s, Turkey faced a serious economic crisis with a contracted economy, high inflation and balance of payment difficulties. In 1980, the Turkish economy was in severe disequilibrium.

In 1980, Turkey launched a stabilization programme aimed at curbing inflation, filling the gap in foreign finance and creating a more outward-oriented and market-based economic system. Indeed the reforms succeeded in realising a significant transformation in the Turkish economy, from a protected and state-led system to a free market system. Among other things, the reforms removed most price controls, drastically reduced government subsidies, curbed the role of the public sector in the economy through privatisation, reformed the tax system, emphasised growth in the industrial and service sectors, encouraged private investment and saving, liberalised foreign trade, and promoted export growth. They also encouraged foreign investment by relaxing capital transfer and foreign exchange controls. It was
thanks to these measures that the Turkish economy became both liberalised and globalised over the next two decades. However, the economy has still remained vulnerable to financial crises, which cost the country billions dollars during the 1990s and which, by the end of that decade, had returned it to the kind of severe disequilibrium it has similar faced in the late 1970s.5

6.5. UNCHANGING FEATURES OF THE TURKISH ECONOMY
As indicated above, when the economic programme was launched in 1980, Turkey had a contracting economy with a high and rising inflation, balance of payment difficulties, and fiscal deficits. The liberalisation of the trade regime and financial system were intended to correct these deficiencies, improve industrial competitiveness and return the economy to a viable growth path. In other words, if the stability in the economy could be obtained; it would create certainty in decision-making processes and eliminate the rent-creating activities and uncertainty caused by state intervention. If discretionary and discriminatory state regulations could be eliminated, domestic and foreign businessman could compete fairly and foreign investors would feel more confident. On the other hand, if uncertainty in the rule-making and enforcement processes continued, if economic performance remained unstable and if corruption in administrative practice persisted, the incentive structure of interest groups would be eroded and their performance would remain inefficient and sub-optimal. In the event, although the role of the state in the economy changed, the instability, uncertainty and corruption stayed the same. In the following subsections, I will provide some examples.

5 Turkey had serious financial crises in the 1990s. For example, Hoggart et al. (2001) reports that, the fiscal cost of 1994 financial crises in the form of rehabilitating the financial system, including both bank recapitalisation and payments made to depositors was over one per cent of GDP, $2 billion. Besides, according to Bank Regulation and Supervision Agency (BRSA) reports, the fiscal cost of November 2000 and February 2001 financial crises was over twenty per cent of GDP, approximately over $20 billion.
6.5.1. Uncertainty in the Decision-Making Process

Since governments in Turkey have believed that they have absolute right of control over the total power of the state (embracing all three - legislature, judiciary and executive - branches), they have endlessly changed the laws and rules, or re-interpreted them in ways that were most favourable to, and in agreement with, their own policies and pursuits. Examples of this “tradition of uncertainty” abound. Here are but a few examples. The Law for Protection of Turkish Currency (Türk Parasını Koruma Kanunu) was enacted for just five years in 1930s, but it had been in force for more than 50 years and had become one of the most important means of implementing economic policies. The National Protection Law (Milli Koruma Kanunu) was amended 12 times during its lifetime of 17 years. Over the same period, 1135 coordination decisions were made for the implementation of this law. The law was used on average 84 times a year before 1980 but subsequently the figure rose 223 per annum. Sixteen tax legislations were amended 69 times between 1984 and 1989. In general after 1980 the governments preferred discretionary and discriminatory government decrees to laws enacted by parliament. Extra-budget funds were preferred as an important tool of economic policy implementation because of their flexibility and arbitrariness. Twenty-three of the 59 funds created originated from government decrees. It is possible to extend the list of frequently changed rules and regulations, but the overall result was to increase the uncertainty in the economic environment for economic agents. Of course, one important purpose of this uncertainty was to discriminate among the economic agents in the society according to the government’s own political priorities and preferences. It is not surprising that such arbitrary rule-making tradition exhausted the public expenditure system, to the extent that it could no longer be used to manage a modern economy in a predictable and transparent manner.
6.5.2 (Un)stable Economy

Table 6.1 shows selected macroeconomic indicators of Turkey for three different decades. It can easily be seen, over the last thirty years, that the growth rate has steadily decreased and become more unstable. Annual growth rates fell from was about 4.8 per cent to 3.2 per cent between the 1970s and the 1990s and the standard error term, which shows volatility in growth rate, increased from 3.2 to 5.9. As indicated by Ertuğrul and Selçuk (2001) “the exemplary economy of the 1980s became a textbook case of boom-bust growth performance with a relatively lower average growth rate and high volatility in the 1990s”.

<table>
<thead>
<tr>
<th>TABLE 6.1</th>
<th>Selected Economic Indicators of Turkey: 1970-2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>GNP Growth (per cent)</td>
<td>4.8</td>
</tr>
<tr>
<td>(3.2)*</td>
<td>(3.5)*</td>
</tr>
<tr>
<td>Consumer Price Index (per cent change)</td>
<td>24.1</td>
</tr>
<tr>
<td>(15.7)*</td>
<td>(26.7)*</td>
</tr>
<tr>
<td>Public Sector Borrowing Requirement (per cent of GNP)</td>
<td>6.0</td>
</tr>
<tr>
<td>Domestic Debt Stock (per cent of GNP)</td>
<td>..**</td>
</tr>
</tbody>
</table>

* Standard deviations in parenthesis; ** Available as the same classification since 1983.

The most important reason for a decline in growth rate is a high and volatile inflation rate, both of which increased over the period reviewed. By distorting the decision-making processes on medium or long-term investment and on consumption, this had a direct impact on economic performance. Equally, the unfavourable and volatile economic indicators increased the economic agents’ distrust of the government’s economic policies and of its ability to implement comprehensive, long-term economic reforms. This combination of an unstable economic environment, unstable decision-making and unpredictable rule-enforcement process aggravates any initial uncertainty,
since it will further taint the medium- and long-term decision-making process on investment and consumption.

6.5.3. Rent Creating/Seeking Activities
Before the economic programme launched in 1980, another important argument advanced for the poor performance of the Turkish economy was government failures in the form of rent-creating government interventions. As shown by Kruger (1990), these government failures could result from both “errors of omission” and “errors of commission”. The former occur when governments do not do what they should; the latter when governments do what they should not. At this point, I should emphasise that the liberalisation policies launched in the 1980s in many developing countries, including Turkey, aimed at minimising the role of state in the economy and reducing the scope for rent-creating state interventions.

In the 1990s, corruption still remained as a major obstacle to doing business in Turkey. The figures of Transparency International, an international non-governmental organisation devoted to combating corruption, provide an important insight into the degree of corruption in Turkey. The Corruption Perception Index (CPI) score reflects the perceptions of the degree of corruption as seen by business people, academics and risk analysts. It ranges between 10 (highly clean) and 0 (highly corrupt). Turkey’s score has gradually decreased from a CPI score of 4.1 in 1995 to a more corrupt 3.1 in 2002. (Table 6.2). Although the number of countries covered in CPI was increased over the years, the rank of Turkey in the index remained adamantly stable.

The CPI is not the only source pointing to the corruption in Turkey. For instance, the firm level study of Arslan and Hellman (2001) provides additional empirical evidence about corruption in Turkey. The respondents to this study list the activities of the government from the most corrupt to the less as follows: customs, 22,6 per cent; licenses, 21,6 per cent; government procurement contracts,
21 per cent; public services, 14.2 per cent; taxes, 8.6 per cent; inspections, 8.6 per cent and courts, 4.3 per cent. In a sense, these findings can also be interpreted as pointing to the areas to which efforts to combat administrative corruption and state capture should be directed.

### 6.6. THE PERFORMANCE OF MAIN ECONOMIC ACTORS

In this section, I briefly discuss the general outlooks of three agents which are the main players of distributive policy game; the public sector, the business world and the labor unions.\(^6\)

#### 6.6.1. Public Sector

As observed from Table 6.1, the share of both the public sector borrowing requirement (PSRB) and domestic debt stock in GDP dramatically increased during the 1990s. The PSBR in Turkey consists of six components: central government, extra-budgetary funds, local authorities, state enterprises, social security institutions and revolving funds.

\(^{\text{6}}\) Of course, one can immediately object to this classification pointing to the omission of agriculture. I admit that it does merit closer examination but that proved beyond the scope and limits of this chapter.
Another contributor to the PSBR is the so-called duty losses,\(^7\) which had long been *hidden* in the public banks’ balance sheets and which only appeared after November 2000 and February 2001 crises.

Good budget management, aimed at allocating resources in a sustainable way, requires effective institutions, rules and procedures. Such a budgetary framework should minimise fiscal discretion and fragmentation, while promoting transparency and accountability. Turkey has been not successful in developing such a framework and, as a result, has subsequently experienced catastrophic consequences. The budgetary institutions that had evolved served to accommodate distributive policies, instead of limiting discretionary spending to eligible groups. Since a large part of public funds have increasingly been excluded from general budgetary processes, especially since extra-budget funds and revolving funds became important spending institutions, fiscal discipline has been weakened, and controllability, accountability and transparency have been reduced as well.

At long last, the general statement of the Draft Basic Law on Public Administration (still on the agenda of the Turkish Parliament when this study was written in March 2004) admitted to the existence of four deficits, namely strategic, fiscal, performance and trust deficit, making restructuring the public sector an imperative. A public management that becomes larger and more centralised, without a strategic viewpoint and long-term planning, spends inefficiently and in excess of its own revenue. This leads to a fiscal deficit. Since, by and large, the provision of public services do not meet the expectations of a large part of the society, a performance deficit also comes into existence. Finally, inefficient and unproductive administration processes and

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\(^7\) The hidden duty losses in the public banks’ balance sheets are an important type of discretionary quasi-fiscal expenditure. The two large public banks provided subsidized loans to the private sector, namely the Agricultural Bank (Ziraat Bankası) to the farmers, the People Bank (Halk Bankası) to small and medium-sized business. The government has not paid the cost of these subsidies to the banks, which have not been able to cover the said cost. The public banks have accumulated the costs of these subsidies, as claims on treasury referred to *unpaid duty losses*. 
practices, coupled with perception of a wide-spread corruption, erodes the trust of the people to the government.

6.6.2. The Business Environment
Chart 6.1 shows concentration ratios for selected industries in both 1984 and 1995. It indicates that the concentration ratio in the industry has declined over time in several sectors. This decline in concentration can be attributed to an increase in competition, as well as to the effects of the reform programme initiated in the early 1980s. Privatisation and the abolition of some public monopolies, the liberalisation of the foreign direct investment regime, as well as the impact of trade liberalisation on competition may have encouraged new entrants.

Note: Private sector data for 1985 include firms where 25 or more persons are engaged, for 1994 firms of 10 or more. Source: WTO, 1998.
However, many important industries such as food manufacturing, printing, publishing and allied industries; manufacturing of industrial chemicals; and manufacturing of transport equipment have a high and increasing degree of concentration. Moreover, ownership of assets across product groups is concentrated in handful of large industrial holding companies and associated banks that dominate the economy. Buğra (1995), outlines the main rationale behind the creation of holding companies. First, as part of their efforts to develop a domestic entrepreneur class, governments have supported these holding companies by the usual panoply of measures. Second, since the selected holding companies were allowed to import high technology production systems produced for large markets in the western world, they have had scale advantages over competitors operating in a small and closed economy such as Turkey. The monopolistic market structure evolved, because the advantage of economies of scale reinforced the natural market deterrence in the sectors where these privileged holding companies operate. Finally, since these holding companies were allowed to own banks, they have been able to control savings and direct them to their own companies within the holdings, which caused another form of natural market deterrence. Consequently, the existence of these privileged groups has raised concentration ratios in the several sectors. The monopoly power of these holding companies has resulted in an uncompetitive market structure, an inefficient production level and a sub-optimal allocation of resources.

As a result, contrary to common wisdom in Turkey, both public and private enterprises have operated inefficiently even after the implementation of the liberalisation policies. The study of Zaim and Taşkın (2001) provides evidence that the technical efficiency of Turkish manufacturing industry both public and private decreased between 1974 and 1991.

8 Private banks have been able to hide some funds in their balance sheet. The most striking example, but not perfect representation of whole system, is İmar Bankası, which had non-reported deposit amounts of $6 billion in its balance sheet. Public authorities only knew about this when the management and control of the bank was transferred to the Savings Deposit Insurance Fund (SDIF).
6.6.3. Working Life

The two most important features of the interaction between the state and working life arise from public employment and social security schemes. Table 6.3 gives important insights into various aspects of public employment in Turkey. The ratio of public employment to whole population is 4.6 per cent in Turkey. Contrary to a commonly held perception, this ratio is smaller than those can be found in some EU countries (Spain, Italy and Ireland). However, distribution of public employment tells a different story. Firstly, there is no public enterprise in the said EU countries, but the share of the state enterprise employment of Turkey in the population is 0.8 per cent. It equals to 720,183 workers in 1990 and to 505,404 workers in 2000. On the other hand, the share of (unqualified) civil servants in public employment in Turkey is higher than those in selected EU countries whilst that of qualified civil servants (e.g., teachers, doctors, policemen) in both public employment and in the population as a whole is much less in Turkey. That is why, for a large part of the population, the provision of public goods and services in Turkey is unsatisfactory and of poor quality.

<table>
<thead>
<tr>
<th>the share in population (per cent)</th>
<th>Turkey</th>
<th>Spain</th>
<th>Italy</th>
<th>Ireland</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central Government*</td>
<td>1.8</td>
<td>1.8</td>
<td>3.4</td>
<td>5.3</td>
</tr>
<tr>
<td>Local Government**</td>
<td>0.3</td>
<td>2.0</td>
<td>2.5</td>
<td>0.7</td>
</tr>
<tr>
<td>Education</td>
<td>0.4</td>
<td>0.9</td>
<td>2.1</td>
<td>1.7</td>
</tr>
<tr>
<td>Health</td>
<td>0.3</td>
<td>0.8</td>
<td>1.2</td>
<td>1.8</td>
</tr>
<tr>
<td>Policeman</td>
<td>0.3</td>
<td>0.3</td>
<td>0.6</td>
<td>0.4</td>
</tr>
<tr>
<td>Army</td>
<td>0.3</td>
<td>0.2</td>
<td>0.5</td>
<td>0.3</td>
</tr>
<tr>
<td>Total of General Government</td>
<td>3.9</td>
<td>6.0</td>
<td>10.2</td>
<td>10.2</td>
</tr>
<tr>
<td>SEEs</td>
<td>0.8</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>4.6</td>
<td>6.0</td>
<td>10.2</td>
<td>10.2</td>
</tr>
</tbody>
</table>

* The average of 1997-1999; ** Excludes education, health and policeman.

Another important aspect of state enterprise employment is labor unionisation. According to the statistics of the Ministry of Working and Social Security, in January 2003 the unionisation rate of labor within public enterprises was 100 per cent whereas, it was 44.06 per cent for the private sector enterprises. This means that driving a hard wage bargain in Turkey is easier with the public enterprises, operating under a soft budget constraint, than in the private companies operating under a hard budget constraint. That is why Turkish labor unions focus on public workers rather than private workers. As a result, during a large part of the 1990s, real wage increases of the public sector worker have been relatively higher than that of the private sector workers during in Turkey (see, Chart 6.2).

![Chart 6.2: Annual Real Wage Rises of the Workers (%)](chart)

Source: SIS.

The social security system in Turkey has been operated exclusively by the State. There are three separate institutions, Emekli Sandığı for civil servants, Sosyal Sigortalar Kurumu for workers, and Bağ-Kur for tradesmen. Turkey’s pension scheme has had serious problems in the past. The primary objective of the system was distorted by the distributive policies and gradually it became a major fiscal
burden. Technically speaking, since pension funds have not been invested profitably in the past, the pension systems have become unable to finance retirement salaries and have consequently incurred huge deficits. Most importantly, after 1991 elections, the retirement age was dramatically reduced (almost to the forties), as a reward to voters for the election victory. Not surprisingly, the fiscal balances of the social security institutions rapidly deteriorated and reached unsustainable levels by the end of the decade. Reform became inevitable and it was duly undertaken in 1999.

6.7. WHAT TURKEY NEEDS: THE STATE THAT MANAGES
As indicated earlier, the aim of this study is to discuss the capacity of the state and its role in economic development. In this context, the state should be accountable to economic agents and hold them accountable in their turn. First, the State should provide economic agents with a level playing field by protecting property rights and competition by deterring both private and public expropriation. As asserted by Djankov et al. (2003) property rights must be secured by the State from private disorder created by thieves and competitors under conditions such as war, crime, ethnic violence, monopoly bribery, and investor expropriation. On the other hand property rights must be secured by the state from the dictatorship of itself (i.e. public expropriation) because a government can itself become a violator or thief. A fundamental need of institutional design is to reconcile the conflict between these twin goals and to balance them in a way that accelerates growth and helps a fairer distribution of income. Moreover, as mentioned earlier, for effective governance the state should be accountable and make economic agents accountable. The existence of public accountability is, amongst other things, highly linked to the transparency and openness

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9 The European Commission’s White Paper on European Governance (COM 2001, p. 428) expresses the institutional design conflict as follows: “on the one hand, Europeans want them to find solutions to major problems confronting our societies. On the other hand, people increasingly distrust institutions and politics or are simply not interested in them”.
of the decision-making process. In this process, policies must be effective, timely, coherent and easily understood.

In discussions over the effective and competitive functioning of the market economy in Turkey, the role of the state in the economic and social life has consistently been questioned. For example, the Seventh and Eighth Five Year Development Plans emphasised the notion that the state and the market should complement each other in reaching social targets. To this end, development plans stressed the need to improve the regulating, monitoring and supervising functions of the state. Similar proposals appear in several official documents. For example in the *Turkish National Programme for the Adoption of the Acquis* (2003), structural reforms are characterised as vital in reaching economic targets and in achieving and maintaining macroeconomic stability. The main goals are to reduce the role of the public sector, to improve efficiency in the economy, to develop a transparent and efficient public administration, to reform the banking sector so as to provide the necessary financial requirement, to strengthen market mechanism while establishing regulatory bodies in various areas where market failures exist, and to increase the role of the private sector in the economy while privatizing state enterprises.

As time passed, it became more evident that the reform efforts should be much more comprehensive if they were to permanently affect, and hopefully change, the governance structure of Turkey, and allow the market economy to function effectively. Moreover, the EU accession process, which helps to shape the reform agenda and provides a benchmark for reforms, also plays an important role.

In the next section, we will examine the structural reform effort. I will put them under three headings, namely public sector, corporate sector and financial system governance. Of course, to list exhaustively all reforms introduced will go beyond the scope of this study.

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10 Such as the *Transition Program for Strengthening the Turkish Economy*, the *Turkish National Programme for the Adoption of the Acquis*, the Pre-Accession Programmes, the Letters of Intent signed with the IMF, and the *Programmatic Financial and Public Sector Adjustment Loan Agreement* signed with the World Bank.
6.7.1. Public Sector Governance
To harmonize the public internal financial control system with European and international standards, the Law on Public Financial Management and Control has been enacted. This law aims to increase responsibility, accountability and transparency in public financial management, to enhance the efficiency of ex-ante control, to align ex-post internal and external fiscal control systems with European Union standards and to increase the ability to control state spending. The law also extends the scope of budgetary and financial transparency. To this end, the majority of extra-budget funds were closed down in order to expand the scope of consolidated budget. Moreover, a new public procurement law was enacted to increase competition, transparency, and accountability in public expenditures. The Law on the Regulation of Public Financing and Debt Management was enacted to ensure fiscal discipline, an important factor in the resolution of the debt problem and to increase transparency and accountability in the management and claims. Finally, comprehensive measures were put in place to increase retirement age, to rationalize the discretionary pension scheme, to introduce unemployment insurance, and to improve institutional capacity.

The Basic Law on Public Administration is in the pipeline and it aims at developing the necessary legal and institutional environment for the provision of public services in a more effective, transparent and participatory way. As the first step, a framework law is on the agenda of the Turkish Parliament to introduce the basic principles in public administration and clarify the distribution of authority and resources, especially between local and central governments.

Meanwhile, an independent regulatory institution system has been adopted to regulate and monitor the sectors where market failures exist. It has taken steps to coordinate the activities of the Competition Authority with those of regulatory authorities such as the Energy Market Regulatory Authority, and the Telecommunications Authority. Moreover, electricity and telecommunications were unbundled to introduce more competition. Apart from energy and telecom-
munications, regulatory bodies have been established for the capital markets, radio and television broadcasting, banking, sugar, and tobacco and alcoholic beverages. Among other things, the aim is to regulate and supervise markets, and to protect consumers against monopolistic behavior. Finally, within the framework of strengthening the governance of state enterprises, it is intended to clarify their objectives, to set new accountability standards, and to enhance management autonomy and internal governance.

A reform of the State Personnel Regime, based on the following principles, is also on the cards. The recruitment and promotion will be made according to objective criteria, the number of posts will be reduced, and economic and social differences between similar posts will be eliminated, the salary and wage system will be simplified and imbalances will be removed, and a performance-based wage system will be introduced. Moreover, the government intends to implement a Definition of Ethical Rules in the Public Sector whereby legislation against corruption, and in favour of increased transparency, will determine the principles and rules which public officials must obey.

6.7.2. Corporate Sector Governance
The Privatisation Programme constitutes an integral part of the irreversible transformation process in Turkey. It aims at minimizing government intervention in the economy, increasing productivity and thereby generating more employment. It also hopes to deepen the existing capital market by promoting wider ownership. Although Turkey has embarked on a plan to privatize a large part of its public sector, legal obstacles have rendered progress slow. In this respect, the new law on Foreign Direct Investment intends FDI to provide the foundation for sustainable growth and development, driven by private investment in a transparent marketplace, fully open to the foreign investors and supported by a smaller, but more effective, state. Foreign capital plays a large part in Turkey’s privatization programme.

In addition to the introduction of the new, more investor-friend-
ly law, a *Coordination Committee for the Improvement of the Investment Climate* was established to help remove the remaining bureaucratic obstacles to investment. It proposes creating a well-funded new *Investment Promotion Agency* working inside government, while, at the same time, drawing on private sector knowledge and market skills, to promote investment in Turkey. Another institutional change was a constitutional amendment and secondary legislation to allow foreign investors to use international arbitration in commercial disputes.

An enhanced security system for customs checkpoints was designed to improve facilities at customs posts, including the control of trade in motor vehicles and cultural goods, and nuclear materials. Moreover, Turkey has largely completed the automation of all customs operations at customs gates.

The *Accounting Standards Board of Turkey* was established to encourage the development and the adjustment of national accounting standards for rendering required financial statements in a correct, dependable, equivalent, comparable and understandable manner and to determine and publish national accounting standards, which shall be applied for public interest.

### 6.7.3. Financial System Governance

A law amending the Central Bank Act was enacted, using the central banking norms agreed upon by the European Union. According to the new law, ensuring price stability becomes the primary objective of the Central Bank. The Central Bank has the exclusive power and responsibility in designing and pursuing monetary policy. The new law will enable the Bank to choose and to use its monetary policy and instruments independently.

The concepts of transparency and accountability are underlined in the new law. To ensure stability in the financial system and to increase its efficiency in achieving price stability, the Central Bank will have the power to take measures necessary to strengthen the financial system and to determine systemic risks. Besides removing the burden
of the state-owned banks from the financial system and restructuring the banking system, the measures to reduce the public sector borrowing requirement will boost the economic efficiency and secure the price stability. As envisaged in the Maastricht criteria, the Central Bank will not, in any manner, extend credit to the Treasury or to the public sector, including outright purchase of government papers.

The Bank Regulation and Supervision Agency (BRSA) was founded, and started its operations at the end of August 2000. Its basic responsibility is to promote a healthier financial situation among private banks through the implementation of internationally accepted minimum capital requirements. Following the 2000-2001 financial crisis, Turkey put into effect the Banking Sector Restructuring Programme (BSRP) to promote an efficient, globally competitive, and sound banking sector, free of distortions. The BSRP aims to recapitalise the banking system, to get risky and problematic banks out of the system, to restructure state banks, and to strengthen the regulatory and supervisory framework.

Efforts for strengthening the regulation and supervision of insurance companies and the harmonisation of insurance legislation with the relevant EU Acquis, continue. The Law on Regulation and Supervision of Insurance Activities - prepared in line with the EU Acquis to a great extent - is to be enacted

6.8. CONCLUDING REMARKS:
THE FUTURE OF STRUCTURAL REFORMS
As indicated above, Turkey has a patrimonial state tradition, where the state guarantees the lives of a large part of the populace. In doing so, the state provides the lower income groups with employment opportunities in a large public sector whilst, at the same time, supporting eligible businessmen with various forms of subsidies. Moreover, the power the state was used to achieve its objectives in a discretionary and discriminatory manner. This approach has contributed to a tradition of uncertainty in the rule-making process,
which has negatively affected long term investment decisions. The arbitrary nature of public intervention has encouraged private agents to seek extra (non-market) advantage for themselves and contributed further to corruption in administrative practices. Since public funds have been directed to selected interest groups, without any overall strategy, fiscal deficits have swollen to an unsustainable level. This has led to a deterioration in the quality of public services and an erosion of trust in the government’s elected officials.

Turkey has introduced important structural reforms to improve the governance structure of the public, corporate and financial sectors, as outlined above. However, it still remains to be seen how successful these will be, or even whether the reform effort will be sustained. There are no clear-cut answers to these difficult questions. One consolation, at the outset, is that it will not be easy to reverse the reforms already introduced. When one acknowledges the weight of the dominant political culture of patrimonialism, the reform movement is truly revolutionary. It aims at making permanent changes in the governance structure of the national economy in line with the requirements of a functioning market economy and internationally accepted standards. However, the achievement of these structural reforms depends essentially on the answers to three questions.

First, does a large part of the society trust that these reforms will be beneficial for them? Policy-makers need to demonstrate that the reforms will benefit a large part of society. Should they fail, they will do nothing to correct the widespread perception in Turkey that the reforms have been introduced under pressure from international organisations such as IMF, EU and World Bank. If the public remains sceptical towards the reforms, they will be much harder to implement.

Second, who will pay the adjustment costs resulting from the implementation of these reforms? That there will be adjustment costs is inescapable. After increasing the tax burden and removing subsidies, the production cost of goods and services will inevitably rise. Who will pay these costs increases? If the producers pay them, their capital accu-
mulation will be lower, and their competitiveness will be undermined. Those who can quickly increase their productivity can regain competitiveness in the short run, but what will happen to the rest? Technical assistance and external funds might be needed to restructure and recapitalise these kinds of enterprises. However, if these enterprises believe that the reforms will harm their well-being, they could actively resist their introduction and implementation. Although, TUSIAD, *Turkish Industrialists’ and Businessmen’s Association* (TUSIAD) and *The Union of Chambers and Commodity Exchanges of Turkey* (TOBB), the most influential business organisations, actively support these structural reforms, the reaction of the small and medium-sized enterprises, so called *Anatolian Tigers* remains an important issue to be addressed.

Finally, can reformers win the power struggle against the beneficiaries of the previous system? Of course, the structural reforms will not be supported by all. The beneficiaries of the old system will not easily accept a worsening of their position. Moreover, they try to form various coalitions, on the benefit basis, with other interest groups harmed by the reforms in an effort to resist, or at least dilute, them. At this point, the decisiveness of reformers will play an important role. They will need all the support they can get, both domestically and internationally. I think that the most important international support the government could get would be the prospect of full EU membership for a modern Turkey – a country that has already left its former inefficient and ineffective governance structure far behind.

**References**


7.1. INTRODUCTION

The possible enlargement of the European Union with Turkey is a major issue of discussion nowadays. With the accession of ten new member states in May 2004 and perhaps the subsequent accession of Bulgaria and Romania in a couple of years from now, Turkey is the thirteenth candidate member state of the EU. Unlike with Bulgaria and Romania, accession negotiations with Turkey have not yet started. European leaders have, however, promised to decide about a starting date for the negotiations in December 2004. In particular, the Copenhagen Council concludes that: “If the European Council in December 2004, on the basis of a report and a recommendation from the Commission, decides that Turkey fulfils the Copenhagen political criteria, the European Union will open accession negotiations with Turkey without delay”. These political criteria, formulated in Copenhagen in 1993, require a candidate country to have achieved stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities.¹

¹ At the same time economic and institutional criteria were formulated: (i) a functioning market economy and the capacity to cope with competitive pressures and market forces within the Union; and (ii) comply with the acquis communautaire.
Turkey has applied for EU membership already in 1987. To pave the way for its accession, it agreed to a Customs Union with the EU in 1995. Tariffs and quantitative restrictions on trade between Turkey and the EU were gradually removed between 1996 and 2001. Moreover, Turkey aligned its trade policies with the EU vis-à-vis third countries and started to implement common standards, rules and regulations. In 1999, Turkey attained the status of candidate for membership of the EU. As a result, the EU is now cooperating with Turkey to enable the adoption of the acquis communautaire, i.e. the rules and regulations that make the EU.

This chapter concentrates on the economic implications of the Turkish accession to the EU. Although these are not official criteria for the decision about its accession, they do play an important role in the discussion. In particular if the official criteria do not lead to a clear-cut decision, the economic arguments could become decisive. How much will the accession of Turkey benefit or cost European producers and consumers in terms of production and welfare? Which sectors will gain and which will lose? Is there a difference between European countries?

It is not a priori clear, however, that the accession of Turkey will yield similar effects as is predicted by studies for Central and Eastern Europe. Indeed, there are several differences between the accession of Turkey and that of the other countries. For instance, the EU and Turkey already form a Customs Union in manufacturing and services, and a number of standards and regulations have already been harmonised. Hence, the extent to which accession of Turkey to the EU will deepen the integration differs from that of the other candidate countries. Moreover, the structure of the Turkish economy differs from that of Central and Eastern European countries, e.g. with

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2 The EU and the countries of Central and Eastern Europe eliminate bilateral import tariffs in manufacturing already during the 1990s. However these Europe agreements implied less trade integration than the customs union between Turkey and the EU. For instance, a customs union also involves the same external tariffs with respect to third countries.
respect to its degree of openness, its sectoral structure, and its level of welfare. These differences can affect the increase in bilateral trade and GDP anticipated from further integration with the EU. In exploring these issues, we calculate the potential trade between the EU and Turkey if Turkey enters the EU internal market. In addition we assess the macro-economic effects of improved trade relations between Turkey and the EU.³

In the process of accession Turkey has to comply with the acquis communautaire. This could act as a catalyst for improving its domestic institutions. Many institutional indicators show that these institutions are less market-oriented in Turkey than in the EU member states or the other accession countries, and that there is much corruption. We investigate the extent to which a reform of these institutions could benefit the Turkish economy by improving its competitive position. Again, we do this by calculating the potential trade between Turkey and other countries if the institutions were improved. We then simulate the macroeconomic effects of this trade increase using an economic model.

As a final step, we elaborate on the potential migration flows following the accession of Turkey to the EU. We explore the implications for labour markets. Note that this study do not analyse the integration of the capital markets. Many studies have concluded that the level of foreign direct investment is very low in Turkey because of the macroeconomic instability and the intransparency of the institutions and corruption.⁴ In particular, institutional reforms could improve the investment climate and raise the level of foreign direct investment, contributing to extra large gains of the EU membership in Turkey. We also neglect in this chapter the consequences for the cohesion and common agricultural policy (See Chapter RTG)

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³ Lejour and De Mooij (2004) also present the sectoral effects of Turkish’ EU accession and the technical details of this analysis.
⁴ Dutz et al. (2003) and UNCTAD (2003) discuss this issue in much more detail.
7.2. THE TURKISH ECONOMY

Table 7.1 shows some key economic indicators of the Turkish economy in 2000, i.e. the year before the economic crisis. The table compares these indicators with the EU-15, the countries that will accede to the EU in 2004 (Accession-10), and Bulgaria and Romania. We see that Turkey is a relatively large accession country. Its size in terms of population (more than 68 million people) approaches that of the Accession-10 and exceeds the size of each current EU Member State, except for Germany. The Turkish accession would imply that the EU population would increase by more than 17 per cent.

TABLE 7.1
Key Economic Indicators for Turkey in 2000, Compared with Other Regions

<table>
<thead>
<tr>
<th></th>
<th>Population (millions)</th>
<th>GDP (current bln. US$)</th>
<th>Per capita GNI (PPP in % EU-15)</th>
</tr>
</thead>
<tbody>
<tr>
<td>EU-15</td>
<td>376.3</td>
<td>8325</td>
<td>100</td>
</tr>
<tr>
<td>Accession-10</td>
<td>75.1</td>
<td>330</td>
<td>44</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>7.9</td>
<td>12</td>
<td>23</td>
</tr>
<tr>
<td>Romania</td>
<td>22.4</td>
<td>33</td>
<td>27</td>
</tr>
<tr>
<td>Turkey</td>
<td>68.6</td>
<td>199</td>
<td>30</td>
</tr>
</tbody>
</table>


Because the Turks earn a much lower income per capita than the average EU citizen, in terms of GDP the accession of Turkey would imply a more modest expansion of the EU. Indeed, GDP would rise by 2.2 per cent of today’s level of GDP in the EU-15. Expressed in terms of purchasing power parities, gross national income per capita in Turkey is only 30 per cent that of the EU-15. This income level is similar to that of Romania and somewhat higher than that of Bulgaria. It is, however, below the average level in the Accession-10, which is 44 per cent of the EU-15 average in 2000. The unemployment rate in Turkey was 8.5 per cent in 2000.\footnote{Note that the 2001 crisis has severely reduced the welfare level in Turkey measured in US$. Moreover, the unemployment rate increased from 8.5 per cent to 9.9 per cent in 2001.}
7.3. TRADE RELATIONS
Trade liberalisation has been an important aspect of Turkey’s economic policy since the early 1980’s and it contributed to the formation of the Customs Union between Turkey and the EU in 1995, which covers trade in industrial goods and processed agricultural products. The agreement with Turkey goes beyond a normal Customs Union, though. It also covers the harmonisation of technical legislation, the abolition of monopolies and the protection of intellectual property. Moreover, negotiations have been started on the mutual opening of the public procurement markets, liberalisation of trade in services, and the abolition of restrictions on the freedom of establishment. These latter policies would prepare Turkey for membership of the EU.

Trade liberalisation has intensified the economic integration of Turkey and the rest of the world. By way of illustration, whereas the sum of imports and exports as a share of GDP was still only 18 per cent in 1980, this share has increased to almost 50 per cent in 1999.

Table 7.2 shows the openness of Turkey and other accession countries in terms of their export/GDP ratio. Openness depends not only on trade policies, but also on other factors like the sectoral structure and the size of the economy. In particular, large countries are generally less open to trade than small countries. Table 7.3 shows that Turkey, being the largest country in the table, is least open. It exports slightly more than 21 per cent of its GDP. For an average country in the EU-15, this share is almost 28 per cent and in the Accession-10 almost 38 per cent. Bulgaria features a high share of more than 60 per cent. A relatively low degree of openness implies that a trade increase due to the internal market has less effect on the total economy than for countries with a higher degree of openness.

Most European countries export only a small part of all their goods and services to Turkey. Indeed, the average export share of the EU-15 to Turkey is 1.2 per cent. This share is four times smaller than for the other accession countries, which feature an average export share of around 5 per cent. An average Accession-10 country has
Turkey as a destination for only 0.5 per cent of all exports. Being neighbouring countries, Bulgaria and Romania bring 10.3 per cent and 6.1 per cent of their exports to Turkey, respectively. The final column of Table 7.2 shows the export shares with a destination in the EU-15. We see that, similar to Accession-10 and Bulgaria and Romania, the majority of all exports from Turkey are transported to the EU-15. This reflects the agreement on the customs union between Turkey and the EU, which has intensified economic integration between these regions since 1995.

<table>
<thead>
<tr>
<th></th>
<th>Export in % of GDP</th>
<th>Export share to Turkey</th>
<th>Export share to EU-15</th>
</tr>
</thead>
<tbody>
<tr>
<td>EU-15</td>
<td>27.9</td>
<td>1.2</td>
<td>62.1</td>
</tr>
<tr>
<td>Accession-10</td>
<td>37.8</td>
<td>0.5</td>
<td>59.1</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>60.2</td>
<td>10.3</td>
<td>51.7</td>
</tr>
<tr>
<td>Romania</td>
<td>26.9</td>
<td>6.1</td>
<td>64.0</td>
</tr>
<tr>
<td>Turkey</td>
<td>21.4</td>
<td>-</td>
<td>52.3</td>
</tr>
</tbody>
</table>


Notwithstanding the degree of openness, Turkey’s integration with the EU is somewhat less advanced compared to the EU-15 and the Accession-10. The reason is that various barriers to trade between Turkey and the EU-15 have been maintained, despite the Customs Union. In particular, Turkey still has to take and implement measures concerning the removal of technical barriers to trade, harmonisation of commercial policy, alignment to the preferential customs regime, and abolition of state monopolies and state aid. Some of these mea-

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6 At the end of 2000, the EU Embassies’ Commercial Councillors in Ankara reported to Brussels several problem areas, varying from excessive bureaucracy to difficulties in applying the requirements of the Customs Union in letter and spirit. Lack of well trained civil servants is a major problem, implying that companies find it difficult to get the right information on import requirements and causing unnecessary delays. EC (2003) and Togan et al. (2003) also report that Turkey has not incorporated the instruments to remove technical barriers to trade in its legal order.
sures are related to the institutions in Turkey, allowing the country further scope for integration if it would indeed conform to all the rules of the internal European market and reform its institutions.

7.4. ACCESSION TO THE INTERNAL MARKET
A major economic aspect of the accession of Turkey to the EU involves the accession to the internal market. This will affect the economies of Turkey and EU members via trade, FDI, domestic investment, and so on. The focus here is on the trade effect of the internal market.

Accession to the internal market may increase trade for at least three reasons. First, administrative barriers to trade will be eliminated or at least reduced to levels comparable to those between current EU members. Here, one can think of reduced costs of passing customs at the frontier: less time delays, fewer formalities etc. Anecdotal evidence suggests that there is a lot to be gained here in the case of Turkey. Secondly, accession to the internal market implies a reduction in technical barriers to trade. The Internal Market reduces these technical barriers by means of mutual recognition of different technical regulations, minimum requirements and harmonisation of rules and regulations. Although the customs union between Turkey and the EU has already eliminated some of these technical barriers, it appears that substantial further advances have to be made. Finally, risk and uncertainty will be mitigated by the Turkish accession to the EU. Especially political risks and macroeconomic instability may diminish substantially.

It is hard to quantify the trade increase because of these three reasons. In measuring the economic implications, we determine the effect of EU membership on trade of the existing EU members. History has taught us that the increase in trade resulting from EU membership is substantial. In an other study Lejour et al. (2004) has also concluded that, for the countries from Central and Eastern Europe, the accession to the internal market is much more important than the elimination of bilateral trade tariffs and common external tariffs as in a customs union. That finding and the existing customs union between
Turkey and the EU in manufacturing suggest that the accession to the internal market is the relevant issue, and not the elimination of remaining tariffs and harmonisation of external tariffs.\(^7\) We estimate that bilateral trade between Turkey and the EU could increase by 34 per cent, and total trade of Turkey will increase by about 17 per cent.

Table 7.3 presents the macroeconomic effects of Turkey’s accession to the internal market. We see that GDP and consumption in Turkey increase by 0.8 per cent and 1.4 per cent, respectively.\(^8\) Welfare increases by 4.4 billion US$ in constant prices.\(^9\) For the EU-15, the economic effects are small. Welfare grows by 3.8 billion US$; almost negligible when expressed in percentage changes of GDP and consumption. Dutch exports to Turkey increase by around 20 per cent, while imports grow by 25 per cent. In terms of aggregate trade, this is an increase of some 0.2 per cent. The Accession-10 countries also experience no significant impact on GDP, but an increase in consumption of 0.2 per cent.

These effects are the result of two main mechanisms. First, changes in the relative prices imply that countries can better exploit their comparative advantages. This causes trade creation, increases production efficiency and raises welfare. At the same time, however, integration with Turkey causes trade diversion. Indeed, the rising imports from Turkey by a number of EU countries come at the expense of imports from other countries, primarily other accession countries that specialise in the same products. With the removal of non-tariff barriers (henceforth NTBs) with Turkey, these other accession countries no longer receive preferential treatment relative to Turkey and therefore face fiercer competition on the internal market. As a result, the gains for Turkey partly come at the expense of a loss

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\(^7\) Bekmez (2002) interprets full EU membership of Turkey more or less as the elimination of remaining tariffs and harmonised external tariffs. He shows that the effects of EU membership given the existing Customs Union are meagre.

\(^8\) This result is comparable to the effect of the customs union. Harrison et al. (1997) estimate a GDP gain of 1.0 per cent to 1.5 per cent.

\(^9\) Measured by the equivalent variation (i.e. a measure for the rise in real private income).
in output in the Central and Eastern European countries. These effects are, however, small in macroeconomic terms.

A second effect of Turkey’s accession to the EU is a terms-of-trade effect. A terms-of-trade effect is indicated by export price measured as ratio of the import price. It is a measure for the consumption possibilities. In particular, we see that Turkey experiences a terms-of-trade gain of 3.5 per cent. The different magnitude in the terms-of-trade effect among countries depends on the trade intensity between that country and Turkey. In particular, the export share of the Accession-10 and the EU-15 to Turkey is rather small, while the corresponding share of Turkish exports to the EU is relatively large. This explains the large terms-of-trade effect for Turkey relative to the other regions.

We can compare the effects in Table 7.3 with those found by Lejour et al. (2004) for the Central and Eastern European countries. The comparison reveals that the effects for Turkey are relatively small. Indeed, the enlargement of the EU with the Central and Eastern European countries yields an average increase in GDP by 5.3 per cent for the accession countries, while consumption increases by almost 10 per cent. For the Turkish accession, the corresponding figures are 0.8 per cent and 1.4 per cent. The reason for this difference is fourfold. First, we have re-estimated our gravity equations on the basis of more recent data for 2001. The new estimations suggest an aggregate trade increase for bilateral trade with Turkey of 34 per cent. This is about one third smaller than the increase of more than 50 per cent for the CEEC countries that was suggested by the previous estimate (which was based on data for 1997). Secondly, Turkey is less open to European trade than an average country from Central and Eastern Europe. Thus, the country benefits less from access to the internal market. This is reinforced by the relatively small share of trade with EU-countries, relative to the Central and Eastern European countries. Thirdly, Turkey specialises in sectors for which we find relatively small effects for the internal-market. Its exports primarily involve sectors with a low value added for the economy such as agriculture and tex-
tiles. Although these sectors benefit substantially (see below), this does not create big effects on value added and consumption in the economy as a whole.

Total exports of Turkey rise by 8.1 per cent and imports by 12.2 per cent. This is less than expected before. There are several reasons for this difference. First, there is also trade diversion. Increased trade with the EU leads to less trade with other countries. This reduces the increase in total trade. Secondly, Turkey also needs (skilled) labour, capital and intermediate inputs, such as machinery and equipment, for production. These inputs are scarce. This reduces the trade potential. The predictions based on trade patterns of the existing EU members do not take account of these effects.

The welfare gains of 3.8 billion US$ for the EU countries are negligible related to the total size of the economy. They remain positive, however, as most EU countries suffer only marginally from trade diversion, while they benefit from trade creation. In terms of consumption, the gains are larger than in terms of GDP because the reduction in NTBs makes imports cheaper. Still, we do not observe these positive effects in the table as the effects remain small. The reason for these small effects is that Turkey is currently a rather unimportant trade partner for the EU. Reducing NTBs will raise exports for an
average EU country by 0.2 per cent. This increase, however, has no visible effect on GDP in one-digit figures.

7.5. IMPROVING TURKISH INSTITUTIONS

It is sometimes argued that EU-membership may work as a catalyst for Turkish institutional reforms. For instance, by becoming an EU-member, Turkey has to conform to all EU legislation and enforcement by the European Court of Justice. Moreover, via the method of open coordination, Turkey will regularly be assessed by the European Commission and other Member countries on its economic policies. EU-membership can thus trigger institutional reform in Turkey and reduce the widespread corruption. Today, the high level of corruption hinders economic transactions substantially. Internationally Turkey ranks low on the corruption index, as can be seen from Table 7.4.

Improvements in institutions and transparency may benefit Turkey’s economic development by improving its competitive position. To illustrate this, De Groot et al. (2003) estimate the impact of good institutions on trade for a wide set of countries. They show that a similar law or regulatory framework as in the EU could increase bilateral trade between 12 per cent and 18 per cent. Better quality institutions and less corruption would increase trade by 17 per cent to 27 per cent. Although we cannot explicitly attribute the extent to which EU-membership will actually improve institutions in Turkey, it is clear that these have to be reformed in order conform to the internal EU market and the acquis communautaire. It can not be excluded that Turkey also reforms its institutions without becoming EU member, but the possible EU membership can be an extra stimulus to carry out these reforms.

By way of illustrating the importance of national institutional reform in Turkey, we have assessed the importance of corruption for trade relations. Suppose that, by improving institutions and obtaining more discipline within bureaucracies, EU-membership of Turkey would raise the TI Corruption Perceptions Index of Turkey to a level
comparable with Portugal, i.e. Turkey would rise from place 64 with an index of 3.2 to place 25 with a value of 6.3. By doing so, we find that aggregate trade of Turkey would rise by 57 per cent. Compared to the EU-dummy for the internal market (which induces a rise in bilateral trade between Turkey and the EU of 34 per cent, suggesting an increase in aggregate trade of around 17 per cent), the impact of less corruption would be much bigger. If EU membership would indeed work as a catalyst for institutional reform, this therefore has potentially important economic implications for Turkey. If EU membership is less successful as a catalyst for institutional reform, Turkey may rise less on the corruption index. Suppose for instance that it would only rise to place 33 with an index of 4.9, a level comparable to that of Hungary. In that case, aggregate trade of Turkey would still rise by 28 per cent. In that case, welfare in Turkey increases by 11 billion US$, GDP by 2.3 per cent and consumption by 3.5 per cent.

### TABLE 7.4
Corruption Index 2003 for a Selection of Countries, Including their Ranking

<table>
<thead>
<tr>
<th>Ranking of countries</th>
<th>Transparency International Corruption Perceptions Index 2002*</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Finland</td>
<td>9.7</td>
</tr>
<tr>
<td>2. Denmark/ New Zealand</td>
<td>9.5</td>
</tr>
<tr>
<td>3. Iceland</td>
<td>9.4</td>
</tr>
<tr>
<td>7. Canada/ the Netherlands</td>
<td>9.0</td>
</tr>
<tr>
<td>10. United Kingdom</td>
<td>8.7</td>
</tr>
<tr>
<td>18. Germany</td>
<td>7.3</td>
</tr>
<tr>
<td>25. France/Portugal</td>
<td>6.3</td>
</tr>
<tr>
<td>33. Hungary</td>
<td>4.9</td>
</tr>
<tr>
<td>54. Greece</td>
<td>4.2</td>
</tr>
<tr>
<td>45. Poland</td>
<td>4.0</td>
</tr>
<tr>
<td>64. Turkey</td>
<td>3.2</td>
</tr>
<tr>
<td>102. Bangladesh</td>
<td>1.2</td>
</tr>
</tbody>
</table>

* Degree of corruption, perceived by business people, academics and risk analysts derived from surveys. The assessment is between 0 (highly corrupt) and 10 (highly clean).

## Table 7.5

Macroeconomic Effects of a Higher TI Corruption Perceptions Index for Turkey in 2025

<table>
<thead>
<tr>
<th>Volume of GDP (%)</th>
<th>Volume of consumption (%)</th>
<th>Welfare (billion US$)</th>
<th>Export volume (%)</th>
<th>Terms of trade (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turkey</td>
<td>5.6</td>
<td>8.9</td>
<td>28.2</td>
<td>45.3</td>
</tr>
<tr>
<td>Accession-10</td>
<td>0.0</td>
<td>0.4</td>
<td>0.2</td>
<td>0.4</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>-0.0</td>
<td>0.1</td>
<td>0.5</td>
<td>3.7</td>
</tr>
<tr>
<td>Romania</td>
<td>-0.0</td>
<td>1.1</td>
<td>0.2</td>
<td>1.2</td>
</tr>
<tr>
<td>EU-15</td>
<td>-0.0</td>
<td>0.1</td>
<td>8.5</td>
<td>0.5</td>
</tr>
<tr>
<td>Germany</td>
<td>-0.0</td>
<td>0.1</td>
<td>2.1</td>
<td>0.5</td>
</tr>
<tr>
<td>The Netherlands</td>
<td>0.0</td>
<td>0.1</td>
<td>0.6</td>
<td>0.3</td>
</tr>
<tr>
<td>Rest of world</td>
<td>-0.0</td>
<td>0.0</td>
<td>8.7</td>
<td>0.2</td>
</tr>
</tbody>
</table>

Source: WorldScan simulations.

Table 7.5 shows the macroeconomic implications of institutional reforms. We see that an improvement in institutions raises GDP in Turkey by 5.6 per cent, while consumption rises by 8.9 per cent. Welfare increases by 28.2 billion US$ in constant prices. These macroeconomic effects are substantially larger than the impact of the accession to the internal market. This has several reasons. First, the estimated trade impact of the improvement in the Corruption Index is bigger than that of the accession to the internal market. Indeed, the aggregate trade increase is more than three times larger. Second, the improvement in institutions affects all sectors alike, including the sectors metals and machinery and equipment. This contrasts with the simulation for the internal market where these sectors are affected relatively mildly. The large reduction in the user price of these capital goods is important for the economic implications, as lower capital costs encourage investments and exert an acceleration of GDP growth.

Other countries benefit from the improvements in Turkey’s institutions. The biggest gain is in Romania, where consumption rises by 1.1 per cent, primarily because of cheaper imports from Turkey. The equivalent variation suggests that the EU-15 experiences a welfare
gain equivalent to $ 8.5 billion. Real private income in the Netherlands expands by $ 0.6 bln. Dutch exports to Turkey grow by more than 50 per cent by some US$ 2.3 billion. This amounts to more than 0.3 per cent of aggregate Dutch exports.

Although the institutional improvement potentially has an important economic impact for Turkey, these gains will only materialise if the accession of Turkey to the EU will indeed induce such improvement. Should the reforms be less fundamental, the Turkish position on the TI Corruption Perceptions Index ladder improves less.

7.6. FREE MOVEMENT OF LABOUR
Forecasting the migration effect of Turkey’s accession to the EU is difficult. The same difficulty applies to the Central and Eastern European countries, however. A number of researchers have nevertheless attempted to produce an estimate of the migration potential. These studies usually use historical immigration patterns to estimate the effect of income disparities (and other explanatory variables like unemployment or distance) on international migration. The estimates are then applied to the income differentials between the EU and the Central and Eastern European countries to obtain an estimate of the migration effect of EU-enlargement. The results of these studies have been extrapolated to show the long-term migration potential from ten Central and Eastern European countries to the EU-15. The long-term is interpreted as the migration effect 15 years after the accession. A median estimate is 2.9 million migrants in the long term from ten Central and Eastern European Countries. This corresponds to a net migration of 3 per cent of the total population in Central and Eastern Europe or, equivalently, 0.7 per cent of the EU-15 population.

To assess the migration potential from Turkey to the EU, we apply the figures for the Turkish population, and the income differential between Turkey and the EU-15 to derive an estimate for the migration effect from Turkey. Turkish income per capita, measured in purchasing power parities, is 31 per cent of the EU-15 average in 2000.
This is somewhat below the average of the Central and Eastern European countries. We take account of demographic developments in Turkey. The Turkish population is expected to increase from 68 million in 2000 to 86 million in 2025. By substituting these figures in the equation for the migration potential, we obtain an estimate for the migration from Turkey to the EU of 2.7 million people in the long term. This equals 4 per cent of the current Turkish population, or another 0.7 per cent of the current population in the EU-15.10

The destination of migrants from Turkey is not expected to be proportional to the population of EU countries. In particular, the migration literature reveals that the destination of migrants primarily depends on network effects, i.e. new migrants go to places where previous migrants have settled. Table 7.6 shows how future migration flows would then be distributed across EU countries. We see that a large share of Turkish migrants will reside in Germany (76 per cent), which will receive more than 2 million Turkish immigrants. France (8 per cent) and the Netherlands (4 per cent) also host a relatively large share of Turkish immigrants and will receive, respectively, 213 thousand and 107 thousand migrants.

| TABLE 7.6 |
| Expected Destination of EU Immigrants (in 1000), Based on Stocks in EU Countries in 1999 |
| In 1000 | In % |
| --- | --- | --- |
| Total | 2665 | 100 |
| Germany | 2025 | 76 |
| France | 213 | 8 |
| UK | 53 | 2 |
| Italy | 27 | 1 |
| The Netherlands | 107 | 4 |
| Rest of Europe | 240 | 9 |

Source: Trends in international migration, OECD, SOPEMI 2001 for data on current destination; own calculations for expected destination of Turkish migrants.

10 Note that this estimate is based on historical immigration figures that do not necessarily refer to Turkish immigration. Hence, the estimate does not account for specific characteristics of Turks.
Assuming that 2.7 million Turks will migrate after the accession, we assess the economic implications. Borjas (1999) argues that the economic impact for the countries of destination and the countries of origin typically depends on the skill level of the immigrants. We do not know the skills of the immigrants in advance: they can be either skilled, e.g. because educated people are more willing to migrate, or unskilled, e.g. because a restructuring of the agricultural sector in Turkey worsens the economic prospects in Turkey for the unskilled. To cope with this uncertainty, we perform two simulations. In the first simulation, we assume that the composition of Turkish immigrants is equal to the composition of workers in the EU (Table 7.7). In a second simulation, we assume all Turkish immigrants are unskilled. The two simulations thus provide a range for the likely economic consequences of the assumed immigration flow of 2.7 million Turks.

Table 7.7 shows that migration reduces overall GDP in Turkey by 2.2 per cent. In Germany, GDP increases by 2.2 per cent while GDP in the Netherlands expands by 0.6 per cent. As the decline in GDP is smaller than the outflow of people from Turkey, GDP per capita rises in Turkey. The reason for this is that capital is not perfectly mobile across countries. Hence, the lower supply of labour increases the capital/labour ratio in Turkey. This raises the marginal product of labour and thereby raises wages. For similar reasons, GDP per capita in Germany and the Rest of the EU decrease. Indeed, the lower capital/labour ratio causes a decline in the productivity of labour in these countries and thus a fall in wages. The effect remains small, though, because of the modest increase in the population size. On average, GDP per capita in the falls only marginally (not visible in one-digit figures). The effect on ratio between the wage rate of unskilled and skilled workers is negligible because we assumed that the composition of migrants is identical to that of the destination country.

The effects on consumption per capita suggest a more favourable picture for Turkey and less favourable for the EU-15 than the figures for GDP per capita. There are two reasons for this. First,
there are changes in the terms-of-trade. In particular, lower wages in the EU-15 exert a downward pressure on producer prices. The opposite holds for Turkey. This renders the terms of trade effect positive for the Turkey and negative for the EU countries. Accordingly, consumption in Turkey expands and in the EU contracts. Second, we assume that the Turkish migrants transfer part of their income to their families in Turkey. Turks provide substantial remittances to their home country. Assuming that future Turkish migrants in Europe will also remit part of their income to their home country, consumption in the EU falls while it increases in Turkey.

The effects of migration in the EU and Turkey are different if all migrants are unskilled (see Table 7.8). Migration now changes the skill composition in Turkey and the EU. The relatively higher supply of skilled workers in Turkey exerts an upward pressure on the average wage and income per capita, as compared to Table 5.2. The relative scarcity of unskilled workers also increases their wage, relative to that of skilled workers by 2.5 per cent points (see the wage ratio). Consumption and GDP per capita increase by an additional 0.5 per cent as compared to the case of Table 7.7. In the EU, the wage of unskilled workers declines relative to that of skilled workers. For Germany, the decline is 3 per cent, while in the Netherlands it is 0.7 per cent. GDP and consumption per capita decline a bit more if all

<table>
<thead>
<tr>
<th></th>
<th>Population (%)</th>
<th>Volume of GDP (%)</th>
<th>GDP per capita (%)</th>
<th>Consumption per capita (%)</th>
<th>Wage ratio unskilled/skilled</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turkey</td>
<td>-3.1</td>
<td>-2.2</td>
<td>0.9</td>
<td>2.5</td>
<td>0.1</td>
</tr>
<tr>
<td>EU-15</td>
<td>0.7</td>
<td>0.7</td>
<td>-0.0</td>
<td>-0.2</td>
<td>0.0</td>
</tr>
<tr>
<td>Germany</td>
<td>2.4</td>
<td>2.2</td>
<td>-0.1</td>
<td>-0.8</td>
<td>0.0</td>
</tr>
<tr>
<td>The Netherlands</td>
<td>0.6</td>
<td>0.6</td>
<td>-0.0</td>
<td>-0.2</td>
<td>0.0</td>
</tr>
</tbody>
</table>

Source: WorldScan simulations.
immigrants are unskilled. The effects for the EU-15 remain fairly small in macroeconomic terms.

### TABLE 7.8
Economic Effects in 2025 of Migration from Turkey (all migrants unskilled)

<table>
<thead>
<tr>
<th></th>
<th>Population (%)</th>
<th>Volume of GDP (%)</th>
<th>GDP per capita (%)</th>
<th>Consumption per capita (%)</th>
<th>Wage ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turkey</td>
<td>− 3.1</td>
<td>− 1.8</td>
<td>1.4</td>
<td>3.0</td>
<td>2.5</td>
</tr>
<tr>
<td>EU-15</td>
<td>0.7</td>
<td>0.5</td>
<td>− 0.1</td>
<td>− 0.3</td>
<td>− 0.9</td>
</tr>
<tr>
<td>Germany</td>
<td>2.4</td>
<td>1.8</td>
<td>− 0.6</td>
<td>− 1.2</td>
<td>− 3.0</td>
</tr>
<tr>
<td>The Netherlands</td>
<td>0.6</td>
<td>0.5</td>
<td>− 0.1</td>
<td>− 0.3</td>
<td>− 0.7</td>
</tr>
</tbody>
</table>

Source: WorldScan simulations.

#### 7.7. CONCLUSIONS
We assess the economic effects of three shocks induced by the accession of Turkey to the EU: accession to the internal market; an improvement in national institutions in Turkey; and free movement of labour. We thus ignore the potential membership of EMU or the implications of transfers from the EU budget. Moreover, we concentrate on the long-term implications of the Turkish accession to the EU, not to short-term issues, and focus on trade relations, not to foreign direct investment.

The accession to the internal market yields positive effects for Turkey: private income (a measure for welfare) increases by $4.4 billion (approximately €3.5 billion, assuming 1€ = 1.25$), while GDP expands by about 0.8 per cent in the long term. Also the current EU-15 and the countries of Central and Eastern Europe benefit from the accession of Turkey to the EU, albeit only marginally.

The effects of accession to the internal market are small compared to the potential gains of improvements in national institutions in Turkey. Indeed, if EU membership would be able to trigger reforms in Turkey such that the country would climb on the so-called Transparency International Corruption Perceptions Index to a posi-
tion comparable to Portugal, our analysis reveals that welfare could increase by $28.2 billion (or €22.5 billion) while Turkish GDP would expand by 5.6 per cent. These effects are large, relative to the impact of the accession to the internal market. Also the EU benefits from the improvement in national Turkish institutions.

Migration involves a third effect that is potentially important in light of the accession of Turkey to the EU. An expected inflow of 2.7 million Turks would reduce GDP in Turkey by between 1.8 per cent and 2.2 per cent, and increase it in the EU-15 by between 0.5 per cent and 0.7 per cent, depending on the skill composition of the migrants. In per capita terms, income in Turkey will rise while it falls slightly in the EU. If migrants are primarily unskilled, also wage inequality in the EU-15 is likely to rise.

Summing up, accession of Turkey to the EU will bring economic benefits for Turkey, without exerting a big effect on current member countries of the EU or the countries from Central and Eastern Europe. Some sectors in Turkey will expand substantially, such as Textiles, but at the expense of these sectors in Central and Eastern Europe. The largest economic gains can be obtained through reforms of national institutions in Turkey that improve the functioning of the public sector and provide transparency to investors and traders.

References


OECD, 2002, Trends in International Migration, SOPEMI.


PART III

Economic Implications of Turkish – EU Membership
8.1. INTRODUCTION

One of the ultimate objectives of European Union (EU) membership is to achieve convergence in per capita income levels of the member states (i.e. convergence in standard of living). One question facing Turkey is whether it is possible to achieve a high, sustainable level of economic growth, without EU membership or prospects for such membership. A way to address this question is to look at the historical growth performance of the Turkish economy, and then examine the possible factors affecting economic growth after EU membership. Several Turkish economic parameters will be altered should Turkey join the EU and the effect of such changes on economic growth will help to answer the above question.

The major opening-up of the Turkish economy in the early 1980’s created a very unstable growth path, characterised by a pattern of mini boom-and bust cycles. More recently, a high mobility of international capital flows has resulted in a number of major economic crises, which aggravated the fluctuations in national income. The resulting unstable, relatively low level of long-run average growth
in the economy caused many Turkish economists to question the advantages of trade liberalisation, increased openness - and thus EU membership. (Utkulu and Ozdemir 2003) The major questions are: Is it in Turkey’s best interest to join the EU? If so, how can Turkish membership be achieved?

The EU was originally a merger of three economic entities: the European Coal and Steel Community (ECSC), the European Atomic Energy Community (EURATOM) and the European Economic Community, (EEC). Although the current structure of the EU is not only about economic issues, economics is still the main theme of the union. The core aspect of the economic facet of the EU is the integration of the national economies. Free trade between the member countries is only one narrow dimension of the economic integration debate and it is partly achieved through the mechanism of a customs union. A more general economic issue is the total integration of the member economies. The challenging two main questions on this issue are: How to integrate? What are the gains and losses of such economic integration?

This chapter will examine the literature’s basic concepts of economic integration. Before looking at the dynamic gain, the effects of Turkish economic integration are examined within the traditional measurement ways of the economic integration.¹ There are several channels affect economic growth after economic integration. They will also be scrutinised.

This section will furthermore address the issue of “peace dividend”. The logic is as follows: Both world wars were started in Europe. A simple fact is that economically integrated countries do not start wars. Since it is almost impossible today to imagine a war between France and Germany, it will be similarly impossible to imagine a future war in Cyprus and between Greece and Turkey should Turkey become a member of the EU. Thus there is a clear peace-dividend argument for Turkey’s accession, in addition to more trade,

¹ See section 8.3 for the details of these measurers.
faster growth, and a more stable development. All these factors could benefit the current EU countries, especially Greece and Cyprus, as well as the rest of the world.

8.2. CONCEPTS OF INTEGRATION

A textbook definition of economic integration is the elimination of economic barriers between two or more economies where integration benefits all sides. Regional economic integration theory has long been established (see Viner 1950; Tinbergen 1954 and Balassa 1961). Economists have long argued that integration increases actual or potential competition. Competition leads to lower product prices, creates greater quality variation and wider choices for an integrated area. Thus integration results in enhanced welfare for all concerned. Integration not only benefits the output sector, but also is beneficial for the factors of production. For optimal goods-and-services product designs, and efficient service methods, production and distribution systems need a co-ordinated structure. In the early 1950’s economists debated on how to achieve better market integration. Notably, the Dutch economist Tinbergen (1954) contributed to this debate by classifying better market-integrating policies into two different forms: Negative integration policies, such as the removal of barriers to trade, and positive integration policies which entail the creation of a legal and governmental system to ensure effective free movement. Establishing free movement cannot only be achieved by removal of tariffs, quotas and non-tariff barriers. Many other policies also require modification and harmonisation, such as those dealing with commercialism, competition, the environment, society, as well as macroeconomic issues.

The question of how to achieve economic integration is addressed by a number of studies. Balassa’s (1961) ‘stages of economic integration’ is one of the most debated theories of economic integration and is an important cornerstone in this arena. Balassa suggests five major stages:
1) Creation of a free trade area (FTA): abolishing tariffs and quotas among members. However they are maintained or implemented against non-member countries.
2) Creation of a customs union (CU): introducing common external tariffs against non-member countries.
3) Creation of a common market (CM): abolishing restrictions on factor movement. (According to Balassa, the first three stages do not require Tinbergen’s positive integration rule, but the last two do.)
4) Creation of an economic union (EU): harmonisation of national economic policies. The main goal is to remove remaining discrimination.
5) Total economic integration (TEI): a vision of a unitary state or supranational entity. To this end, coordination and unification of monetary, fiscal and social policies are necessary. The final stage is the establishment of a supranational authority, whose decisions are binding.

The last stage (TEI) in Balassa’s classification has received criticism, but his general idea seems to have significant support.

The main thrust of economic integration is the creation of a single market. A key aspect of a single market, which most nation-states enjoy, is effectively having free movement of goods, services and factors of production (such as capital and labour). The operation of free movement can be effected in three main ways:

1) A legal framework (i.e. different laws govern production, sales and services);
2) A regulatory framework (such as taxation, economic and social policies etc);
3) A macroeconomic policy framework to ensure a stable economic environment.

There is some dispute concerning the regulatory framework within the EU. Some economists argue in favour of a market-based approach. A social market approach considers equity issues, in contrast to the market approach focus on the efficiency issue.
Economists consider single-market construction as a cost-reduction process. In this approach there are three main cost-reduction forms:

1) The first form is the regulatory framework costs (fulfilment of legal obligations of transactions).
2) The second form is the macroeconomic policy framework costs (such as the costs of not having a single currency, or having different inflation rates or growth rates, which alters pricing and sales policies).
3) The third form covers the fragmentation costs. Due to a number of factors, fragmentation exists, also within the EU. For example, there are economic and social barriers to labour mobility, and there are differences in consumer preferences. This is an extra cost due to the adjustment to different product and marketing policies.

A single market helps reducing these three main costs. In practice, the EU has formed a CU and is working on the creation of the single European market to reduce these costs.

A form of a CU exists between Turkey and the EU. However, for complete economic integration much more needs to be done. The current CU is limited because it excludes agricultural products. (See chapter 9 and 10 on agricultural issues between Turkey and the EU).

In practice, achieving full EU membership is subject to the Maastricht convergence criteria. Satisfying these criteria can lead to economic integration with a monetary union. In order to be able to join the monetary union, Turkey has to fulfil the five convergence criteria.

Growing economic integration increases the policy interdependence between countries. An integrated economy is about working together efficiently and interdependently. If macroeconomic policies are not coordinated across countries, the spill-over effect of these separate policies can harm the partner economies. Thus a set of fixed criteria is needed. A well-known fact is that fiscal policy can affect monetary parameters. Therefore a set of fiscal criteria is also needed. The Treaty on European Union (TEU) (agreed upon in Maastricht in 1991)
clarified the meaning of convergence and set the convergence criteria under four headings:

1) Inflation convergence criteria: Turkey’s inflation rate (measured by consumer prices) should be observed, over a period of a year before the examination, not to have exceeded by more than 1.5 per cent that of the three best performing countries.

2) Interest rate convergence criteria: Turkey’s average long-term nominal interest rate over the same period should not have exceeded that of the three best price performers by more than two per cent.

3) Exchange rate criteria: Turkey’s exchange rate should have been within the normal fluctuation margins of the EMS, without tension and without a depreciation having been initiated for at least two years.

4) Fiscal criteria:
   1) a) Government deficit: The ratio of the annual government deficit to GDP must not exceed three per cent at the end of the preceding financial year.
   2) b) Government debt: The ratio of gross government debt to GDP must not exceed sixty per cent at the end of the preceding financial year.

<table>
<thead>
<tr>
<th>Year</th>
<th>Domestic+ Foreign Debt/GDP (%)</th>
<th>Domestic Public Debt/GDP (%)</th>
<th>Public Deficit/GDP (%)</th>
<th>Nom. Int. Rate (%)</th>
<th>Real FX Index (%)</th>
<th>1982=100 %</th>
<th>% Annual chg. CPI</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>51,12</td>
<td>29,28</td>
<td>-11,69</td>
<td>109,50</td>
<td>71,15</td>
<td>68,8</td>
<td></td>
</tr>
<tr>
<td>2000</td>
<td>57,40</td>
<td>29,00</td>
<td>-10,56</td>
<td>38,00</td>
<td>72</td>
<td>39,0</td>
<td></td>
</tr>
<tr>
<td>2001</td>
<td>107,67</td>
<td>69,22</td>
<td>-16,45</td>
<td>96,20</td>
<td>59,38</td>
<td>68,5</td>
<td></td>
</tr>
<tr>
<td>2002</td>
<td>97,09</td>
<td>54,492</td>
<td>-14,66</td>
<td>56,00</td>
<td>71,08</td>
<td>29,7</td>
<td></td>
</tr>
<tr>
<td>2003</td>
<td>90,86</td>
<td>54,499</td>
<td>-11,23</td>
<td>42,68</td>
<td>71,08</td>
<td>18,4</td>
<td></td>
</tr>
</tbody>
</table>

Source: SIS data.
We will now leave the argument about how to achieve economic integration, and address the gains and losses of economic integration between Turkey and EU.

8.3. TRADITIONAL MEASURES OF THE EFFECTS OF ECONOMIC INTEGRATION BETWEEN TURKEY AND EU

The integration literature describes three main groups of economic effects of establishing free movement. These are the static, the dynamic and miscellaneous effects. In this section, I will add a special effect for the Turkish case, called the “peace dividend” effect. The static effect occurs when factors of production are fixed and characteristics of the competitive environment are constant. The dynamic effect occurs when these factors of production and technology change. The economic gains of these effects can be seen in two applied stages: The first stage is the CU stage and the second stage is the common market (CM) stage.

The static effect of increase in trade is decomposed into two parts: trade creation and trade diversion. If the increased trade with integration moves trade from the high cost producer to the low cost producer, then the effect is trade creation. This is also called ‘external trade creation’. In another sense, trade creation is about trade replacing home production or additional trade arising from increased consumption. Trade creation increases economic welfare, as higher-cost local production is replaced by lower-cost partner imports.

The replacement of trade with non-partner countries by trade with partners is the trade diversion. This effect comes as a result of removal of tariffs, quotas and non-tariff barriers (NTB’s). Trade diversion reduces economic welfare, as lower-cost imports (which are subject to tariffs from third countries) are replaced by higher-cost imports, which are tariff-free, partner imports. There are a number of challenges concerning Viner’s conclusion about the exact static effects. For example Cooper and Massell (1965) argued that a policy of unilateral tariff reduction is superior to customs union formation. Several
studies have examined the static effect of establishing free movement. The literature focuses mainly on the effect of the removal of trade barriers since NTB’s are difficult to measure. But this omission raises a number of questions on the validity of the results of the empirical investigations. Although questionable, there are some numerical estimates of trade creation and diversion for the period 1965-67, outlined in the EFTA bulletin (1972). Trade creation for the member countries was almost three times greater than the trade diversion (trade creation of $6.2 billion as opposed to $2.2 billion trade diversion). In general, all the empirical studies agree on the stronger trade creation effect on industrial products. However, the agricultural sectors have suffered a trade diversion effect among EU members.

The gain from the static effect within the concept of trade creation and diversion has attracted the attention of Turkish economists. The research results on this issue have been conflicting. It is obvious that mutual economic benefits exist for Turkey and EU. But the answer to the question of which side gains most needs further clarification. Karakaya and Ozgen (2002) examine the static effect of trade creation and trade diversion by using the Revealed Comparative Advantage (RCA) index. Based on the RCA index, export structures differ significantly between Turkey and the EU. Their results show that there is an intra-regional trade creation effect in the case of commodity-groups such as agriculture, food, beverages and tobacco, textiles, paper products, chemicals, non-metals, basic metals and metal manufacture. One of the strongest arguments against the current customs union between Turkey and the EU is Turkey’s growing trade deficit since it took effect. Although the trade volume has grown, export growth has been much lower than the import growth. Figure 1 shows the foreign trade between Turkey and the EU starting before the CU union agreement, until 2004.
The static CU analysis proposed by Viner, side-steps dynamic gains, which are crucial for assessing the full effects of such a union. If economic integration positively influences the economic growth of participating nations, this is characterised as a dynamic effect. Such an effect could occur if economic integration leads to positive changes in factors of production and technology.

The dynamic effect can be explained in a number of different ways. Market extension is one of the most obvious dynamic consequences of a CU. Another consequence is increased competition. In general, dynamic effects reduce uncertainty (or increase credibility) regarding economic policies and policy reforms. There is no doubt that the reduced uncertainty makes planning and investment easier for the private sector. There are six channels through which the rate of growth of an economy might be effected by trade policies (See Wacziarg, R. 2001):

1) price distortion
2) government consumption
3) manufactured export
4) investment rate
5) foreign direct investment (FDI)
6) improved macroeconomic policy
Let us look first at the effect of a possible change in Turkish government policies: The prospect of Turkish EU-membership could encourage Turkish policymakers to pursue virtuous macroeconomic policies. On the one hand, if macro policies entail a larger government,\(^2\) economic growth is not effected in positive way (See Barro 1991 and Barro and Sala-i-Martin 1995). On the other hand, an open economy encourages a smaller sized government due to the privatisation: limitation on taxation to preserve the economy’s price competitiveness, and to attract foreign investment. Thus the government size effect creates an ambiguity for the economic growth argument. The crucial positive effect comes from macroeconomic stability. Government policy makers have to create a more stable macroeconomic environment and a resulting positive effect on growth by:

1) reducing price uncertainty
2) maintaining comparatively low interest rates
3) creating a suitable environment for capital investment
4) keeping inflation in check
5) formulating long run economic planning
6) increasing productivity
7) maintaining public debt stability
8) increasing compatibility for domestic markets

The removal of trade barriers increases the possible sources of supply from other countries. Thus competition is enhanced and monopoly power reduced, resulting in lower output prices and increased output. Increased market size would reduce uncertainty.

The next effect to consider is price distortion. The resource allocation and income distribution effects of open trade can influence price distortion. A typical allocation effect argument deals with tradable and non-tradable goods sectors:

A common market facilitates price convergence of tradable

\(^2\) Simply, a larger government requires higher government consumption.
goods but not non-tradable goods. However the general price effect of a common market provides a lower degree of price distortion. Low price distortion stimulates factor accumulation and growth. After joining the economic union, domestic agents can also import capital goods that were previously unavailable. Access to modern technologies could also facilitate growth. A stable environment could cause X-inefficiency reductions, such as reduced inefficiencies in management, reduction of an excessive, unproductive employment level, and less excessive stock holdings. Economic union leads to integration of fragmented markets, which could enhance productivity. When the economies are not at the minimum-cost efficiency scale, economies of scale can create lower prices and larger output. Increased output can trigger the learning-by-doing effect.

Another channel supporting economic growth is technology transmission.

1) A common market can make technology more available for domestic producers, who can imitate the ‘leaders’ more easily.

2) It can also be stimulated through foreign direct investment (FDI).

An analysis of FDI inflows indicates that over the first two years before a membership-prospect and the following eight years, FDI inflows are a rising trend. For example: the FDI inflows (medium term) in Spain, Poland and Portugal, dramatically increased, but not in Greece. An analysis of this issue indicates that the FDI inflow increase is not automatic after membership, but nonetheless a highly plausible scenario for Turkey. A common market affects growth mainly by raising the domestic investment GDP ratio, the positive effect of FDI inflow and the benefits of long-term, stable macroeconomic policies. The government size effect is ambiguous.

A common market (CM) requires free movement of labour and capital. Free movement can increase the efficient use of factors of production and the incentive to invest, which may in turn enhance economic growth. The effects of integration on savings, investment and
economic growth are positive. Technical-standards harmonisation and low trade costs may lead to higher research and development (R&D) expenditures. From the endogenous growth literature, increased R&D investment generates greater economic growth. Increased productivity can make an equitable redistribution income in the long run more likely, in a political sense.

There are a few studies that examine the possible dynamic effects of CU and make suggestions on membership. For example, the EFTA bulletin (1972) indicates that CU membership leads to huge, positive dynamic growth effects, compared to the same period’s USA growth. Another notable study employing a multi-region, multi-sector dynamic macroeconomic general equilibrium model examined the benefits of the CU agreement (Bayar, Diao and Yeldan 2000). Their simulation results revealed that the expected positive outcomes from the current CU agreement between the EU and Turkey very much depend on whether the non-tariff barriers can be eliminated and a move towards a more competitive environment will be sustained. The new commercial environment could result in a complete liberalisation of the Turkish agricultural sector (vis-à-vis Europe) and thus could be a major step towards releasing resources out of agriculture. Although this will create a short term, slight deflation of real GDP in Turkey, in the longer run (in a dynamic setting) this will have positive impact on real GDP: as trade volume increases, the trade deficit is expected to widen, leading to an increase in the investment/saving gap. They suggest that full membership is likely to increase the gain further, for all blocks in their model. As Kutan and Yiğit (2004) point out, the rate of productivity growth and convergence to EU standards has improved for the five most recent members of the EU. They draw lessons from the experience of these members to derive implications for the first-round EU candidate countries. Their results find a high level of heterogeneity in growth rates, and a fast-paced convergence to EU standards. Their result is supported by a structural change test as well.
The current CU between Turkey and EU creates a noticeable dynamic gain for the member countries. Community exporters earn preferential and unhindered access to Turkish young and non-saturated market with a population of seventy million. This will have a positive impact on employment in the community. A study by Mercenie and Yeldan (1997) analyses the dynamic-effect of a custom union. Using an inter-temporal CGE model with imperfect competition, they find a welfare gain of under one per cent of GDP for the Turkish economy by forming a customs union with the EU. Augier, P. and Gasiorek, M. (2001) conclude that the substantial welfare gains very much depend on the extent of liberalisation.

8.4. PEACE DIVIDEND AND LONG-TERM STABILITY EFFECTS

One of the driving forces behind the formation of the EU was the established peace in Continental Europe. History tells us that Europe, with a spectacular record of wars, had not been a safe, stable place and two world wars were started there. As stated in the treaty of Rome Europe would work to “... pooling their resources to preserve and strengthen peace and liberty”. It is now almost impossible to imagine a war between the member countries. The simple fact is that Europe became a single community with common economic goals, which virtually eliminated the possibility of wars among or between European states. Analogously, the possibility of war between Turkey and Greece will be all but eliminated after Turkish EU membership. The peace dividend aspect of the argument between Greece and Turkey can be best observed with the aid of some of NATO statistics which will demonstrate show us how out of line Greece and Turkey are with other members of the Alliance. We begin with observations on the military spending of NATO countries to see how serious this issue of expenditures is between Greece and Turkey.
Despite the difference in defence requirements due to the size of army, land, population etc., the level of Greek defence expenditures are nearly high that of Turkey. Both countries’ military expenditures are among the highest of the NATO countries. Turkish military expenditures, however, significantly increased in the 1990’s compared to that of Greece. Thus, there is very probably a significant peace dividend effect of Turkish membership for all EU members and for the rest of the world.

There is a fair amount of defence-economics literature regarding

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TABLE 8.2
Defence Expenditures as % of Gross Domestic Product

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Turkey and Greece. As Brauer (2001) indicates, these studies can be broadly summarised under five major topics. The first topic is concerned with the issue of an arms race between Greece and Turkey. The second is about the demand-determinants of military expenditure. The third is about the impact of military expenditure on economic growth in Turkey and in Greece. The fourth covers the nature, extent, and impact of indigenous arms production in these countries. The fifth topic deals with the possible peace dividend from reduced military expenditure in Greece and in Turkey. Arms race studies show that (at least for certain periods of time) Turkey and Greece’s military expenditures are co-integrated, which indicates that there is an arms race between the two. Hence one country’s increased military expenditure affects the other country’s military expenditure. A very likely outcome of Turkish EU membership is a sharing of the peace dividend by both countries. Most of the studies on the determinants of the demand for military expenditure show that there is a clear negative link between economic growth and military expenditures. Although Turkey’s military expenditure demand is not only driven by its rivalry with Greece, one of the main driving forces is this rivalry. A number of studies have addressed additional factors, such as Islamic fundamentalism, terror, suppression of Kurdish militants and NATO commitments. The impact of these factors tends to be reduced in a more stable, democratic, wealthy country.

A third topic of research focuses on the economic impact of military expenditures. This area of research is concerned with the military sector’s total effect on the economy (i.e. on investment, labour, human capital and economic growth), the externality effects of the military sector on the other sectors and the factor productivity differentials among other sectors. This research area differentiates the arms import and the indigenous arms production. The latter appears to effect economic indicators in a more positive way; but the overall effect of military expenditure on economic growth is still negative. Another set of studies concerns the peace dividend from reduced military expenditure in Turkey and in Greece. The disarmament and reallocation scenarios
result in lower unemployment, higher economic growth and private consumption and an improved balance of payments.³

According to a study by Özdemir, Paroussos and Bayar (2004), there is a strong peace dividend case for Turkey’s EU membership: Turkey, Greece, Cyprus, the EU and the rest of the world clearly stand to benefit. In an analysis of the macroeconomic implications of a reduction in military expenditures by Greece and Turkey, this study examines the potential peace dividend between Greece and Turkey by employing a multi region dynamic CGE model. A general purpose of the study is to examine the prospect for conflict resolution if Turkey becomes a member state of the European Union. This would be expected to create “peace” between the two countries, particularly in the Aegean area and in Cyprus; which in turn should lead to a cut back on military expenditure by both sides. The employed model analyses several scenarios: A positive scenario is a certain amount of reduction on Military Expenditure/GDP (ME/GDP) ratios. This may result in more public consumption, greater public investment savings and tax reductions, relative to a baseline scenario (which involves no change in ME/GDP). The membership prospect for Turkey should create cooperation and disarmament between the two countries. These re-allocation scenarios may result in higher GDP growth, higher private consumption, lower unemployment, lower interest rates, economic stability and increased FDI for Turkey and improved balance of payments (BoP) in both countries. Economic stability and various spillover effects are other possible economic benefits to the EU as a result of Turkish EU membership.

8.5. CONCLUDING REMARKS

Turkey has the largest economy of the countries in its part of the world. It has a young, dynamic population, a fairly flexible labour market, and a quick-functioning, diversified open-market economy. It is the only democratic (and only secular) Muslim country. Turkey has

a reasonable domestic savings ratio with a sustainable BoP deficit. It is member of the Customs Union. These are the plusses.

On the minus side however, Turkey has low labour productivity and high unemployment, and a great deal of underemployment. Rampant corruption in both government and the private sector is a major source of inefficiency, resulting in far less than optimal real GDP. The basic education level is well below the EU average. Property rights are well developed but the enforcement of these laws is insufficient. Education, energy supply (in the long run), transportation, railways and the infrastructure have some problems and are well below the EU standards. City planning is insufficient and city infrastructure is underdeveloped. There is a large agricultural population, but the productivity of agriculture is very low. There is a definite need for a major overhauling of the agricultural sector.

On the positive side, there is a significant improvement in macroeconomic policy management, reflected in a substantially reduced inflation rate, and improved economic stability.

Historically unstable political structure and populist macroeconomic policies, have long been a problem for the Turkish economy. (However, significant improvement has been made, mainly due to the prospect EU membership.) The public sector is centralised and its productivity is low. Malpractice and rent-seeking behaviour are big problems. A lack of talented management (resulting in less than optimal real GDP), a substantial black market, and an uncanny ability to avoid paying taxes, has forced the government to implement high tax rates to compensate for the lost tax revenue. There is not enough market regulation and the debt ratio is still higher than the EU average. As a net result FDI inflow is comparatively low. Since the early 1980’s there has been a very unstable growth path and a comparatively low level of output.

Hopefully, the prospects of impending EU membership can inspire Turkey to get its house in order by implementing stable, long run oriented macroeconomic policies, corresponding fiscal policies and a better enforcement of property rights and tax laws. If so, EU
membership is much more likely and a brighter future for Turkey is all the more possible.

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9.1. INTRODUCTION

Few people consider the budget of the European Union to be an exciting topic. The tables or statistics seem mind-numbingly dull and the details of changes in income and expenditure appear arcane and virtually impenetrable. Yet, hidden among the mass of numbers lie the means to realise a massive transfer of official resources (government cash) with the Union and, if used wisely, this transfer might be the key to unlocking the full economic potential of a poor country like Turkey. It is this fact that makes the obscure world of the EU’s finances worth paying some closer attention.

The total size of the budget of the EU(15) (i.e. the fifteen member EU, on the eve of its enlargement to 25 members) is a mind-boggling €100,000,000,000 (expressed in 1999 prices - unless stated otherwise, so are all of the other data mentioned in this chapter). The addition of ten new members in May 2004 added an immediate €11,800 million to this total (European Commission 2004a). However, when we are dealing with large economic areas and large populations, most numbers are extremely large. In practice, the EU’s budget amounts to
little more than one per cent of the combined national income of the fifteen member states. Most governments in Western Europe collect, and spend, proportionally forty times as much within their national frontiers, on items as health, education, defence, social security payments and their own bureaucratic apparatus of state.

If, put into this context, one per cent of national income (or, more accurately, a maximum of 1.2 per cent) may seem relatively small, its expenditure is concentrated in ways that focuses its effects on the poorer members (or areas) of the EU and, for them, the impact can become highly significant. In the 1990s the net budgetary transfers from the EU(15) to poorer members states as Greece, Portugal, Spain (and Ireland) amounted to between three and four per cent of national income, whilst the indirect effects of the Common Agricultural Policy contributed income transfers that were equivalent to as much again. These are highly significant amounts, and they illustrate the size of the financial contribution that the EU can make to the potential development of its poorer members.

Before starting our analysis, it is worth making one point. All the assessments are based on the prevailing policies – policies agreed by the EU(15) and to be phased-in over nine years for the ten new members. If Turkey joins the EU, it is unlikely to be much before 2013, and possibly even later. Yet we have only the sketchiest budget proposals for the period 2007-2013, and we still have to see how they will be received. This chapter will concentrate on the implications of the EU budget for Turkey, and it will also try to anticipate the direction of policy changes. Only towards the end will we consider the implications on net budget payers – rich countries with relatively small agricultural sectors – such as the Netherlands. The Dutch will play a crucial role in the build-up to the decision on Turkish membership and already the EU budget is entering the equation. To be fair, the issue of the net Dutch contribution has not (yet) been tied directly to Turkish membership; it is seen in the context of the national budget-cutting exercise related to the need to meet the EMU requirements. It is doubt-
ful whether this will stay that way. This chapter will argue that any debate on minor shifts in net budget positions will obscure far larger issues at stake.

9.2. THE INCOME OF THE EU

The EU obtains its income from four main sources. Two of these are related to the size, composition and direction of foreign trade and two are related to the scale of domestic economic activity. Foreign trade related items provide only 18 per cent of the EU’s revenues, whilst contributions related to domestic activity account for most of the rest. Moreover an additional ceiling, of 1.24 per cent of the EU’s national income, has been agreed beyond which the EU’s “own resources” will not be allowed to increase (Berlin Council, September 2000). Indeed the Commission recommendations for the period 2007-2013, published in February this year, suggested a ceiling of 1.14% of the income of EU(25). (European Commission 2004b) Earlier, in December 2003, six major contributors to the budget – Austria, France, Germany, Netherlands, Sweden and the UK – had pressed the Commission to limit expenditure to only one per cent of the Union’s national income.

For a long time the EU has collected a large part of its income from agricultural levies on its food imports. Once a corner-stone of EU finances, because of the changes in the common agricultural policy and levels of protection, these levies now account for only three per cent of EU revenues. A further 15 per cent of revenues comes from the common external tariff that is paid by all members states on imports from outside the Union, but not on imports from within it (there are no import tariffs levied on trade within the EU). With the cuts in tariff levels in various GATT trade rounds, income from this source has also fallen in importance since the late 1960s, when it first became a source of EU funding.

If one looks at Turkey’s relative position within EU trade, then there are two opposing forces at work. On the one hand, Turkey still
trades relatively more outside the EU than do the current EU(15) and so its imports are relatively more liable to pay external duties. The EU(15) buys 60 per cent of its exports within the EU area, whereas Turkey derives only 34 per cent of its imports from the EU(15). On the other, it trades relatively less in relation to the size of its economy than do the current EU(15). Whilst the EU(15) exports 28 per cent of its combined national income, the equivalent figure for Turkey is 21 per cent. This serves to reduce the relative size of Turkey’s contribution from this source, probably to an extent that outweighs any over-contribution from agricultural duties. To make predictions more complicated, should Turkey join the EU, these two revenue sources are likely to develop in contradictory directions with trade links towards the EU intensifying (revenue decreasing) and trade dependence of the economy increasing (revenue enhancing).

Most of the EU’s revenues come from sources reflecting the size of domestic economic activity. One major source of revenue, contributing 37 per cent to the total, is accounted for by the fact that EU receives revenues equivalent to a VAT rate of one per cent, with a ceiling placed on individual countries’ contributions. Given Turkey’s relative economic underdevelopment, it is likely to make a relatively small contribution from this source. The remaining 45 per cent of the budget comes from an even percentage “national contribution” calculated on the basis of the EU’s total gross national income, with individual ceilings for Austria, Germany, the Netherlands and Sweden designed to stop their net contributor status become too large.

Since most of the EU revenues are (indirectly) tied to economic size albeit with ceilings for some sources (VAT) and for some countries, it is a safe bet that the size of Turkey’s contributions will fairly closely reflect its relative economic size within the Union. In these circumstances one can hypothesise that, in the event of membership, Turkey’s contribution is likely to be slightly lower than its share in the combined national income of the EU. Since Turkey’s national income is of €173,000 million is 2,17 per cent of that of the EU(15),
(Eurostat, 2000) this would imply an upper level contribution to EU revenues of €2,200 million. One recent authoritative estimate suggests that Turkey’s full cost contribution would lie closer to €1,800 million (Quaisser and Reppegather 2004) a little above one per cent of Turkey’s national income.

9.3. THE EXPENDITURE OF THE EU

The expenditure items on the EU’s budget are quite diverse but almost 80 per cent of it is accounted for by two major items. The remainder of the budget is devoted to various (other) domestic policies, to external policies to the EU’s own administration and to assistance to countries seeking accession to the EU in the future. The two main items of expenditure, however, are the common agricultural policy which accounts for 45 per cent of expenditure and structural/cohesion funds which dispose of the remaining 34 per cent. Moreover, because of the way in which the policies behind these two expenditures items operate, there are considerable national divergences in the allocation of funding. It is in these areas that Turkey, as a poorer, more rural member of the Union, would expect to recoup its contribution to the budget and indeed to attract considerable additional funding for its economic development.

In this part of the chapter will we examine the way in which these two policies work and, on the basis of unchanged policies, we will look at the probable implications for Turkey. If we anticipate the outcome of this exercise, we will have to conclude that the continuation of current policies will result in large budgetary flows in Turkey’s favour. However, we must emphasise that this entire exercise is highly speculative since, if we are making predictions, one prediction we can make with absolute certainty is that current policies will not remain unchanged. This is possibly just as well because, although the unchanged operation of the CAP and structural/cohesion funds hold out the promise of a budgetary largesse for the Turkish government, some of the current policies carry with them quite serious negative
implications for Turkish economic development as a whole. On the basis of current policy trends, we will also attempt to assess the probable direction of future reforms. The chances that we may be wrong are quite large. Any eventual battle for the budget may well witness the unedifying sight of a scramble by member states for a share in the loot even at the cost of perpetuating ineffective, contradictory and wasteful policies.

The common agricultural policy (CAP) has long been an object of criticism in academic circles but its operation has improved a great deal in the last ten to fifteen years (Griffiths 2003). To understand how it will impact on Turkey in the event of EU membership we have to distinguish two levels in its operation. At the first level we need to isolate the non-budgetary effects of the policy. These derive from the fact that Turkish farmers will receive access to the guaranteed (higher) prices for foodstuffs that prevail within the European Union but they will also feel the effects of increased competition in some sectors from exports of EU farmers. At the second level we can isolate the budget effects of the policy. These derive from the access of Turkish farmers to “direct payments” to farmers in the member states paid out of EU resources.

If we examine the non-budget effects of the CAP the conclusion is inescapable that Turkish farmers will suffer, but not by as much as one would suspect. Firstly, in the past twenty years the CAP has been evolving away from price support as the main instrument for farmer protection. Secondly, since 1996 Turkey has had a partial customs union agreement with the EU in which 60 per cent of its exports to the EU are free from all tariffs and 36 per cent benefit from preferential access. This has already exposed much Turkish agriculture to convergence to EU prices. To estimate the non-budget effects of eventual EU membership on Turkish agriculture, Harald Grethe constructed a two-step analysis. In the first stage he estimated the benefit to consumers (and cost to farmers) of a complete dismantling of all Turkish agricultural support measures, leaving agriculture completely exposed to
World market forces. In this scenario he calculated that consumers would benefit (and farmers lose) €2,749 million. This would be equivalent to 1.6 per cent of Turkey’s national income and would represent a loss to farmers equivalent to 9.4 per cent of gross output. However Turkey is not being asked to dismantle all protection and so a second scenario was constructed whereby Turkish farmers would be fully integrated into the (higher-level) price regime of the CAP. With access now to all EU farm prices, the Turkish consumer would stand to gain (and farmers lose) €1,036 million, equivalent to 0.7 per cent of national income and 3.5 per cent of gross agricultural output. (Grethe PhD 2003, 211)

Turkish consumers would benefit directly (though marginally) from Turkish membership of the CAP but Turkish farmers would lose a noticeable chunk of their incomes. Given that almost 40 per cent of the working population derives its livelihood from agriculture and that traditionally farmers’ interest groups are usually better organised, and more vociferous, than consumer groups, it is improbable that Turkey would ever join the EU if there were not some compensation for these losses. Moreover it is unlikely that such claims will meet with local resistance since the Turkish population will not be paying for it.

The “compensation” that Turkish farmers will be seeking is equal access to the EU’s system of direct payments to farmers. These take the form of production subsidies (sometimes tied to limitations on output) and set-aside payments (compensation for non-production) and since the MacSherry reforms of 1994 they have become to main source of support for farm incomes. As we have seen above, Turkish farmers would actually need €470 million to return them to the position they would have been enjoying before EU membership. Anything beyond this would improve both their absolute position and their relative position towards other segments of society. However full access to the panoply of measures currently on offer would improve their position by €4,500 million, which would be equivalent to an injection of funds worth a thumping 15.5 per cent of gross agricultural income
It would also represent a transfer of official funds (in foreign currency) equivalent to 2.6 per cent of national income and, by itself, it would more than offset Turkey’s contribution to EU revenues.

Whilst sympathising with the argument that a poor country like Turkey deserves access to this scale of resources, there are good grounds for questioning whether the economy would actually benefit from the policies from which these funds derive. Let me illustrate this with one example. Unfortunately the data does not cover Turkey but we could take two other poor, agricultural applicants, Romania and Bulgaria, as a reasonable proxy. In this exercise the European Commission analysed the impact of EU membership, under different assumptions, for a “typical” 20 hectare farm. Within EU(15) this farm size generates a gross output equivalent to the gross average annual wage. However, among the ten new member states joining the EU in May 2004, 97 per cent of farms fail to reach this size; in Romania the figure is 99 per cent and in Turkey it 94.5 per cent. Moreover, except for those in the Baltic, in all the new member states and the two other applicants farms of this size generated an income higher than the national average wage. In Romania and Bulgaria farms of this size generated almost twice the average wage. Now, as we saw in Turkey, what the Commission’s analysis showed was that a simple alignment to EU price levels would lead to a slight worsening of the position of farm incomes in both Romania and Bulgaria. However, if they were granted full access to “direct payments”, the income from these hypothetical 20 ha would surge to almost four times the national average wage in Bulgaria and to a staggering five times in Romania. (EC, 2002b)

If only for reasons of social cohesion, it seems to me doubtful whether any Turkish government would wish to countenance the reversal of income disparities between agricultural earnings and other earnings on the scale implied by these calculations. But there are economic reasons, too, why such income transfers to agriculture are undesirable. First, Turkish agriculture would benefit from land con-
solidation whereas these payments would serve to prolong the viability of smaller land-holdings. Second, the Turkish economy would benefit from a shift of workers from agriculture to more productive sectors in industry and services, but raising the relative level of agricultural earnings would hamper this development. As it happens, I doubt whether, when membership eventually occurs, the dilemma will any longer be so stark.

It is highly unlikely that the CAP will retain either its present structure or its present levels of expenditure. Over the period 2007-2013, there is no growth envisaged in the market intervention part of the policy (i.e. policies of price support and farm payments), despite the phasing-in of benefits for the ten new members. As a result, this item will fall in from 32.5 per cent of the budget to 26.7 per cent (European Commission, 2004b). The same pressures that have forced changes over the last fifteen years are likely to continue into the immediate future. In the first instance, the EU member states are still determined to maintain an overall ceiling on the share of the Union’s national income going to the EU budget. Since agriculture is a major budgetary item and since all the new members are more agrarian than the current EU(15) it will be difficult to hold back spending if policies are not changed. One immediate effect of this is that new members’ entitlements to direct payments is being phased-in rather than being granted immediately. A second pressure for change emanates from the World Trade Organisation (WTO). In order to achieve trade agreements the EU has already been forced to reduce tariffs (and therefore domestic price support levels). This was part of the reason why the CAP has shifted from price to income support recently. The pressure from this side is also likely to continue. Not only will there still be a need for the EU to lower tariffs, and thus internal prices, to secure trade concessions from other countries, but the WTO itself is also waging a campaign against “trade distorting subsidies”, and the EU has more of these than any other country, or trading bloc, in the World.
Whilst it is easy to predict that the CAP will not go unchanged, it is more difficult to indicate the direction of any change that might occur. The CAP has displayed such an uncanny resistance to fundamental reform, in the face of both political pressure and superior logic, that the “safe bet” might be that it will continue as it is, with some tinkering in the levels of support, if only to satisfy the WTO. One (alternative) scenario would be that the EU governments are so committed to farm support that they would rather finance (part of) the payments themselves from national budgets. This would certainly become more feasible with the shift from price to income support since one should expect a greater divergence in levels (or else countenance the discrepancies we have described above). However, if one countenances (partial) nationalisation of the CAP, one could question why, aside from the usual fair trade rules, one any longer needs a common policy at all (Sapir, 2003, 111-3, 164). At the moment there is little indication that the European Commission is willing to go this far. Besides, the WTO is unlikely to accept a continuation of current levels of support, regardless of who is paying for it. Assuming that partial re-nationalisation is ruled out, the EU will have to face the fact that the pressure for lower tariffs/prices will increase the demands for compensatory subsidies and that these will stretch the limits of the patience of the other WTO members. Moreover, if the Union is to establish new priorities, such as making a larger contribution to research and development or expanding communication networks, it will be inhibited from doing so if agricultural support is not reduced. This item of expenditure is already scheduled to increase by 113 per cent over the period 2007-2013 and to reach 16 per cent of the budget. (European Commission 2004b) Given this scenario, it seems likely that production subsidies will increasingly be tied to output limits and to set-aside arrangements and that support for larger, more prosperous farms will be radically pruned. If agricultural payments are to become increasingly detached from output, however, a third scenario would see farm support increasingly subsumed under other expendi-
ture items, either a specific extension of countryside or rural development programs or, more radically, transferred entirely to structural or cohesion funds. The current perspectives for the EU(25) for the period 2007-1013 envisage that this item will grow in real terms by 26 per cent and will come to represent almost 10 per cent of the budget. At the moment it is still being classified separately, but the Commission proposes including this expenditure in calculations of the ceilings of 4 per cent that countries can receive from cohesion and structural funds (European Commission 2004b).

The EU’s Structural and Cohesion Funds embrace a wide range of measures and a correspondingly wide range of goals. At present most funds are concentrated on so-called Objective One regions. These are defined as those that regions that have a per capita income of less than 75 per cent of the EU average and (a minor category) sparsely populated regions. The Funds are intended to help these backward regions optimalise the opportunities afforded by the single market. Regions applying for Objective One funding are debarred from applying for any other form of structural funds. However, since most of the funding is concentrated on this single instrument and since all of Turkey’s regions would qualify, this is probably where Turkey would hope to benefit most from the EU budget. The upper limit of the size of the benefit is easy to state since the EU maintains a ceiling of benefits from structural and cohesion funds at 4 per cent of an economy’s national income. For Turkey this would mean a benefit of €6,920 million assuming the economy stays at its 1999 level (Eurostat 2000). If we build in some realistic growth assessments, the probable level once the transition phase is over has been estimated at €11,300 million (Quaisser and Reppegather, 2004). More so than the CAP, structural funds are likely to provide the main means by which Turkey will benefit from financial transfers for the foreseeable future. However, as will probably be the case with the CAP, so here too one could question whether, given the nature of the policy instruments, the Turkish government would actually want the full amount.
There are two, related, problems that accompany the use of structural funds. The first concerns the balance between local and central authority spending; the second focuses on questions of governance. One of the principles guiding the design of structural funds is that of “subsidiarity” – the perceived need to deal with matters at the closest corresponding governance level. Objective One funding, therefore, is associated with local responsibility, local programs (albeit in “partnership” with national and European institutions) and local implementation. At present, local authority expenditure in Turkey amounts to approximately three per cent of national income (whereas 14 per cent emanates from central government). Full access to structural funds would more than double the size of local spending and create a major shift of emphasis between the local and national levels. The Turkish government may well wish to question whether such a shift in emphasis in government spending would be desirable in itself; it might well be more cautious when it questions whether local authorities are actually capable of spending such extra amounts properly and efficiently.

This brings us to the second factor of concern since officials in the EU are asking themselves the very same questions. For the last eight years the World Bank has compiled data on governance indicators. The latest figures are for 2002. If we select four indicators – the effectiveness of government, the quality of regulatory activity, the rule of law and the combating of corruption – then in every case Turkey performs worse (much worse) than any of the enlarged EU(25) members. (Kaufmann, Kraay and Mastruzzi, 2003) The World Bank’s online data base allows a comparison between Turkey and other (poorer) countries in the same income category and, except for regulatory quality, Turkey’s performance is worse than other countries in the same economic position. (World Bank, 2003) To reflect what this means, I live in a country (the Netherlands) that ranks fourth for anti-corruption and the rule of law, second for regulatory quality and first for government effectiveness. Nonetheless, in 2001 it was forced to
repay €239 million in misspent grants from the European Social Fund. Moreover, at the time of writing this chapter (April 2004) it was reported in the press that post-secondary education had defrauded the government of €58 million by charging for non-existent students. If the Dutch can do this, it takes little imagination to anticipate what will happen at Turkish levels of local administration where nepotism, clientalism and corruption are still rife. As a result of problems of governance, some estimates suggest that even after a transition period of seven to nine years, Turkey might not be able to absorb structural funds amounting to more than three per cent of its national income, which would involve a budgetary transfer of €5,200 million at 1999 levels of national income, or €8,500 million if we build-in some growth assumptions.

It is probable that the entire operation of structural funds will change long before Turkey joins the EU. The first reason is the perennial concern with controlling the EU budget, which has revealed itself in the fact that new members’ entitlements will be “phased in” over a transitional period. To deal more firmly with the budgetary problem, two solutions are possible. One solution would be to place new (and lower) ceilings on what individual countries can expect from the Fund or to increase the amount of “matching” funding expected from the recipient countries. Even with low “matching” requirements, at present each Euro spend in the poorer regions (Objective One regions) had attracted €0.90 in matching funds from public authorities (European Commission 2004b, 15). A higher commitment of own resources would reduce the number of projects submitted and reduce the load of each on the EU budget. Another alternative would be to concentrate the spending on the poorer regions or to the poorest countries. At present 75 per cent of spending is focussed on Objective One regions, but that still leaves 25 per cent for regions that do not belong to the poorest. Equally, 40 per cent of funds still flow to countries whose income in higher than the EU(15) average. It is certain that the funds going to the EU(15) will be drastically cut, though these changes
are likely to be managed gradually. It is worth noting, however, that even if funds are concentrated in poorer regions, the four percent ceiling will mean that the richer among the poor will receive more per capita than the poorer, and presumably more needy (Begg, 2003, 175-6). Unfortunately, many of the policies embraced under structural funds have come about as side-payments (i.e. bribes for support) in earlier negotiations and are unlikely to be relinquished without a struggle. (Boldrin and Canova, 2001) As one authoritative commentary expressed matters, “National policy constraints mean that each government worries more about being able to flag a negotiation success (i.e. obtaining a significant share of EU money to be spent in its own territory) than about being sure that the money is spent on worthwhile projects, let alone those fostering convergence in the EU as a whole.” (Sapir 2003, 146)

A second reason for changing the policy lies in the complexity of administering the funds; running from the application, through the execution and, finally to the control over spending. These tasks, obviously, became more difficult the lower the standards of governance in the member state concerned; and standards of governance tend to sag alongside levels of economic development. In the preparation for the accession of the ten most recent members, 50-70 per cent of the funds granted in Phare programs were never taken-up and elsewhere there were many delays in the implementation of programs (Sapir, 2003, 94). One way of avoiding such problems would be for the EU to relinquish an element of its own control, to move away from the focus on regions and define eligibility instead by national criteria (i.e. countries below 75 per cent of the average), make over the funds to the state involved (as a gesture of solidarity) and to engage in arms-length ex-post supervision (Ederveen, Gorter, de Mooij and Nahuis 2002, 67-80, Weise, 2002, 5-7, Sapir 2004, 146). Recently (March 2003) the UK government has also called for a repatriation of regional policy, arguing that EU rules were not geared to tackling the real problems and that the local bureaucracy implied formed an additional barrier to
success (HMSO, 2003). At present, there is no indication that the Commission is about to countenance such a radical move. (European Commission, 2004b, 16)

9.4. A TENTATIVE BALANCE

Although we have sketched a, sometimes, radical agenda of policy change, the most probable result will be in the direction of marginal adjustment. Nonetheless, one thing about which the Turkish government can be certain is that there will be a tendency for policies to shift, and expenditure estimates to be reduced even while Turkey is engaged in negotiating for membership. At the moment, however, we can do little more than estimate the effects of enlargement on the assumption of unchanged policies. We will also assume that there is a phasing-in period of nine years before full benefits are attained. The results are shown in Table 9.1

<table>
<thead>
<tr>
<th>TABLE 9.1</th>
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<tbody>
<tr>
<td><strong>Estimate of Turkey’s Contributions to and Receipts from the EU Budget</strong></td>
</tr>
<tr>
<td>(€ millions, 1999 prices)</td>
</tr>
<tr>
<td>Initial Year</td>
</tr>
<tr>
<td>Contribution</td>
</tr>
<tr>
<td>Receipts: Agriculture</td>
</tr>
<tr>
<td>Structural funds (4%)</td>
</tr>
<tr>
<td>Structural funds (3%)</td>
</tr>
<tr>
<td>Net gain</td>
</tr>
</tbody>
</table>

**Source:** Own calculations. See text.

Expressed as a percentage of Turkey’s national income this would represent a net budgetary gain of just over 2 per cent of national income in the first year of joining, rising to a level of between 4.5 and 5.5 per cent, depending on the assumption made about the ceiling on structural fund expenditure, once the transition phase is over. It would then, presumably, settle at this level until Turkey’s economic level had converged more closely to that of the EU average. Even
though it would be realistic to assume that the benefits will be trimmed somewhat, and in this chapter we have attempted to show that this may not necessarily be a bad thing for the country, Turkey can still anticipate a sizeable transfer of official funds for many years after membership. Just how large can be gauged by reference to the Marshall Plan, widely (if wrongly!) accredited in the literature with having dragged Western Europe out of its war-ravaged state and launched it on the road to unprecedented economic growth. Marshall Aid, at its peak, was equivalent to two per cent of Western Europe’s national income and the whole program lasted under four years. The combined impact of the EU’s budget will be double that figure and will last well over a decade!

Marshall Aid cost the American economy almost two per cent of its national income. Because the EU today is a much larger economic unit, and Turkey relatively small, this degree of generosity will cost the EU(15) the equivalent of a little over 0.12 per cent of its combined national income. For a country like the Netherlands, which is already, relative to its national income, one of the largest net contributors to the EU budget, the additional burden is somewhat larger. At present, the Netherlands is a net contributor to the EU budget, with a contribution equivalent to 0.4 per cent of its national income, a figure that will increase with enlargement (European Commission 2004a). There are many in the Netherlands who are asserting that this fiscal burden is already too great and that Turkish membership should therefore be postponed or abandoned altogether. There are two levels at which such irritating arguments can be refuted. The first is to observe that the budgetary transfer is only part of the cost/benefit equation and that the Dutch will stand to benefit in other directions. For example, the Dutch and the EU’s third largest foreign investors in Turkey and will expect to reap dividends in profits and exports should Turkey’s economy continue to develop. Although relatively small, the potential increase in exports (0.2 per cent national income) would in itself still exceed the extra budget contribution. If, under the prospects
of EU membership, Turkey reformed its standards of governance, and therefore its economic efficiency and growth, the impact could be magnified threefold (Lejour, de Mooij, Capel, 2004, 42, 45).

The second level is to see it as part of the country’s development aid and a contribution to the stability and prosperity of a less fortunate neighbour – in an area where a lack of stability and prosperity already brings unparalleled social, political and economic costs of their own. I would like to conclude with an extract from a speech,

“Our policy is directed not against any country or doctrine but against hunger, poverty, desperation and chaos. Its purpose should be the revival of a working economy in the world so as to permit the emergence of political and social conditions in which free institutions can exist. Such assistance, I am convinced, must not be on a piecemeal basis as various crises develop. Any assistance that this government may render in the future should provide a cure rather than a mere palliative.”

These words were spoken by US Secretary-of-State, General George C. Marshall, in Harvard in June 1947. They launched the Marshall Plan for assistance in Western Europe’s reconstruction. It is a shame that similar sentiments and similar expressions of vision are so noticeably absent from today’s debate over Turkey’s EU membership.

**BIBLIOGRAPHY**


10.1. INTRODUCTION

Agriculture plays an important role in the process of Turkey’s integration in the EU, both in the development of the Customs Union (CU) and in the discussion on full membership. Several reasons contribute to the focus on agriculture, all of them somehow linked to the size of the Turkish agricultural sector. Agriculture in Turkey accounts for about eleven percent of GDP and 34 percent of employment. Therefore, any major changes in the agricultural sector will have significant effects on other sectors and the economy as a whole.

The size of the Turkish agricultural sector is also important for the EU: because of the Turkish production potential for some agricultural products which can affect the Union’s market, European policymakers excluded agriculture from the Customs Union in 1996. Should Turkey become a full EU member another aspect comes into play: the Common Agricultural Policy (CAP). Agricultural markets in the EU are highly regulated. In the EU budget for 2004, €46 billion or about

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1 This chapter draws much on Grethe (2003).
46 percent of the budget is allocated to agricultural policies. Due to the size of the Turkish agricultural sector, full membership under the current form of the CAP would lead to high additional budgetary outlays for the EU.

This chapter is organised as follows. Section one gives an overview of the agricultural sectors in Turkey and the EU. Section two describes the current state of agricultural market integration due to preferential trade rules which have evolved since the Association Agreement between Turkey and the EU in 1963. In addition, potential effects of agricultural market integration and budgetary implications of full membership are discussed. In section three some conclusions are drawn.

10.2. CHARACTERISTICS OF THE AGRICULTURAL SECTOR IN TURKEY AND THE EU

The agricultural sectors of Turkey and the EU differ greatly. Table 1 presents an overview of agricultural production and trade in both markets.

<table>
<thead>
<tr>
<th></th>
<th>EU</th>
<th>Turkey</th>
</tr>
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<tbody>
<tr>
<td>Value of agricultural production (EU 2001, Turkey 2001/2002)</td>
<td>287.9</td>
<td>25.6</td>
</tr>
<tr>
<td>of which plant production (%)</td>
<td>58.1%</td>
<td>72.0%</td>
</tr>
<tr>
<td>of which animal production (%)</td>
<td>41.9%</td>
<td>28.0%</td>
</tr>
<tr>
<td>% of total GDP</td>
<td>1.7%</td>
<td>11.2%</td>
</tr>
<tr>
<td>Agr. employment (% of total) (EU: 2001, Turkey: 2002/2003)</td>
<td>4.2%</td>
<td>34.4%</td>
</tr>
<tr>
<td>Agricultural imports (2001/2002)</td>
<td>60.7</td>
<td>3.0</td>
</tr>
<tr>
<td>% of agricultural production</td>
<td>21.1%</td>
<td>11.7%</td>
</tr>
<tr>
<td>Agricultural exports (2001/2002)</td>
<td>56.5</td>
<td>4.1</td>
</tr>
<tr>
<td>% of agricultural production</td>
<td>19.6%</td>
<td>16.0%</td>
</tr>
<tr>
<td>Net agricultural trade (2001/2002)</td>
<td>-4.2</td>
<td>1.1</td>
</tr>
</tbody>
</table>

Table 10.1 shows that the total value of agricultural production in the EU is more than ten times as high as in Turkey. In the EU, animal products have a much higher share in the production value than in Turkey. But the importance of agriculture in the total economy is much higher in Turkey. As mentioned before, Turkey’s agriculture covers about eleven percent of its GDP and accounts for 34 percent of total employment, compared to only two and four percent, respectively, in the EU. Both the EU and Turkey are significant traders. In the EU agricultural import exceed exports, but Turkey is a net exporter. Agricultural trade as a percentage of the value of agricultural production is higher in the EU than in Turkey, indicating a higher degree of integration into the international trade environment.

The composition of agricultural production differs a lot between Turkey and the EU. In general, pulses, cotton, and some fruit and vegetables like melons, hazelnuts, figs, dried grapes, tomatoes and eggplant have a much higher value share in plant production value in Turkey than in the EU. In animal production Turkey has a much higher share of goat and sheep meat than the EU.

Turkey and the EU both heavily support farmers, through various policy instruments such as tariffs, export subsidies, administered prices, input subsidies, market price support and direct payments. Graph 10.1 provides an overview of the Producer Support Estimate (PSE) for Turkey and the EU. The PSE is calculated by the Organisation for Economic Co-operation and Development (OECD) as the share of domestic production value (including direct income transfers to farmers) resulting from government intervention.

Graph 10.1 shows that producer support in the EU was around thirty to forty per cent of production value in most years since the mid-eighties. In Turkey, the PSE during the same period, was both more volatile and at a much lower level - between ten and 25 per cent of total production value.

The EU applies a different set of policies than Turkey. For the EU, the market price support component has declined significantly
since the McSharry reform in 1992 and is below sixty percent now, with much of this support component having been replaced by direct payments. In Turkey, the market price support component was about seventy to eighty per cent in this period. Non-market price support was mainly concentrated on input and credit subsidies. In recent years, under a World Bank agricultural policy reform program, an increasing share of support is granted in the form of direct payments to producers (World Bank 2004).

Another important policy feature in Turkey was the high degree of state involvement in the processing and marketing of raw products, which has been significantly reduced in recent years.

In Table 10.2 producer prices for crops in Turkey and the EU are compared in order to show the effects of market price support policies.

Table 10.2 shows that, in recent years, cereal prices in Turkey were significantly above those in the EU. This reflects the different level of intervention prices: In the EU the intervention price is at €101.31/t for all cereals, which is below current world market price.
levels and medium term projections. Probably, therefore, the intervention price will be of little importance for EU market price formation in the future, at least for wheat and corn. Yet, Turkish buying prices of the major state owned marketing organisation for cereals announced in June 2003 increased considerably compared to 2002 - about €227/t for durum wheat, €202/t for common wheat, €192/t for corn and €128/t for barley (US Department of Agriculture 2003). This indicates that Turkey would have to lower its support prices considerably in case of market integration and cereal producers would receive much lower prices in a normal world market situation.

In addition to market price support, direct payments are granted in the EU per ha on land cultivated with cereals, oilseeds, or set aside (up to 33 per cent of area eligible for premium). The level of payments per ha is determined according to regional average yield in a base period and is currently at €63/t. Turkey has also implemented a system of direct payments in recent years which are set at $81/ha and are limited to fifty ha per farmer.

For oilseeds, the EU does not apply tariffs. Prices are therefore at world market level. But Turkey applies significant tariffs for oilseeds and Table 10.2 shows that sunflower seed prices in Turkey are signif-

### Table 10.2

**Farmgate Prices for Crops in Turkey and the EU (€/t)**

<table>
<thead>
<tr>
<th>Product and Year</th>
<th>Turkey</th>
<th>EU</th>
<th>Turkey/EU</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cereals</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wheat (2000-2002)</td>
<td>158</td>
<td>119</td>
<td>132%</td>
</tr>
<tr>
<td>Barley (2000-2002)</td>
<td>143</td>
<td>105</td>
<td>136%</td>
</tr>
<tr>
<td>Corn (2000-2002)</td>
<td>144</td>
<td>133</td>
<td>108%</td>
</tr>
<tr>
<td><strong>Other Crops</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sunflower seed (2000-2002)</td>
<td>360</td>
<td>270</td>
<td>133%</td>
</tr>
<tr>
<td>Tobacco (1998-2000)</td>
<td>3254</td>
<td>2102</td>
<td>155%</td>
</tr>
<tr>
<td>Sugar (wholesale, 1999-2001)</td>
<td>599</td>
<td>712</td>
<td>84%</td>
</tr>
</tbody>
</table>

icantly above EU level. For tobacco, both the EU and Turkey apply price support through tariffs, although Turkish tariffs and prices are higher. In addition, Turkey is paying implicit export subsidies provided through budgetary losses of state trading enterprises (Grethe 2003). For sugar, both the EU and Turkey provide high protection through an intervention price system, high tariffs, and export subsidies (implicit in the case of Turkey) and both countries apply a supply control system with production quotas at farm level. The Turkish price was at about 84 percent of the EU level in recent years, which is still about two times as high as the average world market price.

For fruit and vegetables, farmgate prices are generally below average EU level in Turkey, but are not reported here. This is because the comparison of farmgate prices for fruit and vegetables across countries seems to be of little explanatory power with respect to political market barriers. Even in a completely free trade situation within the EU, farmgate prices among countries differ greatly due to quality differences and transportation costs. The preliminary conclusion drawn from traders' anecdotes and Turkish wholesale and export price analysis is that Turkey's advantage from abolishing remaining EU market barriers in the event of a customs union would be small.

Table 10.3 gives a price comparison for major animal products in Turkey and the EU in order to show the effect of price support policies.

In Turkey, meat markets are protected by prohibitive tariffs. In addition, Turkey has introduced an import ban on red meat and live animal imports due to the danger of a potential outbreak of foot and mouth disease in August 1996, which was partially lifted for breeding cattle in August 1999, but has remained in force for meat and feeder and slaughter animals. Most observers consider this ban to be primarily motivated by protectionist aims. The EU markets for meat are also protected by mostly prohibitive tariffs and export subsidies (except for sheep meat). Prices for beef and poultry in Turkey were
about twenty percent above EU level in recent years and for sheep they were slightly lower than in the EU.

Both sheep meat and beef producers in the EU receive several kinds of direct income payments, coupled to the actual number of animals kept. These payments make up roughly twenty percent of EU production value of beef and sheep. Currently these payments are still linked to the number of animals kept. But under the most recent CAP reform the main part of the payments will be fully decoupled from actual production.

In the EU, dairy products are protected by mostly prohibitive tariffs. Export subsidies and an intervention price system for butter and skim milk powder (SMP), together with a supply control system, add to the protection granted through tariffs. Under the intervention price system, prices for SMP and butter are fixed at €2,055/t and €3,282/t, respectively. These prices, after deduction of a processing margin, result in a milk target price of €310/t. As unrestricted farm supply in the EU would exceed domestic demand much more than it does at the current price, production quotas are allocated to member

<table>
<thead>
<tr>
<th>Product and Year</th>
<th>Turkey</th>
<th>EU</th>
<th>Turkey/EU</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Meat (Farmgate prices, 2000-2002)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beef</td>
<td>2.868</td>
<td>2.410</td>
<td>119%</td>
</tr>
<tr>
<td>Sheep meat</td>
<td>3.564</td>
<td>3.948</td>
<td>90%</td>
</tr>
<tr>
<td>Poultry</td>
<td>1.198</td>
<td>948</td>
<td>120%</td>
</tr>
<tr>
<td><strong>Dairy Products</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Farmgate price milk (2000-2002)</td>
<td>257</td>
<td>315</td>
<td>82%</td>
</tr>
<tr>
<td>Skim milk powder (wholesale/intervention price, 1998-2000)</td>
<td>4.300</td>
<td>2.055</td>
<td>209%</td>
</tr>
<tr>
<td>Eggs (2000-2002)</td>
<td>1.220</td>
<td>927</td>
<td>129%</td>
</tr>
</tbody>
</table>

states and individual farmers in order to limit budgetary costs and comply with WTO commitments regarding export subsidies. Under the current reform package, intervention prices are to be reduced by 25 per cent for butter and by fifteen percent for milk powder in annual steps until 2007, and compensatory payments of a final yearly amount of €35.5/t are scheduled.

In Turkey, dairy products are protected by high tariffs and relatively low export subsidies. For cow’s milk, the Turkish farmgate price was eighteen percent below the EU level in the 2000-2002 period. In the event of market integration between Turkey and the EU, however, competition would not take place at the level of raw milk but rather for processed products like cheese, butter, and SMP. Therefore the prices of SMP and butter are compared, too, as these are, in contrast to cheese, relatively homogeneous products. For this comparison, the EU prices are the intervention prices and for Turkey, butter prices are from the SIS Wholesale Price Statistics. As no official SMP price data exists, prices are selling prices of two private dairy companies in Turkey. Prices for butter and SMP in Turkey were almost twice as high as in the EU in 1998-2000 leading to considerable processing margins. Various reasons might have contributed to such high processing margins in Turkey: i) due to the low number of cows per farmer the cost of milk collection is higher than in the EU, ii) due to the low number of cows per household a considerable share of milk fat remains at the farm resulting in a low fat content of the milk delivered to the factory, iii) higher processing cost due to less developed technology, or iv) higher profit margins in the milk processing industry. Profit margins exceeding usual rates for paying entrepreneurs for their risk and self-owned production factors can only be explained by limited competition, indicating some kind of cartel formation. This seems at least possible, as the Turkish market is largely isolated from international competition and the market structure for processed products is oligopolistic (Aksoy 2000). Eggs are protected by tariffs and export subsidies in both Turkey and the EU, yet the price level in Turkey is significantly above EU level.
The preliminary conclusion is that in the event of a customs union (CU) with provisions for agriculture, processed dairy products as well as eggs would be exported from the EU to Turkey due to higher prices in Turkey. For a more detailed analysis it would be important to better understand the reasons for the high processing margins in Turkey for dairy.

10.3. OPTIONS FOR AGRICULTURAL MARKET AND POLICY INTEGRATION

Market integration between Turkey and the EU does not start from scratch: trade preferences in agriculture have been granted by the EU to Turkey since the Association Agreement in 1963 and have been extended several times. Since 1987, almost all ad valorem tariffs have been abolished. In some cases reduced rates are also granted for specific duties. As a result, more than forty per cent of Turkish agricultural exports enters the EU tariff-free and for another fifty percent reduced tariff rates have been specified. But significant EU import barriers remain in force: i) high, specific duties for almost all imports of core products of the CAP, ii) specific duties for EU imports of many processed agricultural products, iii) the entry price system for eleven kinds of fruit, four vegetables, and grape juice, and iv) calendar restrictions for preferential tariffs for four different kinds of fruit and nine vegetables. Since 1998 Turkey is also granting significant preferences to the EU in the form of 39 tariff rate quotas at zero tariff rates in most cases.

How will agricultural trade rules between Turkey and the EU evolve in the future? The Customs Union Decision (Art. 24) provides little guidance by saying that “The Community and Turkey shall progressively improve, on a mutually advantageous basis, the preferential arrangements which they grant each other for their trade in agricultural products” (European Communities 1996). There is no time schedule indicated for this process, and Turkey’s commitment to “...adjust its policy in such a way as to adopt the Common
Agricultural Policy measures required to establish freedom of movement of agricultural products” remains rather nebulous as nothing is said about any specific measures or a timetable for adoption. Based on this vague reference three options are conceivable: i) the agricultural sector remains subject to preferential trade rules which are gradually extended, ii) agricultural products are fully included in the Customs Union between Turkey and the EU, and iii) Turkey becomes a member of the EU and the CAP fully applies to the Turkish agricultural sector.

In Section 10.3.1, the option of including agriculture in the Customs Union, i.e. the complete liberalisation of agricultural trade between Turkey and the EU without any funding of Turkish agricultural policy from the EU budget, is looked at in detail. Under such a scenario, Turkish prices for many products would change, and production and consumption would adjust to these new prices resulting in changes in Turkey’s external trade. This would have effects on total welfare for Turkey as well as on income distribution among consumers and producers and among different income groups and regions. In addition to these market effects, budgetary and policy implications of full EU membership of Turkey in the area of agriculture are looked at in Section 10.3.2.

10.3.1. Inclusion of Agricultural Products in the Customs Union between Turkey and the EU

What would a complete integration of agricultural markets of Turkey and the EU mean for Turkey? Most importantly, agricultural price policies of Turkey and the EU would need to be harmonized because it would be impossible to maintain different levels of institutional prices which exceed transportation cost and quality differences. This becomes very clear if one tries to imagine the situation of an intervention price in Turkey, far above that in the EU (as is the case currently for wheat) while the world market price is below both support prices. Wheat produced in the EU would be exported to Turkey, to be sold into intervention at the higher price level of the Turkish intervention
agency. This process would theoretically end if the EU market price, due to strong Turkish demand, reached the level of Turkey’s intervention price. In practice, this process would stop much earlier, due to budget constraints for the Turkish intervention agency and limits to storage capacity and subsidized exports (WTO).

Non-market policies would not necessarily need to be harmonized in a CU. Turkish direct payments are already fully decoupled from production and most of the direct payments granted in the EU will be fully decoupled from 2005 on. Therefore, a different level of direct payments would be acceptable, as it would benefit competition.

In a CU which includes agricultural provisions, current political trade barriers like tariffs and export subsidies would no longer apply to trade between Turkey and the EU. Due to these policy changes Turkish and EU prices would move closer. Price differences, however, could remain due to quality differences, transportation costs, or non-tariff barriers like varying product standards. As it is difficult to assess quantitatively which factors add how much to existing price differences between Turkey and the EU, the analysis of the effects of a CU described below is based, wherever possible, on the effects of the abolition of market policies instead of assuming equal market prices in Turkey and the EU. The following principles are applied:

If Turkish institutional prices are above EU institutional prices it is assumed that Turkey has to adjust its institutional prices to the EU level, as it seems not probable that the EU would adjust its CAP in case of a Customs Union in agriculture.

It is assumed that a changing import or export quantity of Turkey to the EU-market normally has no effect on EU prices because the EU is by far the largest of the two agricultural markets.

The extension of the current CU between Turkey and the EU to cover agriculture would thus lead to multiple consumer and producer price changes in Turkey. A model used for the analysis of such a scenario should therefore be able to depict consumption, production, trade, and welfare effects of multiple and simultaneous price
changes on interdependent markets. Such a model is the comparative static partial equilibrium model TURKSIM, which is described in detail in Grethe (2003). The results presented below are based on this model.

Agreement on as well as implementation of the inclusion of agricultural products in the CU would probably require a few years. Therefore, the impacts of such a scenario are analysed for the year 2006 (simulation with TURKSIM) and compared to i) a “status quo” scenario, which assumes that agricultural policies applied in the base period of the model (1997-99) will not change until 2006, and ii) a “liberalisation” scenario, under which the complete liberalisation of Turkish agricultural markets with respect to all trading partners is assumed.

GRAPH 10.2
Price Changes at Farm Level in Turkey:
Customs Union and Liberalisation Compared to the Status Quo Scenario in 2006 (per cent)

Source: Grethe (2003).
Very obvious conclusion can be drawn from Graph 10.2: under both the CU and the liberalisation scenario Turkish producer prices fall significantly for almost all product groups compared to a situation without policy changes. This simply reflects the relatively high degree of current market price support in Turkey described above. Secondly, one can conclude that price changes vary significantly among products. Animal prices decrease most heavily under the liberalisation scenario by about 26 percent whereas the decrease by only six percent for plant products reflects the lower degree of market price support for plant products in the base period. Among plant products, cereal prices decline most whereas fruit and vegetable prices are almost not affected, because price support for these products was very limited in the base period and Turkey is a competitive exporter of fruit and vegetables.

A third conclusion we can draw from Graph 10.2 is that price changes under the CU scenario are quite similar to those of a liberalisation scenario. This reflects the ongoing agricultural policy reform process of the EU, set in motion by the McSharry reform of 1992, which lead to a decreasing degree of price support for many products. There are, however, a few exemptions. In the categories for other crops, fruit and animal products, significant differences between the CU and the liberalisation scenarios can be observed. The large difference for other crops in the CU compared to the liberalisation scenario results from a much higher sugar price and slightly higher prices for onions and potatoes. For animal products the average decline in farmgate prices in the CU scenario is significantly lower than under the liberalisation scenario, which is due to the protection granted for sheep meat and for milk in a CU scenario. For some selected fruit products Turkey gains from a CU due to above world market export prices. Most important products in this category are grapes and olives/olive oil.

What would be the effect of all these price changes? Producers and consumers would adjust to these prices and Graph 10.3 depicts the expected production quantity changes resulting from simulations.
with TURKSIM. As for prices, changes under the CU scenario as well as under the liberalisation scenario are compared to the status quo scenario.

GRAPH 10.3
Production Changes in Turkey: Customs Union and Liberalisation Compared to the Status Quo Scenario in 2006 (per cent)

Graph 10.3 shows that aggregate supply response for plant products is relatively low. Total plant production declines by two percent under the liberalisation scenario. Under the CU scenario, the decline is marginal. Differences among different product groups are strong: cereal production declines by more than four percent whereas the production of other crops even increases under the CU scenario, mainly due to strong cross price effects with respect to cereal prices. For animal products, supply response is more distinct: animal supply declines by about fourteen percent under the liberalisation and five percent under the CU scenario. This mainly reflects the higher price
changes for animal products (see Graph 10.2), but also the fact that animal supply is modelled as responding stronger to price incentives due to the less distinct link of animal production systems to available area.

Natural and socio-economic production conditions in Turkey vary a lot regionally and result in very different production programmes in different regions. For example, climatic and soil conditions at the Mediterranean coast, where fruit and vegetables account for a large share in production, are totally different from those in central Anatolia, where wheat and barley comprise most of the agricultural produce. Therefore, Turkish regions are affected to a different extent by the price and quantity changes quantified above. In order to depict these differences Graph 10.4 shows regional changes in production value resulting from simulations with TURKSIM.

![Graph 10.4](image)

Source: Grethe (2003).
Graph 10.4 shows that changes in production value vary significantly among regions. Under the liberalisation scenario they are lowest in the Aegean and the Mediterranean region, where fruit and vegetables, for which price changes are small, have a large share in total production and the share of animal products is relatively low. In the Northeast region, on the other hand, the decline is about three times as high as in the western and southern coastal regions. This is due to the high share of cereals in plant production and a high share of animal products in total production. It is interesting to note that the South central region experiences a slight increase in production value under the CU scenario which is due to high production shares of table grapes and potatoes for which prices increase under the CU compared to the status quo scenario.

As price changes under the CU and the liberalisation scenario are significant and strongly affect production and consumption of the products concerned, similar significant effects on trade are a result. Table 10.4 shows the value of net exports in the base situation and under all scenarios.

| TABLE 10.4 |
| Net Trade by Product Group under Different Scenarios (mill. €) |
| Base | Status quo | Liberalisation | CU |
| Cereals | -35.4 | -264.8 | -396.6 | -466.8 |
| Other crops | 364.4 | 66.7 | -78.2 | 183.1 |
| Fruit | 683.9 | 691.4 | 550.1 | 795.2 |
| Vegetables | 364.2 | 313.9 | 142.5 | 204.4 |
| Total plant products | 1,377.2 | 807.2 | 217.8 | 715.9 |
| Animal products | -3.9 | 14.0 | -1,520.9 | -702.0 |

Sources: Grethe (2003).

Turkey is an importer of cereals under all scenarios and imports increase by about €230 million under the status quo scenario. In case of complete liberalisation or a CU, imports increase
even more. Higher imports of cereals under the CU scenario compared to the liberalisation scenario are mainly due to the higher feed demand of a situation where milk and sheep meat are significantly higher priced. Net exports of other crops decrease under the status quo scenario, mainly due to the abolition of the export subsidy for sugar and the reduction of the export subsidy for tobacco. Under the liberalisation scenario, Turkey is a net importer of other crops, mainly due to the complete liberalisation of the sugar market. Under the CU scenario, Turkey is a significant net exporter of other crops as prices for sugar, onions, and potatoes are significantly above those under the liberalisation scenario. For fruit and vegetables, as well as for the sum of all plant products, Turkey is a net exporter under all scenarios.

For animal products, Turkey’s trade situation is almost balanced in the base situation as well as under the status quo scenario. Under the liberalisation scenario, Turkey becomes a net importer of about €1.5 billion of animal products, which decline to about €0.7 billion under the CU scenario due to higher prices for milk and sheep meat.

Who would gain and who would lose under the CU and the liberalisation scenario compared to the status quo? Consumers would, of course, gain from lower prices and producers would lose. The effect of a liberalisation of agricultural policies on the Turkish budget is not clear at the outset: losses in tariff revenue as well as less government expenditures, e.g. for export subsidies have to be added up. In order to quantify the size of losses and gains, changes in producer surplus, which can be interpreted as changes in profits, and in consumer welfare, which can be interpreted as changes in real income due to price changes, are calculated. These changes as well as the change in the government budget are presented in Table 10.5 and sum up to welfare changes for the Turkish economy as a whole.

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2 The compensating variation was calculated as a measure for the change in consumer welfare, see Grethe (2003).
Table 10.5 shows that consumers’ gains under both scenarios by far exceed producers’ losses. Budgetary effects are, on aggregate, relatively small and the total welfare effects under the liberalisation scenario add up to about €670 million. This is about 2.3 percent of projected agricultural production value in 2006, or 0.4 percent of projected GDP. Under the CU scenario total welfare gains are almost €200 million lower.

One of the reasons for the gains under a CU being so much less than under the liberalisation scenario is the fact that Turkey is projected to gain relatively little from additional access to EU markets. Turkey would gain only about €60 million of export revenue because of export prices above world market level for some fruits and vegetables. This result is due to high transportation cost to, and high quality requirements in northern European import markets. This may change as Turkey’s currently disadvantageous geographic location for exports of fresh products to the EU could considerably improve after the recent accession of Central European Countries (CEC). Import demand in the CEC may increase due to their gaining a higher income. The Central European markets may also be more suitable for a somewhat lower quality offered at lower prices than the northern European markets.

The numbers presented here surely underestimate the Turkish gains from agricultural sector liberalisation as the underlying analysis does not include all kinds of economic effects. Firstly, increased competition may lead to efficiency gains in the marketing chain. In order

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**TABLE 10.5**

Welfare Changes Compared to the Status Quo Scenario in 2006 (mill. €)

<table>
<thead>
<tr>
<th></th>
<th>Liberalisation</th>
<th>CU</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in producer surplus</td>
<td>-2,749</td>
<td>-1,036</td>
</tr>
<tr>
<td>Change in consumer welfare</td>
<td>3,470</td>
<td>1,523</td>
</tr>
<tr>
<td>Budgetary effects</td>
<td>-54</td>
<td>-5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>667</strong></td>
<td><strong>482</strong></td>
</tr>
</tbody>
</table>

Sources: Grethe (2003).
to depict such an effect margins between farmgate and wholesale prices in TURKSIM were decreased by ten percent. Under such a situation welfare gains would more than double. Moreover, a more liberal agricultural market policy may attract more foreign direct investment in the Turkish food processing industry. Finally, other dynamic gains, like enhanced productivity growth rates, are not covered by the analysis presented here as are the so-called general equilibrium effects, resulting from links between the agricultural sector and the economy as a whole.

Aside from aggregated welfare gains, distributional aspects are important for Turkey as income distribution is very unequal. The Gini Coefficient of income distribution in Turkey as a measure of income inequality was 49 percent in 1994 (Förster, 2000, p. 75). Such a distinctly unequal distribution of income can be found in many African and Latin American countries, but is far above that of other OECD countries (except Mexico); e.g., 34 percent in the US and 28 percent in Germany. In addition, income distribution has become more unequal in Turkey between 1987 and 1994 (State Planning Organisation 2001, p. 109) while one of the declared aims of the Turkish Government is to reduce income inequality.

At the consumption side, the liberalisation of the agricultural sector leads to a more equal distribution of real income in relative terms because lower income groups spend a higher share of their income on food and therefore gain relatively more from lower food prices. At the production side, the liberalisation of the agricultural sector reduces intrasectoral income inequality in absolute terms, as large and wealthy farms receive most of the gains in producer surplus resulting from current price support due to their high share in production.

Another distributional effect of liberalisation of agricultural markets, however, may work in the direction of higher income inequality: the distribution from producers to consumers and thus from rural to urban areas. The 1994 income survey shows the mean income in rural areas is 24 percent lower than in urban areas (SIS 1997). In 1994
the poverty gap in rural areas, indicating the share of total income that has to be transferred to the poor in order to raise all poor to the poverty line, was about thirty percent higher than in urban areas, with the poverty line set at half the median income (Cakmak 1998).

10.3.2. Full Membership of Turkey in the EU
At the EU summit in Helsinki in December 1999, Turkey gained candidate status for full EU membership. The prospect of membership drew closer at the EU summit in Copenhagen in December 2002. Nonetheless, a long period of negotiations over Turkey’s accession is expected and most observers believe that it will not take place before 2012. Therefore, an assessment of the effects of future full membership on the agricultural sector seems arbitrary today, as the CAP changes quickly. Nonetheless, some thoughts are spent below on the possible effects.

All market effects due to full market integration are already analysed above for the question of an extension of the CU. What would be added to these effects in the event of EU-accession from a Turkish perspective? In such a case Turkey would not only be subject to the market price level resulting from the CAP, but to the CAP itself which is mainly financed by the EU budget. The main policies concerned can be divided into two categories, referred to as ‘pillars’. Direct payments to producers reside under the first pillar of the CAP, while payments fall under the second pillar, which includes various types of rural development measures, such as investment subsidies and payments disbursed within the framework of environmental programs.

In 2004, the EU will spend more than €30 billion on direct payments to agricultural producers. This is more than sixty percent of the EU agricultural budget and about 25 percent of the OECD producer support estimate. What would be the amount of direct payments granted to Turkey under the CAP today? Quaiser and Reppegather (2004) estimate total EU expenditure for applying the current CAP to
Turkey at €4.4 to €5.4 billion. This estimate is based on a regression analysis applied to the CEC sample with agricultural value added and agricultural production value in the CEC as explanatory variables for EU budgetary outlays for full implementation of the CAP in the CEC. Such an analysis may underestimate the level of direct payments due to the relatively high shares of products like fruit and vegetables in Turkey, whose budgetary costs are relatively low. On the other hand, if one takes the most important product groups which would receive direct payments in Turkey in case of current membership, which are cereals, oilseeds and protein crops, as well as beef and sheep meat, Turkish producers would be eligible for about €3.1 billion of direct payments for these product groups alone.3 Such payments would imply a high net transfer from the (then) EU 25 or 27 to Turkey, because Turkey would contribute only little to the budget due to a relatively low GDP. But calculating such numbers deflects from the fact that Turkish producers will probably never get direct income transfers of a comparable size from the EU budget. This is due to the high cost of such payments to the EU budget which will, with a high probability, lead to the reform of the direct payment system before accession of Turkey. For the accession of the CEC the choice was made to start direct payments at a level of 25 percent of the EU 15 level and increase them until 2013 to the level applicable to the EU-15 in that year. This will put considerable pressure on the EU to reform these payments because granting direct payments at the current level to the CEC would be costly to the EU-15 (Weise et al. 2002). An additional reason for the low probability of Turkish producers receiving significant direct payments from the EU budget is the most recent reform of direct payments. Most direct payments will be fully decoupled from agricultural production in the future. Therefore, the need to establish pay-

3 Very rough calculations are based on the current EU rate of €63/t of base yield for grand cultures. For Turkey, a 16 million ha base area with a base yield of about 2.1 t/ha is assumed. For cattle and sheep the average per head and per year payments in the EU (€61 and €20, respectively) are applied to the Turkish herd size.
ments at a comparable level in a common market for reasons of competition effects, will become much less important than today. A trend towards nationalisation of direct payments may be the result, as has already been partially realized through the different level of direct payments in the EU-15 and the new member states, and the possibility to pay national top ups on EU direct payments in the CEC. In short, direct payments will be reduced, probably fully decoupled and partly nationalized before Turkey will become an EU member and any direct payments from the EU budget to Turkish producers will be much lower than payments under the current CAP – if any.

In contrast to the instrument of direct payments from the EU budget, which will probably decline in importance in the future, the situation for the second pillar of the CAP is different: For 2004 about €8.3 billion or eighteen percent of the expenditure on EU agricultural policies are spent on this broad policy basket of rural development policies and the trend is increasing. Through the modulation mechanism, which shifts 5 percent of direct payments to the second pillar of the CAP until 2007, there is even a direct link between the reduction of direct payments in the first pillar and the strengthening of the second pillar of the CAP. Current EU payments in the second pillar of the CAP are distributed among member states according to historical negotiating power and their readiness to co-finance EU funds. But for the allocation of modulation funds, “new second pillar money”, the EU has established agricultural area, employment in agriculture and relative income level as criteria. Based on these criteria Turkey would be eligible for a high share of the second CAP-pillar payments. Therefore, a future allocation of second pillar funds according to transparent criteria taking into account the need for rural development measures would be in the interest of Turkey.

Transfers of a large percentage of EU funds to Turkey under the second pillar of the CAP may also be more interesting for Turkey than a high level of direct payments. These second pillar subsidies can be targeted according to certain policy aims. Direct payments in the first
pillar of the CAP, on the other hand, simply shift money to agricultural producers. That money would, for a large part, end up in the hands of land owners. Such transfers may even inhibit the necessary process of structural improvement of Turkish agricultural structure.

10.4. CONCLUSIONS
As has been shown above, the Turkish economy as a whole could significantly gain from a liberalisation of agricultural markets, with or without the inclusion of agriculture in the customs union with the EU. One major argument against such a liberalisation process may be the redistribution of income from agricultural producers to consumers, which is partly tantamount to the redistribution of money from rural to urban areas. But various options for poverty reduction measures and the support of rural areas exist as alternatives to shifting money from taxpayers and consumers by applying price supporting policies, which would chiefly benefit large producers. Policies aiming at social and regional development objectives, including enhanced public investment in rural infrastructure such as schools, roads, and medical care, might fare better in this respect. After all, people in rural areas would benefit from such policies more equally, as they are independent of their farm size or income source. Furthermore, productivity in agriculture has the potential to increase significantly through investments in education of farmers, as almost no training opportunities for farmers exist in the current situation.

As has been shown above, liberalisation outside a CU seems more favourable for Turkey than an extension of the CU to cover agricultural products. But other reasons than direct economic gains could be relevant for Turkey when determining the intensity of its efforts for further bilateral liberalisation of agricultural trade with the EU. If Turkish policy makers intend to liberalise agricultural markets due to motives of efficiency, budgetary austerity, and income distribution, it may be easier to do so in a CU than on a multilateral basis. This is because liberalisation may be easier to defend to the Turkish public if
“must be done” because of the CU. The CU could therefore have the
same self-binding function for Turkish policymakers as the WTO
process has had for many politicians in industrialised countries.

The stabilization of agricultural trade policies could, because of
their long-term binding in a CU, also have a positive effect on the dis-
position of domestic and foreign investments in the Turkish food pro-
cessing industry. Also, the further harmonisation of product and pro-
cessing standards, which would probably accompany such an exten-
sion of the CU, may enhance this disposition and could result in gains
from trade for Turkey as well as for the EU.

The level of financial net transfers from the EU budget to
Turkey resulting from the CAP in case of full EU membership is arbi-
trary. This is because the CAP changes quickly. Future CAP reform
will probably result in low direct payments (if any) to Turkish pro-
ducers from the EU budget at the time of Turkish accession. Payments
under the second pillar of the CAP though, could become substantial
for Turkey, if funds under the second pillar are allocated according to
criteria which reflect the need for rural development measures.

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 CHAPTER 11

Turkey and Regional Security

SERHAT GÜVENÇ – OYA MEMİSOĞLU

11.1. INTRODUCTION

The dreadful explosions in Madrid (11 March 2004) testified to the fact that under current security policies and arrangements, the EU’s territory is a target of terrorist attacks and regrettably vulnerable when faced with them. According to a Eurobarometer survey fifty-five per cent of the EU citizens feel that the threat of terrorism is strong, (Commission 2003a, p.8). This figure strengthens the argument that EU member states need to reconsider their security policies. It therefore is important to come to a conclusion on what role the EU should play – as a security actor – in order to make the entire continent less vulnerable and more secure. The EU Summit that will take place in December 2004 will not only be crucial in determining the fate of Turkey’s accession to the EU, but it will also carry major consequences for shaping the new position of the EU within the international system. Given the nature and the root causes of the post-‘September 11’ security threats, it would be neither an exaggeration nor a surprise to argue that the EU’s future responsibilities in the international arena will evolve partly as a consequence of Turkey’s position in European integration.
Turkey’s function in the European security framework has usually been defined in geographical terms regarding both its location relative to Europe and the real or potential threats on its periphery. In the eyes of those who oppose to the idea of Turkey’s full EU membership, the most practical solution would be to keep the country at arm’s length by designating it the “buffer zone” role, where she would be displayed as a country torn between the West and the Rest (Huntington 1996). This crudely formulated buffer role fits perfectly in a world where the ‘clash of civilisations’ arguments triumph.

On the other side of the spectrum we find those who are supportive of Turkey’s accession and tend to describe Turkey’s role in terms of a bridge. Unlike the buffer function, which envisages granting Turkey at best a “privileged partnership” status and thus cementing an exclusionary approach, the implementation of the bridge function necessitates Turkey’s integration as a full member of the European Union. In embracing this proverbial bridge function, the EU would not only embrace a more inclusionary approach towards Turkey, but it does also do so for the other countries, especially for those in the Middle East. Moreover, by choosing to incorporate Turkey into the Union, the EU would further strengthen its ability to project, both regionally and globally, the values of a pluralistic security community formed within Western Europe. Demoting Turkey to a mere buffer role, on the other hand, would imply an attempt to maintain the existence of the same security community either in isolation or in an international vacuum. In the final analysis, the geographical role assigned to Turkey, through its exclusion from or inclusion in the EU, will deeply influence the qualitative nature of the EU security perspective.

In a recent contribution to the literature on security communities, Bellamy (2004) argues that such communities may evolve in two directions. They may become either regional fortresses or global integrators. The more mature a security community becomes, the more likely it is to evolve into a global integrator as opposed to a regional fortress. Moreover, Howorth (2003, p. 17) states:
“The fact is that an EU which stops short of the Bosphorous will be inevitably a very different type of international actor than one whose borders penetrate half-way towards Central Asia and about large regions of the Middle East. The EU should not simply drift semi-consciously into one or another of these modes. It needs to decide, on the basis of a lucid and far-reaching policy debate, which sort of actor it wishes to become”.

The decision taken in December 2004 will, therefore, hold serious implications for the evolution of Europe’s security policy.

This chapter aims to contribute to the policy-debate around the issue of how to enhance the European security, by offering an assessment of the potential added security value of Turkey’s EU membership for the region. Calculation of such value-added would depend on how the following three terms are to be defined: security, its regional context and the security contribution.

11.2. SECURITY: THROUGH SOFT POWER, HARD POWER OR BOTH?

To start with, no consensus yet exists in Europe on the meaning of security. Profound disagreements among the EU member states over the means and ends of security, have resulted in the formation of “a hybrid transnational strategic concept” containing both realist and idealist overtones (Lindley-French 2002, p. 790). The recent split between the so-called “new” and “old” Europe over the issue of supporting U.S. military operations in Iraq, further exacerbated the existing confusion about the meaning of security in Europe.

However, such profound divisions do not obscure the fact that a pluralistic security community has taken root in Western Europe where it would be unthinkable to witness any occurrence of major interstate conflicts involving any of the liberal democracies of the region. During the Cold War era, the US contribution to European security - within the NATO framework - facilitated the original formation of the European Economic Community by allowing the mem-
ber states to focus primarily on economic cooperation and development rather than channelling their resources into building military capabilities to defend their territories. Thus, the absence of military threats has made it possible for the EU nations to shift their focus away from military to non-military aspects of security (see Weaver 1998, pp. 69-188). The end of the Cold War further reinforced the publics’ aversion against the use of military force in Europe. This mood of military pacifism was perfectly in line with the non-military, civilian profile of the EU’s international identity. In practical terms, the external relations of the EU have revolved around its ‘soft’ power which, by definition rests on “the attraction on one’s ideas or on the ability to set the political agenda in a way that shapes the preferences that others express” (Nye 1990, p. 181). The strength of soft power is determined by a country’s ability to export its political ideas, institutions and culture, without resorting to coercion. The attraction of the EU enlargement process in the eyes of accession and candidate countries, as well as those of their neighbours, has demonstrated both the existence of an ample stock of EU soft power and its success in action.

Even though the enlargement policies were successful at extending the ring of democratic regimes and stability to Central and Eastern Europe, that same soft power proved irrelevant in preventing ethnic conflicts turning into severe bloodshed in the Balkans. Thus, relying exclusively on the civilian aspect of power was proved to be flawed. On the other hand, seeking solutions for security issues by exclusive use of military force was not the right answer either. If the EU was standing on the one extreme, Turkey was at the opposite end of the spectrum, continuing to see security in military terms, while disregarding its non-military components. Equipped with new military capabilities, Ankara could not resist the temptation of relying increasingly on force or the threat of use of force as an instrument for dispute settlement. The Kardak/Imia crisis in the Aegean Sea in 1996 and the deployment of S-300 missiles in Cyprus in 1998 were two cases in point. In both cases, Turkey was able and willing to resort to force for
crisis management purposes against both Greece and the Greek Cypriots. Moreover, in 1998, Turkey was poised to use military force against Syria over the extradition of Abdullah Öcalan (see Güvenç 2004, pp. 918-928).

Inevitably, this different perception of security, led to a clash of security identities (Oguzlu 2002, pp. 579-603) or cultures (Kosebalan 2002, pp. 130-146) between Turkey and the EU. Notwithstanding this clash of ideas, in the 1990s Ankara was looking for a way to rationalise its bid for EU membership through building itself a niche as a security provider. The Kosovo bombing campaign made it clear to the EU that it needed to strengthen its military arm, if it were ever to play a serious role in Balkan security scenarios. The decision to officially declare Turkey as a candidate country to the EU came soon after the Kosovo operations in 1999. At the time, it seemed that Turkey had finally found itself the niche within the European integration process it has been seeking for many years.

If the Balkan crisis was a signal to improve the coordination of foreign policy-making among the EU member states (and strengthening the military arm of the EU), the tragic events of ‘September 11’ marked “the end of the strategic vacation that Western Europe has been enjoying” (Lindley-French 2002, p. 811). The recent reintroduction of military aspects of security into the EU has been a visible trend upon which almost everyone has been agreed, at least in principle. However, a low level of defence spending as a proportion of national income by most member states, and problems with regard to the attempts to pool resources, have been among the factors that continue to hinder building effective military units that could respond to the changing nature of security threats, in the post Cold War environment.

In line with of CFSP High Representative Javier Solana’s recommendations, the EU has, on 12 December 2003, endorsed a European Security Strategy for the first time in its history. The new strategy document identifies the following threats to European security: terrorism, proliferation of weapons of mass destruction, regional
conflicts, state failure and organised crime. In countering these new threats, the EU has highlighted the merits of certain strategic objectives, which include extending the zone of security by promoting a ring of well-governed states along its borders and strengthening the international order by emphasizing multilateralism and the role of international institutions (European Council 2003, pp. 6-10). As a result of the changing nature of security threats, the EU has acknowledged the fact that the traditional view of self-defence based on an invasion of its territory would no longer be sufficient as an effective strategy, and that “with the new threats the first line of defence will often be abroad” (European Council 2003, p.7). New threats imply that there is a great need for a comprehensive approach to security and conflict prevention. In order to implement this new security strategy, EU must be more active, more capable, more coherent, and it must also to work with partners in pursuit of international security (European Council 2003). In adopting a comprehensive approach to security issues, the new security strategy does not treat civilian and military aspects of power as mutually exclusive. Instead it aims at relying on a mix of soft and hard power resources to tackle new threats. As such, it is no longer possible to view the EU in terms purely of civilian power.

Since 1999, the understanding of security in Turkey has also begun to change profoundly. In the 1990s, Turkey had a mixed record in promoting security. While its military unilateralism inevitably resulted in a perception of the country as a security-consumer, its contributions to peacekeeping and peacemaking operations under the UN, OSCE and NATO frameworks reinforced a perception of Turkey as a security-provider. The act of granting Turkey official candidacy status for the EU membership was both a recognition of Turkey’s role as a security provider and a gesture intended to restrain its military unilateralism. After ‘September 11’, Ankara came to terms with non-military aspects of security and tried to tap its, hitherto undiscovered, soft power resources. Its democratic experience, Western links and its EU prospects
all served to increase Turkey’s international attraction in the aftermath of ‘September 11’. Consequently, what Turkey is has become as vital as where it is. In other words, Turkey’s significance for European and regional security is no longer confined to its “real-estate” value (Missiroli 2003, p.354), a trend not missed by prominent EU figures such as Commissioner Verheugen (Yetkin 2004) or German Foreign Minister Fischer (Frankfurter Allgemeine Zeitung 6 March 2004).

In the meantime, the security culture gap between Turkey and the EU has been gradually narrowed as a result of two developments that have occurred more or less concurrently: the Europeanisation of Turkish policies (both domestic and foreign) and the EU’s grasp of a strategic perspective. In broadest terms, Europeanisation may be defined as internalization of values, norms and standards of the EU and their subsequent application as part of domestic politics and jurisdiction. One consequence of Europeanisation is that this domestic transformation empowers the moderate actors and disfavours hard-liners who had had a significant impact on most foreign policy issues (Noutcheva 2003). The Europeanisation of Turkish foreign policy, on the other hand, presents a serious paradox to the two non-European champions of Turkey’s EU membership, namely to the US and to Israel.

A North American specialist on Turkey, for instance, remarked in his testimony before the House of Representatives that “we may not wish to see Turkish attitudes towards Iraq or Iran further “Europeanised” particularly in the context of access to the Incirlik Air Base” (Lesser 2001, p. 7). Notwithstanding “Europeanisation,” the voting patterns in the UN General Assembly already indicate a strong degree of divergence between Washington and Ankara on many important international issues. It may even be argued that Ankara’s responsiveness to U.S. policy has steadily declined since the late 1990s. This decline has been marked even more strongly on the Middle East issues, a voting category identified as important by the US State Department, with 37.9 per cent in 2002 and 28.6 per cent in
In a similar way, the merits of Turkey’s EU membership are no longer taken for granted in Israel, another long-time supporter of the idea. The conventional view had been that the EU membership would firmly anchor Turkey in the west and therefore would be good for Israel. On the other hand, the increasing likelihood that Ankara might have to align itself with the European perspectives of the Arab-Israeli conflict as an EU member state has been a cause of concern for those Israelis who consider Turkey’s view of the conflict healthier than independent of the Belgian, French or Swedish perspectives (Keinon 2002).

To sum up, the Commission’s (2003b, p. 124) latest Progress Report on Turkey states that “Turkey’s foreign policy has continued to align itself along the lines that of the European Union.” It is noticeable that in no other chapter of the *acquis communitaire* does Turkey’s performance merit such a degree of appreciation by the Commission as does Chapter 27: Common Foreign and Security Policy. This appreciation reflects the fact that, although initially being located at the extreme ends of the spectrum, the EU and Turkey have recently managed to align their perceptions on the definition of security.

### 11.3. THE REGIONAL CONTEXT

The way Turkey’s image has been perceived by her eastern and southern neighbours in the Middle East has drastically changed for the better, mostly as a result of Turkey’s growing links with the EU. Turkey’s bid for EU membership has recently found supporters, other than Israel, in

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**TABLE 11.1**

Voting coincidence between Turkey and the United States in the General Assembly of the United Nations

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the Middle East. Iranian President Khatemi declared his support for Turkey’s EU membership, in June 2002 (Hürriyet 18 June 2002). Almost half a year later, the new Syrian President Esad made a similar declaration of support, for economic and political reasons, the idea of being in the EU’s neighbourhood seems to have a particular appeal for the Syrian President (Hürriyet 5 January 2004). Even though an understanding has been reached at the technical level with regard to the negotiations in December 2003 (Commission 2003c), Syria remains to be the only country within the Barcelona Process that has still not managed to conclude a Euro-Mediterranean Association Agreement with the EU.

The Saudi government’s positive reception of the Helsinki decisions in December 1999, granting EU candidacy status to Turkey (interview with İsmail Cem, 8 January 2004) is another example, which further reinforces the observation that the emerging view in the Middle East towards Turkey is of a political and economic success story for the whole region (Radikal 18 October 2001; Cumhuriyet 1 November 2001). It could be stated that this emerging view is contrary to the opinions, expressed on several occasions by the European sceptics of Turkish membership (Financial Times Deutschland 8 March 2004), for keeping Turkey out of the EU and keeping it as a buffer zone against Syria, Iraq and Iran, The vocal statements of support by Turkey’s neighbours for its EU membership may be considered manifestations of desire to live next door to a security community rather than to a military superpower displaying latent signs of hegemonic ambitions in the Middle East.

However, this security community is by no means complete. Because of the late and partial democratisation of Greece and Turkey, respectively, the admission of these two neighbouring countries to NATO in 1952, did not serve to the purpose of extending the security community. Instead the result was the development of a “hybrid region” (Moustakakis 2003, pp. 94-128). Hence, Turkey’s Europeanisation may reasonably be expected to serve two related purposes, which are the country’s democratic transformation and the extension of the values of
the security community to the fringes of the Middle East. The region is identified as a priority by both the EU and the U.S. There is a transatlantic recognition of the need to transform the region both politically and economically, yet there is no consensus on how to accomplish this common objective. The EU has produced an interim report on the strategic partnership with the Mediterranean and the Middle East region, evaluating the state of current relations and attempting to set overarching objectives and principles for the future EU strategy (Commission 2004). The finalization of this report is expected to be discussed at the European Council meeting in June 2004. The US has been also working on the launch of its own Greater Middle East initiative, focusing on fixing the three deficits highlighted in the United Nations Arab Human Development Reports (AHDR), thus stating its reform priorities as promoting democracy and good governance, building a knowledge society, and expanding economic opportunities (Al-Hayat 13 February 2004). These separate initiatives, if coordinated carefully and in consultation with all stakeholders, may complement each other and contribute to the development of the region. However, it remains to be seen, if the common objectives on paper could actually translate in practice into a common understanding of the region’s problems and the means to solve them.

It is generally perceived that the promotion of democracy in the Middle East is intended to serve one practical purpose for the U.S and that is the elimination of the root causes of terrorism and threat of weapons of mass destruction. Inspired by the key proposition of the ‘democratic peace school’ of international relations that democracies do not fight each other, President George W. Bush (2004) argues: “democracies do not support terrorists or threaten the world with weapons of mass murder”. However, the US seems to prefer to disregard the point that, “without political dignity derived from self-determination there can be no democracy” (Brzezinski 2004). This brings the issue of the Arab-Israeli conflict to the fore, an issue whose resolution the EU sees as a strategic priority, as set out in the European
Security Strategy. The EU endorses the position that unless the Arab-Israeli conflict is resolved, “there will be little chance of dealing with other problems in the Middle East” (European Council 2003, p. 8).

Turning to another current trouble-spot, to the Southern Caucasus, the new EU security strategy document recognises that with Turkey’s admission, “[it] will in due course also be a neighbouring region” (European Council 2003, p. 8). The Council has recently invited the Commission to prepare a recommendation, to be considered before the end of the Irish Presidency, on the relationship of Armenia, Azerbaijan and Georgia to the European Neighbourhood policy, (European Council 2004, p. 11). The European Parliament (2004, p. 9) has recommended that the region should be given “a defined status in the Wider Europe-New Neighborhood policy, in accordance with the principle of avoiding the creation of new dividing lines in Europe, to stimulate the countries in the region to advance in political and economic reforms, while at the same time confirming the EU’s wish to increase its political and conflict resolution roles in the region”. Inclusion of the Southern Caucasus into the Wider Europe-New Neighbourhood framework may help bring Turkey closer to Armenia and vice-versa, through the normalisation of relations with the help of the EU framework. In the absence of such institutional contexts as the NATO and the EU, it is difficult for Turkey to act on her own in this region, because of the risk that any individual Turkish initiative may be taken as a sign of unilateralism. The recent surge of tension in Georgia has proved once again that the region is still not immune from clashes and conflicts and that there is a need for drawing attention to its problems.

11.4. A SECURITY PROVIDER IN THE MAKING?

The provision of security has long been a niche that Turkey kept pursuing in order to prove its worth of EU membership. This niche is not without contenders among the new members of the EU. Poland, for instance, also has a great interest in getting recognised as a security provider for Europe. However, since the early 1990s, Turkey has accu-
mulated an impressive track record in terms of peacemaking and peacekeeping operations. Turkish military forces with air and naval elements have been involved in the UN, OSCE and NATO operations in Somalia, Bosnia, Albania, Kosovo and finally in Afghanistan, where Turkey assumed the command of the ISAF for a period of eight months. In fact, in a recent survey on indices of globalisation, Turkey ranked sixth place for “peacekeeping” largely due to its growing prominence in such missions (see AT Kearney/Foreign Policy 2003, pp. 60-72). In addition, Turkey has assumed leading roles in various political, economic and military initiatives, promoting regional peace and stability. Among these initiatives we could single out the Southeastern European Multinational Brigade (SEEBRIG) in the Balkans, and a Black Sea Naval Force on call (BLACKSEAFOR).

In terms of hard power, Turkey will definitely be a contributor to the EU capabilities in peacemaking and peacekeeping missions. For instance, Annati (2001, p. 62) identifies seventeen most crucial areas for ESDP’s Headline Force Goals (HFG), where Turkey has either already acquired or is about to acquire significant capabilities, including attack and utility helicopters, Combat Search and Rescue (SAR), air-tankers, cruise missiles, satellite communications, air and sea lift. Turkey has recently boosted NATO’s deployable assets by offering its 3rd Corps in Istanbul as one of the eight multinational core level Deployable Headquarters Task Force to tackle new threats within or outside NATO territory (NATO 2004, p. 28).

Removing the uncertainty in Turkey’s EU membership prospects will bring about a significant qualitative and quantitative improvement in the hard power resources that Turkey can offer to the EU. Once Turkey enters to the right track leading to full membership, she will not need to maintain current force levels for contingencies in the Aegean and in Cyprus. The assets that will be released as a result of these force reductions may be diverted to areas of more relevance to the objectives of the EU security strategy. Similarly, relieved of the so-called Turkish threat, Greece may also be able to reduce or divert its military and eco-
nomic assets to other venues of European security. The rapprochement between Turkey and Greece, reinforced by the EU enlargement process, has already been translated into proposals on reciprocal military spending cuts. The Greek offer to cut defence spending has been received warmly by the Turkish counterparts (Agence France Press, 20 January 2004). Furthermore, the improving relations between the two countries carry significant implications on EU policies towards securing energy routes. An agreement has been signed on interconnecting the natural gas supplies of Turkey and Greece through the Ankara-Komotini pipeline, running beneath the Dardanelles Strait. This will also have the potential to enable carrying natural gas to Europe via Turkey from South Caucasus, Iran and Central Asia (BBC Monitoring International Reports 21 January 2004). Turning Turkey into a hub of energy networks will allow the EU to diversify its energy resources, especially with respect to adding alternative natural gas suppliers, as it seeks to reduce its dependency on nuclear energy and imported oil. Another pipeline, whose feasibility study is due to be completed by September 2004, is envisaged between Turkey and Austria, running through Hungary, Bulgaria and Romania (IBS 2003).

It would be fair to argue that, as a future EU member, Turkey’s real contribution to regional security does not stem from its military capabilities, its impressive performance in peacekeeping duties or its crucial geopolitical location alone but also from its ability to contribute to the civilian power aspect of the EU. In the Middle East, Turkey has a unique profile, through maintaining a well-balanced position between the protagonists of various disputes/conflicts. With regard to the Arab/Israeli conflict, for instance, Ankara enjoys to be trusted and taken seriously by both Israelis and the Palestinians. As such, Turkey could play a constructive role as a potential EU interlocutor for promoting the resolution of the conflict.

In the Black Sea region, Turkey’s efforts in confidence building initiatives through developing institutions such as the Black Sea Economic Cooperation (BSEC) would be worth mentioning. With
Turkey’s accession to the EU, along with Bulgaria and Romania, the BSCE may assert itself as an institutional platform where the relations between the EU and the regional actors could be reinforced within the Wider Europe context.

11.5. CONCLUSION

Improved regional security will be one of the consequences of Turkey’s future EU membership. Turkey’s accession would result in strengthening both military and civilian aspects of the EU security structures. At the same time, once she takes her place as an EU member within the pluralistic security community of liberal democracies, Turkey’s own sense of security would also be enhanced. To use a cliché, in the end, the total will be greater than the sum of its parts. Moreover, by giving the green light to Turkey’s accession, the EU would be amplifying its ability to contribute to global security through providing a model, not only horizontally but also vertically. In other words, the EU might end up with having a model to export, not only to membership-aspirants or its neighbours, but also to the global institutions at the world level. As such, the EU may provide “a micro-cosmos, a laboratory for the world at large” (Nicolaidis and Howse 2002, p. 768). The exportability of the EU as a micro-cosmos, will, however, depend on demonstrating its ability to accommodate diversity. This is where Turkey’s real niche lies. If the EU could manage to prove its ability to accommodate a predominantly Muslim, yet liberal, democratic and secular Turkey as a member, then it would be offering a rather viable alternative to the world orders based on clash of civilisations.

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