



Friends of Europe Les amis
de l'Europe

TURKEY AND THE EUROPEAN UNION: JUST ANOTHER ENLARGEMENT?

EXPLORING THE IMPLICATIONS OF TURKISH ACCESSION

Kirsty Hughes

~

A Friends of Europe working paper

On the occasion of the “Turkey’s EU end-game?”
European Policy Summit of 17 June 2004.

~

June 2004

STANDARD
& POOR'S



EXECUTIVE SUMMARY

This paper analyses the likely political and economic impacts of Turkish membership of the EU for the Union itself. It asks whether Turkish accession can be managed in a similar way to that of other enlargements or whether critics are right that Turkey is too big, too poor, with too dangerous borders and insufficiently 'European' to join the Union.

Political Dynamics in Turkey

Turkey was officially recognised as an EU candidate in December 1999, and in December 2002 the European Council announced that if Turkey met its political 'Copenhagen' criteria by the end of 2004 it would open negotiations without delay. Since 1999, and particularly since the election of the AKP government in November 2002, there has been radical and rapid political reform in Turkey. Major political reforms have promoted democratisation, and led to considerable steps forward in the area of human rights including minority rights and in the area of civilian control of the military. The EU goal has been a very important framework in underpinning these reforms and uniting disparate groups around reform.

At the same time, reforms are not complete and there are particular problems in many areas of implementation of reform including in the human rights area. Judicial reform remains inadequate. The European Commission has made clear its expectation of further progress in a number of key areas before it draws up its vital report on progress and its recommendation in the autumn to the EU's leaders on whether to open negotiations. There is much agreement across different political groups and actors in Turkey, that opening EU negotiations is a vital step if the strong dynamic of political reform is to continue and become deeply rooted. There is also widespread pessimism in Turkey at the impact on political reform if the European Council does not decide to open negotiations in December.

Turkey in the EU - Economic Impacts

Turkey is a large country in population terms and a small one in economic terms. If Turkey joins the Union in 2015 it will have a population of 82.1 million, slightly smaller than that of Germany at 82.4 million, both accounting for just over 14% of EU28 population. By 2025 at 87 million people, Turkey will be the largest EU member state and account for 15.5% of the population. Looking forward to 2050, population is predicted to stabilise at 97 million – 17.7% of EU28 million (slightly less than Germany's 18.1% share today of the EU25 population).

Today Turkey's economy is just 1.9% of EU25 GDP. Assuming average annual growth of 5%, it would be 2.9% of GDP on accession in 2015. Turkey's GDP per head (at purchasing power parity) is only 27% of the EU average. Turkey's economy is also characterised by major regional inequality. Turkey's macroeconomic situation is stabilising after the 2001 crisis – opening of negotiations is expected to impact strongly and positively on the sustainability of this recovery. But many further economic reforms are necessary. Labour market – and education – reforms are vital if Turkey is to use its economic potential. Both youth unemployment and the exceptionally low employment rate of women at 25.5% need to be tackled.

Given its small size, Turkish accession will have minimal impact on the EU economy. It might have a very small but positive impact on EU25 GDP of 0.1-0.3% of GDP, an impact which will increase if there are net migration flows from Turkey to the current EU members. The EU could benefit in particular from the different demographic profile of Turkey, with its much

younger, growing population. If migration flows from Turkey are similar to those anticipated from the new EU member states from central and eastern Europe, then flows of around 225,000 a year would be anticipated, with a long run eventual stock of about 2.9 million migrants. This would be at a time when the EU is beginning to feel the negative impacts of its aging demographic profile.

Foreign direct investment in Turkey is exceptionally low. The prospect of EU membership together with increased political and economic stability at macro-level, and major reform of barriers at micro-economic level – including tackling corruption and problems in the judiciary – could result in FDI flows of €2-4 billion a year.

As a large poor country, Turkey will be eligible for significant budget transfers from the Union – though these will depend both on policy reforms in regional and agricultural policies in the EU in the next ten years, and on the actual negotiations. Both the EU's common agricultural policy, and agriculture in Turkey will need further reform. Likely budget flows in the first 3 years of Turkish membership are estimated at a total of €45.5 billion ie around €15 billion a year. Turkey's own contributions to the budget will mean the net figure could be €30-35 billion (and negotiations may reduce this further). In per capita terms, this is almost identical to the budget deal for the ten new member states.

Turkey in the EU – Political Impacts

The fact that Turkey will become the EU's largest member state in population terms soon after accession is one of the biggest impacts of Turkish accession. Turkey's strategic geographical location, and its large Muslim population also have implications for the EU. It is in the EU's strategic interests that Turkey is democratic, stable and prosperous and a friendly ally. Turkish EU membership can – as with earlier enlargements – contribute to these strategic goals. The impact of Turkish accession – and of opening accession negotiations – in demonstrating that the EU is a secular, multicultural body not a 'Christian club' – will also have important geopolitical ramifications.

Institutionally, Turkey will have a large impact on the Council and the European Parliament but not on the European Commission. Assuming a double majority system of voting operates in the Council (of countries and population), in an EU of 28 both Turkey and Germany will have around 14.5% of the vote each. They will be strong players but unable to block proposals even together but they will be able to block proposals with a third large country. The large countries are not in a position to push through proposals on their own due to the need for a majority of countries as well as population.

The largest 5 countries in an EU of 28 will account for 60.3% of the vote by population. This is only 3.4 percentage points higher than the share of the 'big 4' countries in an EU of 25 (where they have 56.9% of the vote). So Turkey will be an important powerful player and will add to the already complex set of alliances and blocking combinations that are possible. But in an EU of 28, despite its size, it does not add strongly to the dominance of the larger countries (assuming in any event that the large countries could and would agree). In terms of seats in the European Parliament, if seats are reallocated proportionately to take account of Turkish, as well as Bulgarian and Romanian accession, then Turkey – and Germany – would both have 82 seats – 11.2 % each of the total number.

Turkey will have an important impact on EU foreign policy interests given its borders with the Middle East, Caucasus and the Black Sea. This will shift the Union's borders to the South-East and increase the Union's range of interests in these difficult regions. Turkey will look to be a significant player in the development of EU foreign policy but it will not be as important a 'bridge' to the Middle East as some expect. Turkey will impact more widely on the already complex political dynamics among member states, including among the larger member

states, but Turkey alone will not determine the future political evolution of the Union. And many issues around whether the enlarged Union can find strategic leadership and direction, and whether it will aim for further political integration, will become clear in the next decade before Turkey joins.

There is a risk that Turkey as a member state could resemble the UK and be a rather awkward player – but it is more likely than the UK to understand the political nature of the Union. It will also resemble in some ways the new member states of central and eastern Europe in some of its policy interests, and in other ways will have much in common with Mediterranean member states like Greece, Spain and Portugal.

Overall, the paper concludes that Turkey will have significant impacts on the Union but these impacts can be managed as those of previous enlargements have been. Consequently, Turkey's candidacy should be judged on the same terms as that of other candidates – through adoption of the *acquis* and through meeting the Copenhagen criteria.



Friends of Europe Les amis
of Europe de l'Europe

EUROPEAN POLICY SUMMIT - TURKEY'S EU END-GAME

17 JUNE 2004

Featuring:

- **Günter Verheugen**, EU Enlargement Commissioner
- **Abdullah Gül**, Minister of Foreign Affairs, Turkey
- **Dick Roche**, Minister of State for European Affairs, Ireland
- **Denis MacShane** Minister for Europe, UK
- **Kürsat Tüzmen**, Minister of State for Foreign Trade and Customs, Turkey
- **Öguz Satici**, President, Turkish Exporters' Assembly (TIM)
- **Rifat Hisarciklioğlu**, President of the Union of Chambers and Commodity Exchanges of Turkey (TOBB)

This conference is organised by *Friends of Europe*, the Turkish Exporters' Assembly (TIM), the Istanbul Textile and Apparel Exporters' Association (ITKIB) in partnership with the Union of Chambers of Commerce and Commodity Exchanges of Turkey (TOBB), Standard & Poor's, the Turkish Industrialists' and Businessmen's Association (Tüsiad), Turkey's Economic Development Foundation (IKV) and EurActiv.com.

The contents of this paper represent the views of the author. They do not necessarily represent the views of the partners involved in the conference.

For more information : www.friendsofeurope.org

Introduction¹

As the decision on whether to start EU accession negotiations with Turkey draws closer, political debate around the issue is growing stronger and more heated both in Turkey and in the European Union. It is a much more intense debate than that which surrounded the start of negotiations in 1998 with the accession countries of central and eastern Europe. On the Turkish side this reflects both the fact that Turkey has undertaken a dramatic programme of political reform in response to EU demands, particularly in the last 18 months, and that Turkey first an EU association agreement 40 years ago. On the EU side, the debate reflects concerns both as to whether Turkey does meet the EU's political criteria and a set of wider concerns over the likely impact of eventual Turkish membership on the Union itself.

This is not a debate from first principles. The European Council recognised Turkey as a candidate country in 1999. Then, at their summit in December 2002, Europe's leaders agreed that, if by the end of 2004 Turkish political reforms met the political part of the 'Copenhagen criteria', negotiations would start 'without delay'. The political Copenhagen criteria state that a prospective member must be: "a stable democracy, respecting human rights, the rule of law, and the protection of minorities". A vital progress report on these political criteria together with a recommendation on opening negotiations from the European Commission is due in September.

Much of the EU debate is not however focused on these key political issues but on the future impact of Turkey on the Union. This is the main concern of this paper – to identify the likely future political and economic implications of Turkish accession to the EU for the Union itself. Such questions of impact were addressed for the current 2004 'big bang' enlargement by the European Commission in its *Agenda 2000* report in 1997. A preliminary Commission impact study for Turkey is due in September.

At first glance, the implications of Turkish accession look as if they could be rather similar to the current 'big bang' enlargement. Turkey is about the same size as the new 10 member states in population and about half their weight, roughly the size of Poland, in economic terms. This may suggest that Turkey is 'just another enlargement'. But the fact that Turkey is one country, not ten, alters in particular the political impact dynamics. In many ways, absorbing one new country – the EU's 28th member state (assuming Bulgaria and Romania join in 2007, or 29th if Croatia joins before Turkey) – is much simpler than absorbing ten. But as one large country, Turkey will match Germany in population though not economic terms with important political implications.

There are also wider potential geopolitical and foreign policy impacts of Turkish accession given both its strategic position and its large Muslim population. Some argue these potentially positive stability and geopolitical effects represent strong motivations for the Union to support Turkish membership. But others doubt whether Turkey should be a member at all, despite its recognition 5 years ago as a candidate. Turkey, these critics argue, is too big and too poor to join the EU, has dangerous

¹ This paper draws on a large number of interviews held in Ankara, Istanbul, Berlin, Brussels, London and Paris with a wide range of people including politicians, officials, business, NGOs, media and academics. I would like to thank all these people for sharing their insights and expertise with me. The views expressed in this paper are the responsibility of the author alone.

borders, is not really European in terms of culture or geography or history, and will damage the EU integration process, whether through overstretch or lack of understanding and experience of the Union.

Analysis of likely impact will cast light on the validity of these different arguments. But any attempt to assess political and economic impact of Turkish accession is inevitably in part speculative. This paper adopts the assumption that accession negotiations will start in 2005 and that after ratification of the accession treaty, Turkey will join in 2015. This allows 8 years for negotiations, somewhat longer than for Spain, and 1-2 years for ratification. Both Turkey and the EU will change substantially in the next ten years, so identifying what sort of member state Turkey may be, or its impact on Union politics and policies that themselves are likely to change considerably in the next ten years, is inevitably only an indicative analysis.

This paper first looks briefly at the political reform process and political debates in Turkey and its motivations for joining the Union. It then assesses the potential economic (section 2) and political (section 3) impacts of Turkish membership of the EU.

Section One: Political Dynamics in Turkey

Fast Pace of Reform

The political situation in Turkey in many ways has been substantially transformed since 1999, and in particular since the election of the Justice and Development Party (AKP) government in November 2002. The pace of political reform is not simply a success for the AKP government led by Recep Tayyip Erdogan but is also a major success for the EU itself, showing the leverage the prospect of EU membership can bring.

The decision to give Turkey candidate status in Copenhagen in December 1999 transformed the relationship between the EU and Turkey from one based on economics – the Customs Union having been agreed in 1995 – to one where politics came to the fore. The subsequent EU decision in December 2002 to make a decision on opening membership negotiations in December 2004 was a further milestone. These EU decisions allowed Prime Minister Erdogan and his AKP government to set EU negotiations as their main political goal and so as the driver of difficult political reforms in Turkey. This EU goal has been supported by the only opposition party in Parliament – the Republicans People's Party (CHP).

Turkey's motivations, across disparate political and social groups, in aiming for EU membership are complex including underpinning of political reforms aimed at democratisation, helping to weaken or override political and social divisions that impede progress, security and stability motivations and economic motivations. Some

suggest that the old drivers of westernisation and modernisation have now been replaced by the goals of democratisation and Europeanisation².

The pace of reform in Turkey in the last 18 months has been radical and taken many inside – and outside – Turkey by surprise. Since October 2001, 8 reform packages have been passed, with the four later more major ones under the Erdogan government. The most recent (eighth) package of reforms – the second big constitutional reform package – in May 2004 took substantial new steps forward. These reforms have included moves to: increase and assert civilian control over the military; establish minority and cultural rights; abolish torture and ill-treatment; establish and protect fundamental freedoms and rights, including freedom of expression, association and the media; reform the judiciary, and abolish the death penalty.

Issues considered taboo even 2-3 years ago such as Kurdish rights, civilian control of the military, and support for a compromise settlement in Cyprus have all now come into the open as subjects at least for political debate, and to a varying extent for actual reform and action. At the same time, a new generation of non-governmental organisations (NGOs) has developed in the last 3 years and NGOs are increasingly consulted on reforms by the government.

While Turkey has not been through a ‘velvet revolution’ as the new EU member states of central and eastern Europe did, the extent of the political reforms and the scale of the social and political changes they are driving should not be underestimated. But, at the same time, political reform in Turkey is an ongoing process and a potentially fragile one. Opening of EU negotiations is seen by a wide variety of different actors and interest groups in Turkey to be fundamental in ensuring continuation, and underpinning, of reforms.

Problems in the reform process

The reform process is, however, incomplete. Many civil and human rights NGOs in Turkey are concerned at the failure to implement fully and reliably key reforms. For example, one NGO reports over 1000 cases of torture in 2003 but notes there has been a big fall in the severest forms of torture (to around 20 cases). Peaceful demonstrations have in a number of cases been attacked by police. The introduction of Kurdish language education and broadcasting has been inhibited or prevented by extremely narrow implementing regulations³. And harassment of human rights NGOs is a periodic problem. Yet many Turkish NGOs put great emphasis on the importance of opening negotiations with the EU to ensure political reforms and implementation do continue – in effect, they want a ‘yes but’ to negotiations, with ongoing monitoring and pressure from the EU to ensure full implementation of reforms⁴.

² Atila Eralp “ Turkey and the Enlargement Process of the European Union” Middle East Technical University Ankara

³ According to news reports, Kurdish language broadcasts started on 10th June. (www.bbc.co.uk)

⁴ Amnesty International has called more broadly for a human rights monitoring body to be established to monitor all EU member states and candidates.

In its October 2003 report on Turkey's progress⁵, the European Commission praised progress but noted that further efforts were necessary particularly in 5 broad areas: functioning of the judiciary, fundamental freedoms (association, expression and religion), civil-military relations, the situation in the South-East (including return of displaced people), and cultural rights. The Commission also emphasised the importance of implementation which in many areas has been patchy and significantly lagging behind legal changes. Implementation regulations are in a number of cases so narrow as to undermine the spirit and aim of the original legislation. EU observers judge the Turkish administration to be relatively efficient particularly in comparison to the new member states of central and eastern Europe. So administrative capability per se is not at the root of the implementation problem.

After the May 2004 constitutional reform package, which addressed some but not all of the Commission's 2003 comments, the top official on enlargement matters in the European Commission, while praising progress, told an Ankara audience there was still much to be done⁶. These included among other issues further action on: minority and cultural rights, aspects of civil-military relations, and continuing review of basic legislation related to the exercise of fundamental freedoms. On implementation, positive developments were 'overshadowed by negative events' said the Commission official. But enlargement Commissioner Gunter Verheugen has made it clear that 100% implementation is not the measuring point for its key September report and recommendation⁷. Track record, dynamic, momentum and political will are all part of the mix that will inform the Commission's advice in autumn to the EU's leaders for their final decision in December.

Political dynamics in Turkey

There is widespread support in Turkey both for the political reforms and for the goal of EU membership – with opinion polls showing 75% support for joining the Union. However, there is opposition including among nationalists of both the right and the left, and some sections of the military and establishment. But what makes the current political dynamics in Turkey particularly complex is the suspicion that many groups and actors still have towards the AKP government and its motivations, despite at the same time supporting the EU goal and the political reform process. It is this together with direct opposition that can explain some of the serious problems that have been faced in actual implementation of reforms.

With their Kemalist tradition and ideology – of secularism, westernisation and modernisation – many of the establishment elites, including the military, have been deeply suspicious of the AKP's Islamic roots, although it is a broad coalition grouping. Used to being the 'modernisers', many Kemalists find it hard to accept that a new and effective drive to modernisation is coming from such a different source and producing results that establishment parties had failed to deliver. Suspicion through to outright opposition remains. Some have been won over by the AKP's performance in

⁵ European Commission (2003) "2003 Regular Report on Turkey's Progress towards Accession)

⁶ "Turkey-EU Relations in the perspective of the December European Council" speech by Fabrizio Barbaso, Director General DG Enlargement, European Commission to the 3rd Middle East Technical University Conference on International Relations, Ankara. 25/5/04

⁷ see report Financial Times 28/5/04

government, driving an unprecedented pace of reform, with some outsiders suggesting Erdogan is leading the most efficient, politically effective and astute government in 50 years.

The AKP has in fact gained credibility and support among much of the electorate precisely through not being part of the tainted, establishment parties. The AKP likes to describe itself as a conservative social party akin to Germany's Christian Democrats (ironically enough given the CDU's opposition to Turkey's EU aspirations). It has strong local and regional roots and has support from an emerging conservative middle class that differs from the secularist westernised elites of Ankara and Istanbul.

Lack of reform in the judiciary and judicial system is a particular problem in driving through reforms, with opposition at senior and junior level leading to major implementation problems and unevenness across the country. And, as one observer puts it, 'the military is still breathing down the government's back' leading to a careful balancing act from the government as it pushes the reform process. On constitutional reform, many in Turkey consider that the constitution ultimately needs replacing not reforming since it was drawn up in 1982 after the military coup in 1980. The fact that the government has not attempted to do this is a further indication of the delicate balance between government and military.

The political uproar in May 2004 when the government passed a law allowing university access for students from Islamic *imam hatip* schools, subsequently vetoed by the President, clearly demonstrates the extent to which the secular/Islamic debate still divides Turkey. The issue also provoked a political intervention by the military indicating its readiness still to step in to defend what it sees as secular principles.

While many from both sides of the Islam-secularism divide will insist that the EU should take Turkey as a future member to show it is multicultural and not a 'Christian club', the polarisation in Turkey over religion and the state means that Turkey itself is grappling with the issues that multiculturalism raise. Islamic fundamentalism and Kurdish separatism have long been seen by the secularist establishment, especially the military, as the two main challenges to the integrity of the Turkish state, leading some to see minority, cultural and religious rights as potentially threatening. Many agree that fundamentalists are probably only around 10% of the Turkish population, but there is a widespread fear among secularists that growing Islamic conservatism could result in social pressures restricting their own freedoms – with pressure for women to adopt the veil frequently cited. Given the symbolism of the veil in this debate, action to improve the much criticised and deeply embedded low economic, social and political status of women in Turkish society, promote gender equality and so strengthen the independence of women and their freedom of choice is not only one vital element of real modernisation (that no government in Turkey has yet achieved), and of EU accession, but could contribute to easing some of the fears expressed on the secularist side⁸.

⁸ In a recent report, Amnesty International denounced the high levels of violence against women "Turkey: violence originating in the family" 2 June 2004

Optimists suggest that both sides are modernising and that greater mutual tolerance will develop, allowing a more pluralist multicultural society to develop⁹. In its internal debate and divides, Turkey reflects, at least partially, the differences of view for example in member states such as France and the UK over combining secularism and multiculturalism. These debates also show that when and if Turkey joins the EU, it will add to the complexity of the debate already occurring in the EU, rather than representing one simple position.

These divides and deep suspicions between different groups in Turkey also explain the power of the EU framework and the membership goal. For the AKP government, it can both help to underline their intentions in promoting democratic reform as genuine and, in the future, allow more religious freedom and genuine multiculturalism than at present (not least the contentious issue of women being banned from wearing the headscarf in public institutions). For the secularists, the EU can help to ensure a continued separation of state and religion, and guarantee that a weakening of the power and ultimate control of the military does not open the door to fundamentalism or to Kurdish separatism.

But opposition and tension in Turkey will remain and resistance to reforms will continue. Inevitably, the process of radical political reform is changing power relations. The military and other parts of the secularist establishment stand to lose power, the more successful the reforms are. At the same time, there is also widespread distrust that the EU will really play by its own rules. Many Turks, while hoping and waiting for an agreement to open negotiations in December, are also half expecting an EU rejection whatever Turkey does: one more factor that impacts on implementation¹⁰. The government too has perhaps been slow to appreciate the importance the EU places on implementation, preoccupied as it has been with legal reforms, although it has established a high level reform monitoring committee to push implementation forward.

Others emphasise that the sweeping reforms in Turkey demand a big mentality shift from the whole population and that this inevitably takes time. Turkey's large rural/urban divide is also important here too. Some commentators suggest that, while in urban areas there is now much greater awareness of individual rights, this is much less so in the large rural segment of the population.

Impact of the EU's Decision

There is much agreement across the Turkish political spectrum that if the EU does not give a clear 'yes' to negotiations, there will be a strong negative political impact in Turkey. Some doubt whether Erdogan could stay in power. Most consider that reforms will stall and a period of stagnation and possible instability could ensue. While many think nationalism will increase sharply in response, fewer think that the

⁹ Some suggest that this polarisation into two groups is more at elite/political level rather than pervasive throughout the population – see W. Chislett (2004) "Turkey's Membership of the European Union: a rose or a thorn?" Fundacion Real Instituto Elcano, Madrid, AP No 16/2004

¹⁰ In a public opinion survey, 49.7% agreed with the view that 'the EU will not accept Turkey as a member, even if Turkey satisfies all the necessary conditions'. Survey led by Dr Hakan Yilmaz "Euroskepticism in Turkey" Bođaziçi University

'old guard' could return. Very few think the reform process is sufficiently strongly embedded to continue irrespective of the EU decision. However, the EU is unlikely to give a clear 'no'. If negotiations were not opened, the most likely alternative is that the EU would suggest another review one year later – how Turkey would cope with such a decision politically is unclear but it would be received very negatively.

Many EU actors think the chances of a decision to open negotiations are currently around 85-90%. The decision by EU leaders will be strongly influenced by the Commission recommendation. Given political doubts in a number of countries, unless the Commission gives a clear 'yes' or 'yes but' (with a clear route to manage the 'buts'), then any more neutral recommendation will be greeted with relief by some EU leaders as a means to postpone the decision¹¹. Equally, some leaders, if the decision is positive, will wish to protect themselves from domestic opposition and political fallout by emphasising the importance of the Commission recommendation and of the decision of the European Council as a whole¹². Countries seen as more hesitant include France, Austria, Denmark, and the Netherlands¹³. At present, French President Jacques Chirac is seen as likely to ride out doubts and opposition from his own party, but this could become more complicated in the autumn if he is forced into agreeing to hold a referendum on the EU constitution. Guaranteeing success in such a referendum would then become Chirac's top European priority.

Conclusion

Overall, the combination of rapid but incomplete political reform with strong internal debate over the future development of Turkish society, shows that Turkey is going through a period of radical change. This dynamic of political and social change will be most likely to continue if it is underpinned by opening of negotiations with the EU. The speed and depth of change makes it difficult to predict what Turkey will look like politically and socially in ten years time. Will reforms be fully embedded with a genuine change in mentality and outlook across the population or will change be slower and more contested? The current dynamic of reform suggests that the continuation of major and fundamental change is possible, but for now it requires a strong EU perspective to underpin it.

¹¹ But the EU has for now no 'plan B' if the accession process is disrupted by either side.

¹² EU15 politicians were not highly successful in persuading their publics of the benefits of the 2004 'big bang' enlargement. As accession drew closer, public opinion fell so that by March 2004 42% were in favour of enlargement and 39% against, with only 8 countries showing a majority in favour of enlargement and Germany the least in favour – Eurobarometer 61 Spring 2004 First Results.

¹³ According to Eurobarometer (March 2003) only 4 countries out of the EU15 have a majority in favour of rather than against Turkish membership (excluding 'don't knows') – Ireland, Portugal, Spain and the UK. Those most against were Greece, France, Finland and Denmark.

Section Two: Turkey in the EU – Economic Impacts

Size – is Turkey too big?

Turkey is a large country in population terms and very small in economic terms – it is a big, poor country. These two facts have various potential political and economic implications. Opponents to Turkish accession suggest that Turkey will be both too powerful and too costly in budget terms to join the EU. Size per se is not a criteria for EU accession but potential impact of size on the Union is an important and relevant factor in managing accession.

Turkey's small economic size can in some ways make it easier to absorb and in others more difficult. It will clearly make it eligible for more financial assistance than if it were wealthier but it also means its economy will have a relatively small impact on the much larger EU market. At a political level, the fact that Turkey is a small economic player will reduce its political clout on economic policy issues. All these issues are discussed further below in this and the following section.

Table one sets out UN population forecasts for Turkey, the larger EU member states (over 5 million in population) and the EU as a whole from 2003 to 2050. Turkey today has a population of 70 million. By the possible accession date of 2015 it will have a population of 82 million, almost as large as Germany. Ten years later in 2025, Turkey at 87 million would be the largest member of the Union. Looking forward to 2050 (almost as far ahead again as the lifetime of the current EU, and too far for serious study of impact effects), Turkey's population is predicted to stabilise at around 97 million.

As table one shows, Turkey in 2025 would constitute 15.5% of the EU's population, while Germany would account for 14.3%. In today's EU of 25 members, Germany accounts for 18.1% of the total population. Even in 2050, Turkey has a population share below this at 17.7%. The political implications of this are discussed further in section 3, but Turkey's population size and relative share differs little from that of Germany in today's EU and so in that sense does not pose a new or unusual problem in terms of size variation across EU member states. What is different from the current Union, is that its largest members today – Germany, France, Italy and the UK – also have the largest economies. Political and economic dominance go together. This is not the case for Turkey.

Table two sets out data for gross domestic product (GDP) at market prices and purchasing power parity for Turkey and a selection of EU member states and candidates. Although Turkey's population of 70 million almost equals that of the ten new member states at 75 million, it is poorer. The new ten member states account for 16% of EU25 population and 4.6% of EU GDP, while Turkey's GDP in 2002 is only 1.9% of that of the EU25. The Turkish economy is roughly the size of that of Poland.

Table One: Total Population: Various EU member states and candidates, and total EU 25, EU 27 and EU 28; UN estimates 2003-2050

(thousands)	2003	2015	2025	2050
Austria	8116	8058	7979	7376
Belgium	10318	10470	10516	10221
Bulgaria	7897	7167	6609	5255
Czech Republic	10236	10076	9806	8553
Denmark	5364	5447	5469	5273
Finland	5207	5284	5289	4941
France	60144	62841	64165	64230
Germany	82476	82497	81959	79145
Greece	10976	10944	10707	9814
Hungary	9877	9324	8865	7589
Italy	57423	55507	52939	44875
Netherlands	16149	16791	17123	16954
Poland	38587	38173	37337	33004
Portugal	10062	10030	9834	9027
Romania	22334	21649	20806	18063
Slovakia	5402	5441	5397	4948
Spain	41060	41167	40369	37336
Sweden	8876	8983	9055	8700
UK	59251	61275	63287	66166
Turkey	71325	82150	88995	97759
Total EU 25	454187	456876	454422	431241
Total EU27	484418	485692	481837	454559
Total EU28 (incl Turkey)	555743	567842	570832	552318
Turkey as % of EU 28	12.8%	14.4%	15.5%	17.7%

Source: UN World Population Division: *World Population Prospects: the 2002 Revision*

Table Two: Gross Domestic Product: Turkey and EU (2002)

	GDP at Current prices €millions	GDP per head as % of EU25 GDP	GDP per head (PPS)	% of average EU (PPS)
Turkey	191711.3	1.99	5920	26.9
Romania	48372.8	0.50	6350	28.8
Poland	202497.1	2.10	10020	45.5
Greece	141334.0	1.47	17030	77.4
Germany	2110400.0	21.91	23940	108.8
New EU 10	444419.5	4.61	--	--
EU25	9622124.8	100	21990	100

Source: Eurostat

Turkey's GDP per head (in purchasing power parity terms) is slightly below that of Romania, and is only 27% of the EU average. Consequently, it will take many decades to approach the EU average. Turkey also has very strong regional inequalities, partly reflecting its marked rural/urban divide, with the poorest regions (in eastern Anatolia) reporting income per head around one fifth that of its richest regions (in the Marmara – Istanbul region). Tackling widespread poverty and regional inequality is probably Turkey's largest economic challenge.

Turkey has considerable growth potential but even on a positive scenario of average annual growth of 5% through to 2015 – and EU25 growth of 2% – the Turkish economy by 2015 would only be 2.9% of EU25 GDP. This means that Turkey's economic impact on the Union and the internal market is likely to be marginal for the Union, though it could be highly positive for Turkey itself. At the same time, given its growth potential, Turkey, like the ten new member states, does offer some market opportunities for EU trade and for foreign direct investment.

The Macro Situation

Turkey has faced serious financial crises in its recent past, the most recent in 2001. Such instability is inevitably a concern for the Union, even if Turkey's small size would mitigate any future impacts on the internal market or the euro. Indeed entry into the euro would only be likely some years after EU accession and with many years of financial stability as well as meeting other EMU criteria. Nonetheless, it is not in the EU's interests to have as a member a country that might exhibit serious financial and economic instability, even outside the euro. The economic part of the Copenhagen criteria demand that candidates are functioning market economies and can cope with competing in the internal market. An economy susceptible to regular major financial crises could not be said to meet these criteria.

But so far, Turkey has recovered relatively well from the 2001 crisis. Table three sets out some basic macroeconomic data for Turkey in 2002, which shows its growth rate bouncing back from a GDP fall of -9.5% in 2001. In 2003, growth was 5% and is predicted to be the same in 2004. Outside observers consider growth of 5-6% is well within Turkey's potential, subject to ongoing economic reforms at macro and micro level.

Turkey exports and imports about 30% of its GDP and the EU is its major trading partner with whom it had a deficit in 2003 of €5 billion. Foreign direct investment (FDI) is very low given Turkey's size. It also has a large informal economy – estimates of its size put it at between 25-50% of formal GDP. Unemployment at just over 10% is lower than in many of the 10 new member states. Inflation has come down since 2001 but remains high. Turkey is one of the few emerging economies to have hit very high inflation rates while avoiding going into hyperinflation. Economic observers believe Turkish inflation could fall to single digits in 2005 for the first time in 30 years. The challenge for Turkey is to make this sustainable.

Turkey's overall sustainability challenge is summed up in its debt figures – almost 89% of GDP in 2002. Much of this is short-run debt and denominated in foreign currency making the Turkish economy highly vulnerable to market sentiment and

exchange rate fluctuations. IMF loans and conditionality have driven Turkish reforms since the 2001 crisis and a debate is under way in Turkey over whether to adopt a successor IMF programme in 2005. The IMF has been pushing for budget retrenchment and structural reforms, with reforms in the banking sector seen as particularly important to reduce risks of further problems. Both state and non-state banks are seen as still in need of further reform. Meanwhile strict budgetary policies conflict with the need to develop stronger social protection systems and tackle poverty.

Opening of EU negotiations is seen by many insiders and outsiders as vital to Turkey's economic prospects. Negotiations would be interpreted by investors as substantially reducing economic and political risk, which would make a big difference to the sustainability of public debt, and allow lower interest rates so encouraging more investment and growth. Opening EU negotiations is the decision which would mark Turkey out from other emerging economies such as those of Latin America.

Table Three: Turkey – Macroeconomic Picture

	2002
Real GDP growth %	7.8
Unemployment (%)	10.68
Inflation (annual avg %)	45.0
Inflation (year end %)	29.5
Budget balance (% GDP)	-14.16
Public debt (% of GDP)	88.90
Exports (% of GDP)	29.7
Current account balance (/GDP)	-0.98
Foreign direct investment Inflows (%GDP)	0.3

Sources: European Commission DG Enlargement website; Economist Intelligence Unit; World Bank Group

The Customs Union, Trade and the Internal Market

Having agreed a Customs Union in 1995, this might be expected both to create trade and economic benefits and to indicate likely future benefits from full accession to the internal market (the Customs Union excludes agriculture, free movement of people and, for now, services). However, on the EU side there is much disappointment at the operation of the Customs Union. Despite removal of trade barriers, other non-tariff barriers and bureaucratic barriers have remained. Nor has the Customs Union led to any discernible effect on FDI flows into Turkey as might have been expected.

Nonetheless, EU-Turkey trade is significant and has grown at an average of 2.2% a year over the last 2 decades. Trade with Turkey accounts for 2.96% of EU25 imports and 3.47% of total exports. Turkey is the EU's 7th most important trade partner in

terms of EU imports and ranks 6th in exports. It accounts for over 15% of textile imports to the Union.

Turkey has had a large privatisation programme for some years but actual implementation of the programme has been very slow. Many state enterprises remain in need of restructuring and private sector governance is also problematic with weak capital markets control of enterprises. The corporate sector is fairly diverse in part reflecting the sharp regional divides in Turkey. Some of Turkey's companies are investing abroad – both west into Romania and Bulgaria, and East into the Caucasus and Central Asia, benefiting in both directions from lower wages. 'Azerbaijan' according to one Turkish commentator 'is our East Germany'. This outward FDI is taking place in a range of sectors including energy, textiles, glass, automotive parts, chemicals and construction.

Some earlier enlargement studies have estimated the impact on the EU15 of the ten new member states joining the EU as being between 0.1-0.5% of GDP¹⁴. Since by 2015, Turkey is likely to be about 3% of EU GDP compared to the current figure for the new ten member states of 4.6%, a simple comparison might suggest it could have an impact at the lower end of this 0.1-0.5% range, possibly between 0.1- 0.3% of GDP. As a large economy, Turkey is somewhat less open to international – and EU – trade than the new ten member states, which is also likely to reduce economic impacts. Turkey also has to face a number of costs associated with accession – from costs of adopting health and safety and other social and consumer standards to costs of adopting the environmental *acquis*.

Estimates for Turkey and the EU of the economic impact of joining the internal market have been made by the Netherlands Bureau for Economic Policy Analysis¹⁵. In a first set of estimates of trade effects, their results suggest a potential increase of 34% in bilateral trade. They then use a more comprehensive model to simulate the economic effects in 2025 of a Turkish accession in 2010. They do not include in their estimates the potential impact of economies of scale and technology spillovers, FDI or the effects of EU budget transfers.

In their results, accession to the internal market is estimated to result in a 0.8% increase in GDP in Turkey, a 1.4 % increase in consumption and an 8.1% increase in exports. They find the largest impact in the textiles and clothing sectors. The impact on the EU is much smaller, given the small overall size of the Turkish economy. There is a €3.8bn welfare gain for the EU15, a 0.2% increase in exports and a 0.1% consumption increase. For the ten new member states they predict a 0.3% increase in export volume and a 0.2% increase in consumption due to Turkish accession. Overall for the EU, GDP effects are too small to register at one decimal place.

The CPB Netherlands study also simulate the impact of a substantial increase in transparency and reduction in corruption in Turkey. This gives much larger results for Turkey with a 5.6% expansion in GDP and consumption by 8.9%. For the EU15, consumption rises by 0.1% and trade volume by 0.5%. The EU15 experience a welfare gain of \$8.5bn.

¹⁴ K. Barysch "Does enlargement matter for the EU economy?" Centre for European Reform

¹⁵ A.M. Lejour, R.A. de Mooij and C.H.Capel (March 2004) "Assessing the economic implications of Turkish accession to the EU" CPB document no 56 Netherlands Bureau for Economic Policy Analysis

Overall, these estimates are still very small and larger EU benefits would be observed if trade volumes grew by more, and if FDI and dynamic scale economy effects were estimated. The impact of migration (as discussed below) also increases economic effects.

Foreign Direct Investment

Turkey has been very unsuccessful in attracting foreign direct investment, with levels rarely over €1 billion and in 2002 only €0.3 billion. This compares to much larger flows into the then candidate countries in central and eastern Europe. The Turkish economy is not directly comparable to these transition economies which emerged from command economies with very large privatisation programmes and considerable opportunities for greenfield investments. Nonetheless, these countries clearly did benefit in advance from investors anticipating their future EU membership. Turkey has the potential attraction of its large domestic market (in terms of numbers of consumers and large workforce), and it is well located providing investors with relatively easy access to markets in the Middle East, and to some of the Caucasus (though the border with Armenia remains closed).

The question is whether Turkey can hope to move to FDI levels at all comparable to those of the new member states. Table four shows inflows into the 8 new member states from central and eastern Europe between 1990 and 2003. It is clear from the table that size alone was not the only determinant of inflows with Poland receiving much less FDI per head than Hungary and the Czech Republic who are both only a quarter of Poland's size in population terms.

Turkish and international analysts attribute the low level of FDI in Turkey to a variety of causes. Political and macro-economic instability are two general factors that increase risk levels for investments in Turkey. But there are also a series of more micro-level barriers. These include: bureaucratic barriers, high corporate tax rates (often evaded by local businesses), corruption¹⁶, the judicial and court systems which are perceived to follow arbitrary procedures and to make unfair decisions for contract and other disputes, problems in land acquisition, education issues notably the limited extent of English as a second language, domestic monopoly power in a number of sectors, and relatively high utilities' prices. While wages are lower than a country like Poland, this wage advantage does not always feed through to the particular labour segment foreign investors wish to employ.

The government has made some changes including new laws to end discrimination between domestic and foreign investors and to reduce bureaucratic barriers for issues such as company registration and establishment. A new FDI agency is also being established. But much more needs to be done if the micro-level barriers are to be overcome. While opening of EU negotiations may, as discussed above, reduce sharply political and economic uncertainty, a significant rise in FDI without considerable further reform is unlikely. Having said that, with such reforms, then considerable benefits of FDI due to expected EU accession may be forthcoming.

¹⁶ In Transparency International's Corruption Perception Index 2003 Turkey ranks 77th – lower than any of the EU 28 except Romania at 83. See www.transparency.org

This would also be likely to require improvements in country-wide infrastructure and a speeding up of the privatisation programme.

Table Four: FDI inflows to the 8 Central and East European member states

<i>(US\$ m)</i>	1999	2000	2001	2002	2003	Cumulative 1990-2003
Czech Republic	6,313	4,986	4,923	9,305	2,582	40,287
Hungary	3,314	2,771	3,932	2,859	2,471	37,785
Poland	7,27	9,34	5,713	4,131	4,225	54,757
Slovakia	355	2,053	1,475	4,012	594	10,479
Slovenia	107	136	503	1,865	180	4,005
Estonia	305	387	543	285	844	3,200
Latvia	348	410	164	382	351	3,383
Lithuania	487	379	446	732	179	3,824
Central Europe-5	17,358	19,286	16,547	22,173	10,051	147,310
Baltic-3	1,140	1,176	1,152	1,399	1,374	10,407
Total 8 CEE accession countries	18,498	20,462	17,699	23,571	11,425	157,720

Source: Economist Intelligence Unit - Press release - 29 March 04

**Table Five : Projected FDI inflows for the 8 Central and East European
New member states**

<i>(US\$ m)</i>	2001	2002	2003	2004	2005	2006	2007	2008
Central Europe-5	16.5	22.2	10.1	15.1	18.8	21.6	16.3	17.3
Baltic-3	1.2	1.4	1.4	1.6	1.7	1.9	2.1	2.2
Total 8 CEE Accession Countries	17.7	23.6	11.4	16.7	20.5	23.5	18.4	19.5

Source: Economist Intelligence Unit - Press release - 29 March 04

Table five sets out estimates from the Economist Intelligence Unit for FDI inflows into the 8 new central and east European member states through to 2008. The levels of FDI into the new member states are not particularly high relative to flows into the EU15 – reflecting the fact that most FDI is between developed countries. These flows represent only 5% of the overall flows estimated into the Union as a whole and average somewhat under €20 billion a year for all eight countries. Such figures suggest the potential is there for Turkey too to benefit from the prospect of EU accession, with flows at a level of €2-4 billion within reach if reforms are pushed through. Perhaps, as with political reform, one of the most difficult stumbling blocks is real reform of the judiciary.

Employment

Turkey's growth potential lies in particular in its growing population of working age. Relative to most EU countries, Turkey has a young population with 30% of the total population under the age of 15 and 20% in the 15-24 age group. Some Turkish economic commentators think Turkey will enter a 'golden age' after 2010, similar to that experienced by the East Asian tigers in the past, with a very high ratio of the active to total population.

As table six shows, Turkish unemployment at 10.6% is only a little above the EU25 average and below that in many of the new member states such as Poland. But behind this figure lies a complex and changing labour market. As table six also shows, Turkey has a very low overall employment rate (the proportion of the 15-64 age group actually in work) – 45.6% compared to an EU25 average of 62.8%. It is lower than that of any of the EU25 member states. This is due to the exceptionally low female employment rate of 25.5% compared to an EU average of 54.7%. The only EU member state even close to this figure is Malta at 33.6%. Most women who do work are employed in agriculture. Many political and social factors lie behind this low figure but it will need to rise substantially if Turkey is both to reach its growth potential and to modernise its economy and society.

Turkey has higher youth unemployment than average unemployment – 16.7% in 2001, though this figure is lower than most of the new member states. But it is estimated that among urban educated youth, unemployment reaches close to 30%. There is both considerable economic loss and also some social risk of alienation and instability if young people are not given genuine employment opportunities. At the same time, some put the estimate of the informal (undeclared) urban workforce as high as 30-40% of the total.

Table Six: Employment rates and unemployment – EU and Turkey 2002

%	Total employment rate	Males	Females	Unemployment
Turkey	45.6	65.5	25.5	10.6
Poland	51.5	56.9	46.2	19.9
France	62.8	69.2	56.5	8.7
Greece	56.7	71.4	42.5	10.0
Malta	54.5	75.3	33.6	--
EU15	64.2	72.8	55.6	7.7
EU25	62.8	71.0	54.7	8.9

Source: Eurostat. Employment rate is the proportion of the total age-group 15-64 in employment (full and part-time)

Turkey also has an exceptionally high proportion of its labour force in agriculture, around one third of the total – much higher than in comparable emerging economies. There has been substantial migration from poor rural to wealthier urban areas in the last years and decades as evidenced by the large increases in population of, and growing shanty towns around, the largest cities – Ankara and Istanbul. But a continued large shift from low productivity agriculture to services is still needed. At the same time, the largest cities cannot easily absorb further high levels of migration, so the economic and policy emphasis needs to be on development of regional urban centres and services. This is a difficult but central policy challenge.

Overall, many economic commentators do not expect a fall in the Turkish unemployment rate even with 5% growth. This reflects a number of factors: restructuring expected in many sectors which did not restructure after the 2001 crisis; shake-out of hidden unemployment in agriculture, and the growing workforce.

Skill and education levels are rising in Turkey with a particularly dramatic rise in number of graduates from tertiary level education in the 20-24 year age group relative to older age groups. At the same time, Turkey faces the need for major reform in its primary and secondary education systems. Many commentators criticise the old-fashioned rote learning systems still common in Turkish schools and the many problems in technical education, which is structured inflexibly around narrow and outdated skill and job categories. Female participation in education is a particular problem especially at the secondary level, with participation rates of under 50% reported in 1999. This is particularly a problem in rural areas. International organisations such as the World Bank are attempting to help to tackle this by programmes including making payments to families to keep girls in school. Business leaders are keen to see compulsory schooling extended from 8 years to 12 years. Others emphasise the importance of pre-school education, particularly in Kurdish areas to ensure children starting primary school have adequate Turkish language skills.

Migration

Given the positive demographic profile of Turkey, particularly compared to the aging and problematic demographics of the EU, potential migration from Turkey to the Union should constitute one of the positive economic impacts of Turkish accession. At the same time, as has been seen with the enlargement to the ten new member states, migration is in most EU15 member states a sensitive political issue, with public opinion easily stirred against it. In the case of the 2004 enlargement, these political issues were dealt with by allowing a flexible transition period of up to 7 years.

Many in Turkey already anticipate a transition period after accession of as long as ten years. However, such a transition period would block the potential benefits that migration could bring. By 2015, the EU's aging workforce and skill constraints may have brought some change in political attitudes to migration. If not, a flexible system as with the current enlargement, would allow migration but also allow limits or barriers to be imposed by individual member states so calming populist fears while not blocking economic gains.

Table Seven: Turkish Population in Selected EU Countries 2000

	Thousands	as % of total foreign population
Germany	1998.5	27.4
France	208.0	6.4
Austria	134.5	17.7
Netherlands	100.8	15.1
UK	58.0	2.2
Belgium	56.2	6.5
Denmark	35.2	13.6

Source: OECD - Not including those of Turkish origin who have taken on citizenship of country of residence.

Likely migration flows from Turkey to the EU on accession cannot be predicted with any certainty. They will depend among other factors on relative income and on unemployment levels and employment opportunities in Turkey and in EU member states. The direction of migration flows will also be impacted on by the location of existing Turkish communities in the EU. Table seven shows the current Turkish population in various EU countries, with Germany as the principle location. Some commentators suggest any Turkish migration (which may be rather limited as in the case of Spain and Portugal with people returning home as their home economies grow and prosper in the EU) will be from the young skilled section of the population. This may be the case, both given likely demand in the EU and if youth unemployment remains high in Turkey. But given the ongoing rural-urban migration in Turkey, unskilled rural migrants may also look to EU labour markets.

Many estimates of potential migration to the EU15 from the 2004 new member states have been carried out. The DIW institute undertook the main study for the European Commission. Their estimates were for the central and east European ten ie including Bulgaria and Romania (with a total population across the ten of 104 million). In their recently updated estimates, they estimate an initial annual migration of 286,000 from the ten to the EU15 and with a long-run total stock of 3.7 million by 2030¹⁷. They predict around 40% of this number will participate in the workforce. They also estimate 'high' and 'low' migration scenarios with a total stock for each scenario of 4.5 million and 3.2 million. By 2015, Turkey will still be somewhat poorer than the central and east European countries at the time of accession. But if Turkish migration were similar in determinants to those countries, a simple calculation to adjust for the predicted Turkish population of 82 million (compared to 104 million for the central and east European ten), would give migration levels starting at 225,000 and a total stock of 2.9 million. This is about 0.5% of EU28 population of 570 million in 2025.

¹⁷ P. Alvarez-Plata, H. Bruecker, B. Siliverstovs (2003) "Potential Migration from Central and Eastern Europe into the EU-15 – an update" Report for the European Commission DG Employment and Social Affairs

The Netherlands study discussed above for the internal market¹⁸, also made some migration estimates. They used the migration elasticity from another study¹⁹ that had taken the average of 12 migration studies for the central and east European member states. This earlier study arrived at an estimate of 2.9 million migrants from the ten central and east European countries to the EU15, substantially lower than the DIW figure of 3.7 million. Applying the migration elasticity from this study, but using Turkish population data and the relative income differential between Turkey and the EU15, the Netherlands study obtains a long run migration potential of 2.7 million people. Depending on the skill level of the migrants, they estimate this could add between 0.5-0.7% to EU15 GDP, while reducing Turkish GDP by 1.8-2.2% (though this assumes the migrants would have contributed to Turkish GDP if they had stayed).

These comparisons with the 2004 new member states give indications of a rough order of magnitude. They suggest flows would be relatively low but with a positive economic impact. However, if Turkey did join in 2015 but with transition periods on free movement of workers until 2025, migration at that point will depend on relative income and employment conditions 20 years hence. What is clear is that Turkey will then have a much younger skilled workforce than that available in the EU, and will still be much poorer than the EU average. Given the relatively low migration flows predicted here, it is possible that tight EU labour markets and skill constraints, whether in 2015 or 2025, could lead to companies and countries at that point aiming to encourage more migration rather than to limit it.

The Budgetary Impact of Turkish Accession

As Turkey is a large and relatively poor country by EU standards, concerns have been expressed as to the potential financial costs of Turkish accession. Estimating Turkey's likely impact on the EU budget is difficult however, since EU policies will change in the next decade and the EU budget for 2015 is not yet known. The EU is currently negotiating its budget for the period 2007-2013. Both structural and regional policy and the common agricultural policy (CAP) are likely to change considerably in the next ten years. Turkey too will change. But, in terms of GDP per head, as shown above in table two, Turkey is only 26% of the EU average. Even with rapid growth, Turkey will still be well below the EU average in 2015 and a clear candidate for substantial structural and regional assistance.

Turkish agriculture may also change in the next ten years, but Turkey will still have a large agricultural sector. Table eight shows employment and land use in agriculture in Turkey and other EU member states. Turkey has a third of its workforce in agriculture – more than the total for the EU15. The accession of both Romania and Turkey leads to a doubling of the agricultural workforce in the Union. But in terms of utilised agricultural land, Turkey has only a slightly larger area than the new 10 member states and under one third of that of the EU15. Considerable adjustment can be expected on accession in Turkish agriculture, since it is fairly highly protected

¹⁸ A.M. Lejour, R.A. de Mooij and C.H.Capel (March 2004) "Assessing the economic implications of Turkish accession to the EU" CPB document no 56 Netherlands Bureau for Economic Policy Analysis

¹⁹ R.A. de Mooij and P.J.G Tang (2003) "Four Futures of Europe" CPB special publication

now. While livestock and cereal sectors may face strong competition from EU farmers, in the fruit and vegetables sector, Turkey would be more competitive. As with both Poland and Romania, much of Turkish agriculture is subsistence or semi-subsistence farming in small, often family, holdings. Overall, likely agriculture receipts will depend strongly on the detailed structure of Turkish agriculture and how it fits with the future structure of the CAP.

Table eight: Agricultural employment and land use 2002

	Total in agriculture ('000)	% of total Employment	Utilised agricultural land ('000 ha)	Share in GDP %
Turkey	7458	32.7	38883	11.1
France	987	4.1	29622	2.1
Poland	2713	19.6	16891	3.1
Romania	3683	37.7	14819	12.5
Ireland	121	6.9	4372	2.0
EU15	6537	4.0	130809	1.6
10 new members	3880	13.4	36167	--
EU25	10417	5.4	166976	--
EU27	14399	7.0	187120	--
EU28	20834	9.1	226003	--

Source: The 2003 Agriculture Yearbook, European Commission; & Eurostat

As was clear from the negotiations with the new EU 10 member states, budget negotiations in the EU are driven not only by current policy rules but by hard politics and by intense debates between net contributors and net recipients. Table nine sets out the budget deal done for the 10 new member states. While much detailed work by the European Commission went into assessing their structural funds and their CAP eligibility, this work was done within an overall ceiling set by the European Council.

To limit the level of payments to the new ten, structural fund receipts for any member state were set at a maximum limit of 4% of GDP. Structural funds are being phased in over time for the ten, and the 4% of GDP is a limit not a target. Meanwhile, the bulk of agricultural payments are directed at rural development, with direct payments to farmers being introduced at a rate of 25% in the first year, 30% in the second and 35% in the third. This same approach has been adopted in the financial package proposed by the Commission for Bulgaria and Romania, as set out in table ten. The overall totals of the Bulgaria, Romania package were accepted by the General Affairs Council in March. The new member states have also been told their direct payments under the CAP will increase to 100% by 2013, but how this will fit within the total CAP budget already agreed for them, is a subject both for the current budget negotiations and for the debate on CAP reform. In the case of Bulgaria and Romania, their

structural funds receipts in their first 3 years of membership – 2007-09 – are to be phased in as 60%, then 80%, then 100% of their total eligibility.

Table Nine: Budget: The EU Financial Perspective for the EU 25 (€bn 1999 prices)

	2004	2005	2006	Total
Agriculture	44.657	45.677	45.807	136.14
Structural & Cohesion funds	35.665	36.502	37.940	110.10
Total EU25	102.985	105.128	106.741	314.85
of which 10 new member states:				
Agriculture	1.897	3.748	4.147	9.79
Structural & Cohesion funds	6.609	6.907	8.770	22.28
Total EU 10	11.199	13.813	15.840	40.85
EU10/EU25 %	10.8 %	13.1 %	14.8%	12.97%

Source: Final Financial Package agreed in Copenhagen 13/12/02; and Official Journal L147, 14/06/03. Appropriations for commitments.

Table Ten: Financial Package for Bulgaria and Romania 2007-09 (2004 prices)

(€billions)	2007	2008	2009	Total
Agriculture	1.141	1.990	2.342	5.473
Structural Actions	1.938	2.731	3.605	8.273
Internal Policies	0.440	0.434	0.426	1.304
Administration	0.096	0.125	0.125	0.346
Total (commitments)	3.619	5.279	6.498	15.396
Total at 1999 prices	3.199	4.666	5.744	13.610

Source: European Commission SEC(2004) 160 final "A financial package for the accession negotiations with Bulgaria and Romania", & own calculations

There are two routes to estimate a likely budget deal for Turkey. The first is to assume it will get total annual receipts of the same order as the 10 new member states and Bulgaria and Romania, adjusted for relative population size. This assumes the European Council will use the previous enlargements as a guide for the overall financial envelope for Turkey. Table eleven sets out the results of doing this, for the first 3 years of Turkish membership. The first row of the table gives estimates of receipts if Turkey has the same deal as Bulgaria and Romania – over 3 years it would get €36.7 billion. The second row estimates receipts if the deal is as that for the new ten member states which gives Turkey a higher amount of €45.1 billion. The third row takes an average of the two, giving a total over 3 years of €40.9 billion. Interestingly, this latter estimate is almost identical to the €40.8 billion, the new ten member states are getting.

A second route is to take more account of the two main policies that impact on the budget: structural funds and agriculture. If Turkey grows at 5% a year through to 2015, then its GDP in 2015 will be about €338 billion (at 1999 prices). Applying the 4% limit for structural funds receipts to this projected GDP gives a figure of €13.5 billion as the maximum structural funds receipts Turkey can expect on an annual basis.

Estimating the detailed eligibility of Turkish agriculture for payments under CAP would require a very detailed study of agricultural structure and eligibility. A more approximate route is to assume the agricultural deal with Turkey will be similar to that of Bulgaria and Romania (Romania being the only country with a larger proportion of employment in agriculture than Turkey). Turkish receipts can then be estimated by multiplying the planned receipts for Bulgaria and Romania by the ratio of utilised agricultural land in Turkey relative to Bulgaria and Romania²⁰.

Table Eleven: Budget Estimates for Turkey based on the Financial Packages for the New Ten and Bulgaria and Romania (1999 prices)

€billion	2015	2016	2017	Total
A. Total if same budget per head as Bulgaria & Romania	8.63	12.59	15.5	36.72
B. Total if same budget per head as new 10 member states	12.37	15.26	17.50	45.13
C. Average of estimates A and B	10.5	13.9	16.5	40.9
Estimate 'C' by area:				
Agriculture	3.72	4.93	5.85	14.5
Structural actions	5.77	7.64	9.07	22.48
Other	1.01	1.33	1.58	3.92

Source: as tables nine and ten and own calculations

Table 12 sets out Turkish budget estimates, following this approach for agriculture, and assuming its potential structural fund receipts of €13.5 billion are phased in over 3 years (60% year one, 80% year two). This gives higher budget estimates than in table 11. Receipts rise from €11.0 billion in 2015, to €15.4 billion in 2016 and €19.0 billion in 2017²¹. The total for the first 3 years is €45.5 billion. This is still very close to the €40.8 billion received by the ten new member states, and in budget receipts per head of population is almost identical to their budget deal. Turkey would also

²⁰ It is also interesting to note that over half Bulgaria and Romania's agricultural receipts are for rural development.

²¹ These estimates are of a similar magnitude to those made in another study which estimated, for an accession in 2013, possible gross annual budget receipts ranging between €6.9 billion and €17.4 billion – W. Quaisser and A.Reppegather "EU-Beitrittsreife der Türkei und Konsequenzen einer EU-Mitgliedschaft" Ost Europa-Institut, Munich, Working paper no 252 (January 2004)

contribute to the EU budget which would be likely to make its net receipts €10-15 billion lower than the gross amounts.

On the basis of the Commission's overall budget proposals for 2007-2013²², the EU total budget by 2013 would reach around €140 billion (in 1999 prices) – though the final budget agreement is highly likely to be under this amount. Turkish gross budget receipts would then be around 10.8% of the total EU27 budget.

Table Twelve: Budget Estimates for Turkey based on 4% GDP limit for structural funds and on the financial package for Bulgaria & Romania (1) (1999 prices)

€billion	2015	2016	2017	Total
Agriculture	1.93	3.55	3.95	9.43
Structural actions	8.1	10.8	13.5	32.4
Other	1.01	1.33	1.58	3.92
Total	11.04	15.48	19.03	45.55

Source: as table eleven. (1) Agriculture payments taken from those for Bulgaria & Romania but increased by the ratio of utilised agricultural land in Turkey relative to Bulgaria & Romania; Structural actions are 60% of the 4% GDP limit in year 1, 80% in year 2 and 100% in year 3 (as for Bulgaria, Romania)

In conclusion, these budget estimates are only approximate but they indicate that Turkish accession is as manageable, and likely to have around the same financial implications, as that of the new EU ten member states. Whether, in terms of the politics of the EU budget debate, there will be agreement to give one country similar funds given to ten, even though of similar population size, is difficult to answer at this stage. In both enlargements (that of the ten and that of Turkey), integrating the new member states fully into the agricultural policy is going to demand reform of the CAP, if agricultural expenditure is not to rise substantially. Given the longer-run structural changes expected in Turkey as it modernises, and the need over the next decades to shift employment from agriculture to services, Turkey's interests should lie more in obtaining a good budget deal on structural funds and rural development elements of agricultural policy than on ensuring high direct payments in agriculture. Nonetheless, as with the current ten new member states, Turkey will not want any long run deal that does not treat it equally with the other member states.

²² European Commission (2004) "Building our Common future: policy challenges and budgetary means of the enlarged Union 2007-2013" COM(2004) 101 final

Section Three: Turkey in the EU – Political Impacts

Introduction

Turkish membership of the European Union has a variety of political implications. It has broad geopolitical and geostrategic implications, as well as much more specific impacts on EU institutions, policies and internal political dynamics. Some of these specific impacts can be assessed relatively accurately now but others will depend greatly both on what sort of member state Turkey will be, and what sort of Union the EU will become in the next 10-20 years, something that can only be partially assessed at the current time²³.

The simple act of opening membership negotiations together with eventual membership will, as discussed above, have strongly positive political and economic impacts on Turkey itself. Given the EU's overriding aims of promoting peace and prosperity, then a more stable, democratic and prosperous Turkey within the EU's framework is in the Union's interests as well as Turkey's. This point is reinforced by Turkey's strategic location at a crossroads of a number of important but potentially unstable countries and regions. Some have suggested that Turkey should be a 'buffer zone' outside the EU, but not only is Turkey unwilling to accept such a role, Turkey may not be either stable or a cooperative EU partner if it remains outside the Union in the long run. The EU can influence Turkey's external and internal security policies and foreign policies if it is a member, but will have much smaller influence otherwise.

Some critics of Turkish EU membership suggest that Turkey is not European geographically, historically or culturally, and will undermine an emerging European identity, and impede political integration. Especially among some French commentators, the view can be heard that the Union will become 'western' not European. This is a slightly curious view – Turkish accession not does imply OECD members such as Australia, Japan or the US will join the Union; effectively it is simply saying that Turkey is not European.

A more common view – from both critics and supporters of Turkish membership and within Turkey itself – is that geographically, historically and culturally, Turkey is at least in part European. It is on the edge of Europe, its borderlands, sitting on Europe's ill-defined south-eastern border – it cannot be located entirely within or outside Europe²⁴. And culturally, Turkey combines a mixture of eastern and western influences²⁵. Historically, Turkey's history, and that of the Ottoman Empire, has intertwined with that of the rest of Europe – including through to the tag of 'the sick man of Europe'. Today it is a member of Nato and the Council of Europe.

²³ But if Turkey has met all accession criteria, then it will be a stable functioning democracy with full respect for human rights, including minority rights.

²⁴ Moreover, the accession of the Republic of Cyprus, just off the Syrian coast, undermines any simple geographical argument against Turkish membership.

²⁵ A recent survey of Turkish public opinion asked whether respondents belonged most to the East (Asia+Middle East) or West (Europe+ Mediterranean+Balkans) – 40% identified more with the East, 41% with the West. Survey led by Dr Hakan Yilmaz "Euroskepticism in Turkey", Boğaziçi University

Some of the concerns over Turkey's candidacy reflect wider debates and worries about European identity and the question of where Europe or at least the EU ends. The EU will soon have 27 members. With Turkey, and eventually the western Balkans (to whom the EU has given an eventual membership perspective) it will reach 34 members. For now, the Union is developing a 'neighbourhood' policy for relations with other countries, including Ukraine, Belarus and Moldova, but it is still conceivable that in 20 or more years, these countries could join too²⁶.

Opinion polls show that citizens of different current member states consider themselves 'European' to very varying degrees²⁷. 'Being European' is one part of a multiple identity with national or local identities remaining predominant – 'being European' as a dominant new 'national' identity, whether desirable or not, is not at all how most of today's EU citizens see themselves. Whether in an EU of 25, 28 or 34, or even more, the challenge for European politics is to develop genuine democratic debate, structures and common values and connections, in the face of this diversity – 'united in its diversity' as the draft EU constitution puts it. It is difficult to see why Turkey, as one of 28 or more member states in the future Union, should be the critical factor that determines how European identity develops in the EU – or that impedes its development.

But Turkey will certainly have some impact. Many anticipate that the accession of Turkey as a secular state with a large Muslim population will contribute to the development and acceptance of multiculturalism in the Union within its overall secular framework (the EU having always been a secular organisation). As discussed in section one, this impact may be quite complex – Turkey has its own vigorous debates and conflicts over multiculturalism and the relation between religion and the state. Nonetheless, the acceptance of Turkey as a member – and the start of negotiations – will be seen by many both within the Union and globally, as a signal that the Union is not a 'Christian club'. At a time, when the 'war on terror' is creating global tension and division, and where 9/11 created a backlash experienced by many Muslims worldwide, Turkey's relations to the EU take on a broad geopolitical significance. A rejection of Turkey by the Union would be taken as a strong negative signal by many.

But ultimately, despite these major geopolitical concerns, the Union – as a secular body – should be blind to religion with respect to membership. Turkey should neither be accepted nor rejected because of its Muslim population. Rather it should face the same criteria, the Copenhagen criteria, as all other candidates.

Impact on EU Institutions

The EU's institutions have already been partially adapted for the 2004 enlargement to 25. Through its new draft constitution the Union aims to make its institutions and procedures more efficient and democratic to ensure it can operate effectively at 25 or

²⁶ And Turkish accession will facilitate arguments that Ukraine should eventually have a membership perspective on the grounds that though large it is smaller than Turkey and at least as 'European'.

²⁷ Italy and Luxembourg have the highest proportion of those who consider themselves European 'to some degree' at 72% of their populations. The UK is the lowest – only 36% feel European to any degree. Eurobarometer 60, autumn 2003.

more members. As a large country, Turkey will have a significant impact on the EU's institutions. Some suggest further major reform will be necessary.

Turkey will on accession be the same size as Germany – together they will account for almost 30% of the EU's population. The Union will then have five large countries – Germany, France, Italy, UK and Turkey – and seven 'larger' countries, including Poland and Spain. Arguments over the influence and power of larger and smaller countries in the Union, and among the larger group, dominated the convention that drafted the EU's constitution. Turkey will certainly impact strongly on the political dynamics both among the larger member states and within the Union as a whole. These political dynamics are discussed further below. Here, we look at the likely direct impact on the 3 main institutions of Council, Commission and Parliament.

Table thirteen sets out voting weights by population share in an EU of 25, 27 and 28. Assuming the EU agrees the proposal in the constitution for a 'double-majority' system of voting, then Union decisions will need a majority of both countries and population (50% and 60% respectively, though the latter threshold is likely to be raised to accommodate Spanish and Polish concerns). In an EU of 28, no proposal could be passed without the support of at least 15 member states. In such a system, no single state can dominate. Where population size has more power is through the ability to block decisions. If the threshold is set at 60%, then in an EU of 25, Germany together with the UK and France can block decisions (with 44.3% of total population, or with Italy instead of the UK making 43.9%), though they cannot do this at 28 (where they have 36.2% of population) unless the population majority is set to 65%.

Table Thirteen: Voting Weights by Population share – EU25, EU27, EU28

	Share in EU25	Share in EU27	Share in EU28
	2004	2015	2015
Germany	18.1	16.9	14.5
France	13.2	12.9	11.0
Italy	12.6	11.4	9.7
UK	13.0	12.6	10.7
Spain	9.0	8.4	7.2
Poland	8.4	7.8	6.7
Netherlands	3.5	3.4	2.9
Turkey	--	--	14.4
'Big 4'	56.9	53.8	45.9
'Big 4 +Turkey'	--	--	60.3
Total EU28	100	100	100

Source: UN World Population Division: World Population Prospects - the 2002 Revision and own calculations

In an EU of 28 both Turkey and Germany will have around 14.5% of the vote each. They will be strong players but unable to block proposals even together but they will be able to block proposals with a third large country. The largest 5 countries in an EU of 28 will account for 60.3% of the vote by population. This is only 3.4 percentage points higher than the share of the 'big 4' countries in an EU of 25 (where they have 56.9% of the vote). So Turkey will be an important powerful player and will add to the already complex set of alliances and blocking combinations that are possible. But in an EU of 28, despite its size, it does not add strongly to the dominance of the larger countries (assuming in any event that the large countries could and would agree). This does not mean negotiations will be simple – as the debate over voting power in the constitution shows, questions of power and votes are highly politically sensitive.

The smallest impact on the institutions is inevitably that on the European Commission. Turkey will either have one commissioner, like all other countries, or, if the Union agrees to establish a smaller Commission with equal rotation of members across countries, then Turkey like all others will sometimes have a Commissioner and sometimes not.

Given its size, Turkey has a larger impact on the European Parliament. Table 14 compares the distribution of seats in the European Parliament in an EU of 25 and an EU of 28. Assuming the Union decides to keep a limit of 732 seats in the parliament, then all countries' allocations have to be reduced to avoid the accession of Turkey, Romania and Bulgaria adding 154 seats (respectively 99 (as Germany), 33 and 17). Table 14 shows what would happen if there was a simple proportionate reduction across all countries of the allocation of seats. In such a scenario, Germany and Turkey would have 82 seats and 11.2% share of the vote each (down from 13.5%), France, Italy and the UK would have 64 seats each and 8.7% of the vote (down from 10.6%), and Spain and Poland would have 44 seats and 6.0% of the vote (down from 7.3%).

Table Fourteen: Seats in European Parliament 2004 & 2015

	EU25 - 2004		EU28 - 2015	
	Nos	%	Nos	%
Germany	99	13.5	82	11.2
France	78	10.6	64	8.7
UK	78	10.6	64	8.7
Italy	78	10.6	64	8.7
Spain	54	7.3	44	6.0
Poland	54	7.3	44	6.0
Netherlands	27	3.6	22	3.0
Belgium	2	3.2	20	2.7
Turkey	--	--	82	11.2
Total	732	100.0	732	100.0

Source: European Parliament and own calculations

Such a scenario would have to be negotiated, with quite possibly the larger member states arguing for more votes to reflect their population share and especially the smallest countries defending their already very small number of seats. So Turkish accession would require considerable change in the parliament but, at 11.2% of the overall vote, neither Turkey nor Germany could dominate even if MEPs voted according to 'national interest' rather than by party grouping (which would be more usual).

Overall, Turkey inevitably will have a considerable institutional impact but the scenarios outlined above for both Council and parliament do not suggest that its accession necessarily requires a major institutional rethink. Nonetheless, even without major reform, there will inevitably be considerable negotiating among the member states on the final deal to be struck with Turkey on its institutional representation.

Foreign Policy

Given its size and location, Turkey is likely to be an important foreign policy player in the EU. Furthermore, its borders with the Middle East and the Caucasus will become the Union's borders too with implications both for EU foreign policy interests and relations with these neighbours and for the EU's internal security. But Turkey's overall impact will depend substantially on the separate question of how much the EU itself will develop as a foreign policy player in the next decade. This is an open question.

After the deep splits over Iraq among EU countries, the prospects for rapid progress in building a stronger, more effective common foreign and security policy (CFSP) do not look strong. For the foreseeable future, CFSP will certainly remain intergovernmental. After their sharp disagreements over Iraq, Britain, France and Germany have been trying to cooperate more on foreign policy, making a common approach to Iran for example over its nuclear plans. Some suggest that such a trilateral *directoire* is the only feasible way for EU foreign policy to develop. But it is rather unlikely in an EU of 25 or more that all other countries will simply follow the lead of the three large countries. Countries such as the Netherlands have made clear their strong opposition to such a concept. A much more subtle, sophisticated and inclusive approach to leadership will be necessary for real progress. Nor is it clear anyway whether the 'big three' will be able to come to solid agreements on the most difficult issues, including on relations within the US.

With Turkish accession, the EU's borders will extend to the southern Caucasus (Armenia and Georgia) and to Syria, Iran and Iraq. This will both sharpen the Union's foreign policy concerns in these regions and increase its involvement in issues that previously would have been considered as either essentially bilateral between Turkey and its neighbours or not seen as a high priority for the EU – such issues range from visas and border controls, to diplomatic recognition (Armenia), or disputes over resources (such as water). Turkish accession will also strongly increase the EU's interests in the Black Sea region – though the prior accession of Bulgaria and Romania will already have given the Union sea borders with Black Sea countries. Turkish accession will impact too on the EU's developing and complex relationship with Russia. Turkey's control of the vital Bosphorus route from the Black Sea to the

Mediterranean, and its position as a transit country for important energy networks including the Baku-Ceyhan pipeline all add to the complexity of issues that will face the Union.

The EU is already in the process of recognising that it needs a more coherent policy in its wider region, with the enlargement to 25 (and then 27) bringing the Union's land borders into contact with a number of new countries. How effective the EU's 'new neighbourhood' policy will be remains to be seen. But Turkish accession will further underline the lesson of the current 2004 enlargement, that the Union needs to put much more political priority and resources into relations with its neighbours, especially where it is not in a position to – or chooses not to – use the tool of enlargement as the main basis for influence and positive relations.

Given its location, Turkey has strong regional interests – but it does not have pretensions like France or the UK to be a global foreign policy player. The strategic sensitivity of its location has also meant that Turkey has always put strong emphasis on its international alignments, not least with NATO and in particular with the US.

Given the European splits over Iraq, and the lack of agreement over how the transatlantic relationship should develop in the future, some EU countries such as France, have seen Turkey as likely to align itself with the UK – and US – on foreign policy issues. But Turkey surprised many, including itself, when its parliament voted to reject the request for US and UK troops to be based in, and transit, Turkey in the Iraq conflict in 2003.

Many foreign policy commentators in Turkey see this decision as having had unexpected but very welcome positive effects – in not involving it in a highly controversial and damaging conflict, in enabling it to distance itself somewhat from the US but without too much damage to Turkish-US relations, and consequently in enabling it to be (as many in Turkey see it despite the EU splits) 'more European'. The criticism by the Pentagon of the Turkish army for failing to apply sufficient pressure to ensure US troops could come through Turkey, and the rejection of the Turkish offer of troops after the conflict in Iraq, had according to Turkish commentators a perceptible effect in Turkey in weakening the power of the military, and so strengthening the power of the government in pushing through political reforms.

Turkey has its own interests in Iraq and is watching developments with great concern. Civil war or a fragmented Iraq, and the possible emergence of an independent Kurdistan, would impact strongly not simply on Turkish foreign policy (including any possible intervention – which if it occurred would stop any EU negotiations in their tracks) but also on its internal political dynamics. Overall, the Iraq conflict does not mean an end to Turkey's atlanticist outlook but it has shown that Turkey, unlike the UK, does not and will not automatically follow the US in major foreign policy decisions.

Some have argued that Turkey as an EU member will provide the EU with a 'bridge' to the Middle East. But others, including experts and observers in Turkey, doubt this. Turkey has not been a very strong player in the Middle East and Turkish-Arab relations have not always been easy, not least given the strong relations between

Turkey and Israel. However, with the arrival of the AKP government, the dynamics have started to change somewhat. Neither Erdogan nor Turkish foreign minister Abdullah Gul have made any official visit to Israel since they came to power. And in a recent media report, Erdogan strongly criticised the Sharon government and its attacks on the Palestinian population – calling it ‘state terrorism’²⁸. But for now, military and intelligence cooperation continues.

Turkey’s relations with other Middle East countries also vary. The situation in Iraq has the potential to be highly destabilising if it deteriorates further²⁹. Relations with Syria – frequently difficult with intertwined disputes over territory, water, and the Kurds – have started to improve only in the recent past, after Syria took a tougher line on Kurdish separatism. Nor is Iran a natural partner, even if Turkey is less suspicious now than in the past that Iran is trying to export a fundamentalist revolution to Turkey. Relations with Jordan and Egypt are better. Rather than a strong ‘bridge’, some suggest that Turkey can and would act to some extent as an interpreter or translator for the EU with the Middle East but to an extent that should not be exaggerated and that will vary by country.

In the Caucasus, and further East in relations with the Turkic republics of Central Asia, Turkey has strong interests. Relations with Azerbaijan are particularly strong – ‘one nation, two states’ according to some Turkish politicians – which has impacted negatively on Turkey’s relations with Armenia. The dispute over the Nagorno-Karabakh enclave between Armenia and Azerbaijan, combined with Turkey’s desire for strong relations with Azerbaijan not least due to its energy interests have given Azerbaijan a strong influence over Turkey’s currently frozen relations with Armenia. These relations are further aggravated by the Armenian demand, so far resisted by Turkey, for a recognition of the Armenian genocide. Relations with Georgia, particularly given the closed border with Armenia, are also important to Turkey. But a number of commentators suggest Turkey has not been highly successful in developing a strong foreign policy towards the region – its rather equivocal approach on the Caucasus leading to a lack of clear strategy³⁰. And Turkey’s perhaps over-ambitious aims in the early 1990s for strong multilateral cooperation with the Turkic republics of Central Asia have for now resolved into a softer but more effective emphasis on economic and cultural ties³¹.

Normalisation of relations with Armenia, as a neighbouring country, is likely to be seen by the EU as one essential pre-condition of Turkish accession. Overall, it is clear that the combined accessions of Bulgaria, Romania and Turkey will pull the EU into paying much more attention to the Caucasus – where both Russia and the US are already strongly involved – than it has until now. As such, the EU might be pushed into developing as a much more strategic foreign policy actor, but whether it will have the political will or find the means to do so, is rather doubtful.

²⁸ The Guardian 4/06/04

²⁹ The PKK successor group, Kongra-Gel, declared in May an end to its 5 year cease-fire. Observers are unsure how serious this threat is given splits within the organisation, but PKK camps remain in northern Iraq – BBC 29/05/04 www.bbc.co.uk

³⁰ see, for example, T.Ziyadov and E. Suleymanov (2003) “Turkey and the Caucasus at the edge of EU and NATO enlargement” Turkish Policy Quarterly

³¹ D. Jung with W. Piccoli (2001) “Turkey at the Crossroads – Ottoman Legacies and a Greater Middle East” Zed Books

Turkish accession will also impact on EU-Russia relations. Although Turkey is already in NATO, Russia may not welcome further extension of the Union along the southern shores of the Black Sea. Nor have Turkish-Russian relations always been easy. But Turkey now imports most of its oil from Russia instead of Saudi Arabia, despite the concerns of some in its foreign policy establishment at such a switch.

Turkish-Greek relations have long been a source of tension in the eastern Mediterranean and caused difficulties within NATO. The recent rapprochement between the two countries has been widely welcomed, and Greece is a supporter of Turkey's EU membership bid. Turkey's highly significant and welcome shift on Cyprus, supporting the UN plan to end division of the island, and the Turkish Cypriot 'yes' in the April referendum, has given Turkey substantial political credit and effectively removed the issue of Cyprus as a potential block to opening EU accession negotiations. But both the division of Cyprus and ongoing border disputes with Greece in the Aegean will have to be resolved prior to actual accession.

Turkish accession would not only change the EU's borders but it would also change Turkish relations with its neighbours and other third countries not least in terms of visa regimes. New visa regimes may be unwelcome – not only in the third countries but in Turkey too, just as new members like Poland and Hungary were concerned at creating too strong divisions with neighbouring Ukraine. This is where the EU's new neighbourhood policy will be tested – whether it is able to create good relations in the region rather than new divisions and barriers.

At the same time, many in the EU are concerned at the prospects of Turkey being part of the Schengen border free area. Turkey's eastern borders are quite porous and difficult to protect especially in mountainous regions. Turkey is a transit country to the EU for problem areas like human trafficking, drugs, illegal immigration and other aspects of organised crime³². It is clear that the EU would demand long transition periods in the Schengen area and would be extremely strict on judging when Turkey met the full criteria. At the same time, once Turkey is a member of the Union, the EU will have more influence over issues in justice and home affairs such as illegal immigration. This will clearly be a difficult area for negotiations.

Overall, Turkish accession will extend and deepen EU foreign policy interests in its surrounding regions. But the Middle East, Black Sea and Caucasus are regions that the EU in any event is going to have to engage with more strongly given its own foreign policy and security interests.

Turkey, once in the EU, is likely to want to be an active foreign policy player. And given its large army, Turkey could be in a relatively strong position to contribute to the development of EU peacekeeping forces in the context of its developing security policy. However, how much the defence dimension of Union policy will develop in the next decade or more is far from clear, but it is not likely to be swift. Turkey itself is unlikely to want to see EU foreign policy develop in anything other than an intergovernmental direction. And some Turkish commentators suggest Turkey may

³² For a discussion of current EU-Turkey cooperation on these issues, see K. Kirişçi (2003) "Harmonising Turkish Asylum and Immigration Policy with the EU" in "Turkey and the EU: from association to accession" Record of the High-level Roundtable Conference, Ministry of Foreign Affairs, The Netherlands

find it very hard to accept that the Union will want to have a say in its foreign policy in its own region.

Impact on the EU's Political Dynamics - Turkey as an EU Member State

If Turkey joins the EU in 2015 it will be the same size as Germany; by 2025, Turkey would be the EU's largest member state. This size effect is probably the biggest impact of Turkish accession but also the most difficult to analyse in terms of its implications. The impact will depend not only on Turkey and its political development and policy and strategy choices but also on how the enlarged Union develops in the next two decades. Even in the EU of 15, no single country dominated EU political and policy developments and this is even less likely as the EU heads towards 30 or more members. But Turkey, as eventually the largest country, will clearly be an important player.

The potentially difficult-to-manage political fact of being a newcomer, but rapidly becoming the largest in population terms, will be mitigated by the fact that economically Turkey will continue to represent only a very small part of the EU economy (2.9% in 2015), unlike the other large countries. Turkey will have its own clear interests in economic and social policy issues, but it will not be in a position to lead strategically in developments in the internal market or the euro (which it is unlikely to join for a number of years after accession anyway). Turkey will have a much stronger voice in more political areas, notably foreign policy. It will also have considerable interests in questions of internal security, though its likely long transition period before it becomes a full part of the Schengen border free area will also limit some of its political scope.

The political and institutional impacts of Turkish accession are in many ways simpler than those of the 2004 enlargement. Enlargement to 25 (soon 27) new members has substantially altered EU politics and institutions through the large increase in numbers and diversity of countries. The current challenge for the enlarged EU is to manage this numbers and diversity effect. In contrast, adding only one more country to the EU summit table, or to other institutions and meetings, is much more manageable. It is in its large size that Turkey has more and different impacts to the current new ten.

The main question with Turkish accession, given its size, is what sort of political player it will be and how it will impact on existing political dynamics among the 27, particularly how it impacts on the dynamics among the larger member states and between the larger and smaller members. Size on its own clearly does not determine political impact or stance. France, Germany, Italy and the UK have all been very different political players in the Union.

France has long aimed to be the political leader in Europe, using the Franco-German relationship to this end. But enlargement and German reunification have weakened France's political position in the Union, one factor explaining France's relative lack of enthusiasm for the enlargement process in general, and also for the accession of Turkey in particular. Germany, post-reunification, is in many ways becoming a more 'normal' player, more likely to emphasise the open promotion of its national interest

and much less reliably integrationist or federalist than in the past. Italy has been an important political player in the Union but that influence has been much diluted in recent years, notably under the Berlusconi premiership. And the UK has remained a rather awkward player in the Union, remaining outside the Euro zone and Schengen border-free area. Political dynamics among these four – and with Spain – have changed over time and according to the political colour and stance of different governments and according to alliances with other EU member states. How Turkey will impact on such changing and changeable political relations among the larger countries is uncertain.

Some in France harbour the idea that France and Germany can lead the euro-zone, and France, Germany and the UK between them can lead foreign policy. Turkish accession is then seen as disrupting this scenario. But it is a highly unlikely scenario. The Franco-German alliance is widely seen as too narrow to provide strategic leadership in the enlarged Union, and anyway at present is operating very much on the basis of narrow national self-interest rather than considering pan-European interests as a whole. The Franco-German relationship remains important in EU politics but it does not have the weight it had in the past.

Some in the current EU express concern that Turkish accession will mean an end to political integration and to the federalist dream. But although Turkey is a large country, it is unclear why its accession should be the tipping point in determining the future direction of the Union. Even at 25 members, the future direction of the Union is unclear given countries' different viewpoints, while the draft EU constitution preserves the EU's balance between intergovernmentalism and supranationalism. Nor is it yet clear how well – or badly – the Union will operate at 25 or whether and how it will find strategic leadership or direction.

The challenge for the enlarged Union, whether of 25 or 28, is not to lose all direction in a myriad of changing and competing alliances but to find sufficient commonality of purpose and direction. To do this, the Union will probably need a stronger Commission than it has seen in recent years, and it will need to see larger and smaller countries working together on strategy. Whether this happens through the emergence of a formal or informal core group of countries working together, or through different leadership groups emerging in different areas, or not at all, is one more open question.

How Turkey will impact on political dynamics in the Union, depends on which, if any, of these different scenarios develops. In an EU of changing coalitions and alliances, Turkey will find different partners just as other member states do. It will share common interests with many of the ten new member states on budgetary and redistribution issues, and with others perhaps Greece, Italy, Spain and Portugal on agricultural issues. On economic issues, few in Turkey expect it to be at the strongly liberal end of the spectrum but rather somewhere in the EU middle ground. If the Union develops different leadership groups in different areas, then Turkey will probably look especially to play a significant role in the foreign policy and defence areas but less so in economic areas. Given its equal size with Germany on accession, Turkey can be expected to aim to establish strong relations with the other larger countries.

In the current Union, some fear that Turkey as a member state may be rather too similar to the UK – an awkward partner, defensive of its sovereignty, and strongly leaning to intergovernmental approaches. Some Turkish commentators suggest that this may be an apt comparison. But others disagree, considering Turkey will be a more positive and co-operative player and with more in common with some of the EU's southern members. Moreover, given the impact of the EU already on political reforms in Turkey, there is less chance that public opinion will consider the Union as essentially an economic organisation as in the UK.

Public opinion surveys do show that economic benefits are important motivations for the Turkish public, but political motives including promoting democracy, reducing corruption, and increasing Turkish power are all present as motivations too. On the other hand, public opinion also shows a distinct negative response to symbolic issues such as the EU flag flying alongside the Turkish one³³. The most recent Eurobarometer survey³⁴ shows a marked decline in Turkey in the last year in levels of support for the euro (from 56% to 44%) and for a common foreign policy (from 67% to 47%). But it is early days to assess public opinion in Turkey. There is strong support overall for joining the EU but few have much knowledge about the real implications of Union membership.

Overall, political impacts are dependent on how the EU of 25 or 27 will develop politically and how well it will operate in the next decade or more. These are at present rather open questions. But the next ten years will see the enlarged Union develop and take decisions on its strategic political and policy direction. If the enlarged Union develops as a strong coherent political actor with greater public support and participation than in recent years, then that is the Union Turkey will join and within which it will develop its own political position. If the Union struggles to function effectively at 25 or 27, and remains more an economic than political player on the global stage, then that is the Union Turkey will join. Even as a large country, Turkey on its own – just like any other member state – will not determine the EU's direction of development. But it will be an important new player.

³³ Dr Hakan Yılmaz "Euroskepticism in Turkey" Boğaziçi University

³⁴ Eurobarometer 2004.1 Public Opinion in the acceding and candidate countries Spring 2004 First Results

Conclusion

This paper has explored the potential political and economic effects of Turkish accession to the European Union. It has considered these impacts on the assumption of Turkish membership of the EU taking place in 2015. Any impact assessment is inevitably provisional as it has to take account of the fact that both Turkey and the Union will change considerably in the coming decade.

The goal of opening EU accession negotiations is currently helping to motivate substantial and radical political reform in Turkey. The eventual completion of EU membership negotiations and accession to the Union would mean not only that these radical reforms had continued and been strongly embedded but also that major economic reform and adjustment would also have taken place. At the same time, the Union in the coming decade will be dealing with the consequences of its enlargement to 25, soon to be 27, member states – consequences that will demand both institutional and policy reforms.

Turkey is a large but relatively poor country with a strategically important but complex and sensitive geographical location. It is a secular state with a large Muslim population. The main impacts on the EU come from these characteristics. In strategic and geopolitical terms, Turkish accession is mainly positive for the Union. It is in the EU's strategic interests that Turkey is democratic, stable and prosperous and a friendly ally. Turkish EU membership can – as with earlier enlargements – contribute to these strategic goals. The impact of Turkish accession – and of opening accession negotiations – in demonstrating that the EU is a secular, multicultural body not a 'Christian club' – will also have important geopolitical ramifications.

Turkish accession will have considerable impact on the Union because of its size. It will be the same size as Germany on accession and by 2025 will be the largest member state. This will impact considerably on EU political dynamics and on its institutions. However, Turkey is, and will remain for many decades, a small player in economic terms. This will limit its political influence especially in economic policy areas.

Turkey will have an important impact on EU foreign policy interests given its borders with the Middle East, Caucasus and the Black Sea. This will shift the Union's borders to the South-East and increase the Union's range of interests in these difficult regions. Turkey will look to be a significant player in the development of EU foreign policy. Institutionally, Turkey will impact on the share of votes in the Council and on seats in the Parliament but both adjustments look manageable without major reform. It will impact more widely on the already complex political dynamics among member states, including among the larger member states, but Turkey alone will not determine the future political evolution of the Union.

Turkey's overall economic impact on the Union will be marginal given the small size of its economy. Turkish accession will inevitably have budgetary and policy impacts. But estimates of its potential budgetary receipts suggest these are likely to be similar to those of the ten new member states and so manageable – at around 11% of the total EU budget in the first three years of membership. Migration forecasts suggest

flows could also be similar to those from the new member states – with positive economic benefits from migration as long as political concerns do not lead to excessive transition periods.

Turkish accession will have important effects on the Union but in many ways the impacts of its accession will be less than that of the enlargement from 15 to 25 (and soon 27) members. Turkey is a large and relatively poor country but the analysis here suggests that it is neither too large nor too poor to be successfully integrated into the EU. Turkey will impact on the Union but it is an impact that can be managed as previous enlargements have been. Consequently, Turkey's candidacy should be judged on the same terms as that of other candidates – through adoption of the *acquis* and through meeting the Copenhagen criteria.

STANDARD & POOR'S

STANDARD & POOR'S

Standard & Poor's is a leading provider of rating services with an extensive international network, combining global standards with local awareness and understanding.

The last decade has seen explosive growth in the financial markets, both in geographic scope and the number and complexity of financial products. In this ever-changing environment we have taken the lead in expanding our analytical and financial information services.

Today, Standard & Poor's employs more than 5,400 people operating out of 40 offices globally. Along with our renowned reputation in the credit rating business, we are also one of the world's pre-eminent providers of financial investment information.

Standard & Poor's has demonstrated a commitment to Europe with over 500 staff based in seven European cities (London, Paris, Frankfurt, Stockholm, Madrid, Milan and Moscow), currently rating over 200,000 issues across Europe.

Please visit our websites at: <http://www.standardandpoors.com>



EURACTIV.COM

EurActiv.com is the **leading Internet portal on EU Affairs**. With nearly 1 million page views per month and 43,000 unique visitors, the site is an important working instrument for the majority of *EU Actors* (institutions, industry federations, NGO's, think tanks, the press and others) involved in defining or influencing EU policies:

- EurActiv has more than **70 "content partners"** (NGOs & think tanks) providing their policy positions to the editorial team for free publication.
- EurActiv works with more than **500 regular contributors** from EU circles.

With their positions and analysis, they all shape the professional EurActiv profile as a **transparent, effective and neutral on-line media**.

- Due to **English, French and German versions**, EurActiv already has two thirds of its users in national policy circles interacting with Brussels.
- The portal is popular with **users from the enlargement countries**: 28% of EurActiv's users have a Central European mother tongue.

EurActiv is currently developing the only **pan-European network of policy portals**. Within the CrossLingual project, Central and Eastern European partners have started translating and localising EurActiv news for their national audiences (e.g. Unia & Polska - Poland, Integratec - Czech Republic, Slovo - Slovakia).

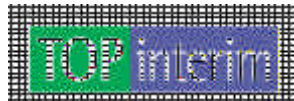
Friends of Europe thanks its supporters:

The Coca-Cola Company

T Systems



STANDARD
& POOR'S



Friends of Europe is grateful for the support it receives
from the European Commission

Friends of Europe – Les Amis de l'Europe

La Bibliothèque Solvay - Leopold Park, Rue Belliard 137 – 1040 Brussels – Belgium
Tel : (+32 2) 737 91 45 – Fax : (+32 2) 738 75 97 - E-mail : info@friendsofeurope.org - Web Site : www.friendsofeurope.org

Friends of Europe is a membership driven organisation but is pleased to offer non-members invitations free-of-charge to sample up to two *Friends of Europe* events. Thereafter, *Friends of Europe* reserves the right to request membership for further attendance of events.