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FACULTY OF ECONOMY



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Relations Between Turkey's and the European Union

Diploma Project

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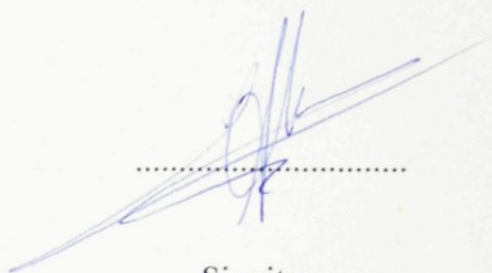
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Declaration

I declare that all work in this diploma project done independently by my self with aid of reffered literature under the control of supervisor and consultant.

In Liberec, 7-1-2003

A handwritten signature in blue ink is written over a horizontal dotted line. The signature is stylized and appears to be a combination of letters and a long horizontal stroke.

Signiture

Annotation

THEME: Relations Between Turkey and the European Union

ANNOTATION: Diploma project explains the relations between the European Union and Turkey. Latest situation in relations and Custom Union.

TÉMA: Vstahy mezi Tureckem a Evropskou unií

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Introduction

Turkey is the only pluralist secular democracy in the Moslem world and has always attached great importance to developing its relations with other European countries. Historically, Turkish culture has had a profound impact over much of Eastern and Southern Europe. Turkey began "westernising" its economic, political and social structures in the 19th century. Following the First World War and the proclamation of the Republic in 1923, it chose Western Europe as the model for its new secular structure.

Turkey has ever since closely aligned itself with the West and has become a founding member of the United Nations, a member of NATO, the Council of Europe, the OECD and an associate member of the Western European Union. During the Cold War Turkey was part of the Western alliance, defending freedom, democracy and human rights. In this respect, Turkey has played and continues to play a vital role in the defence of the European continent and the principal elements of its foreign policy have converged with those of its European partners.

Having thus entered into very close cooperation with Western Europe in the political field, it was therefore only natural for Turkey to complete this in the economic area. Thus, Turkey chose to begin close cooperation with the fledgling EEC (European Economic Community) in 1959.

The modern Turkish Republic is founded on the principles of a peaceful foreign policy, secularism, the rule of law, a pluralistic democratic system based on participation, and fundamental human rights and freedoms.

The Turkish Republic founded under the leadership of Atatürk underwent, in a short period of time, sweeping reforms based on the contemporary system of values in all spheres of social life. These reforms enabled the Turkish nation to participate in the system of values shared by the European family of nations with which this nation has a common history and geography. As of the proclamation of the Republic, Turkey established her legal and social order according to Western norms; multiparty politics was introduced in 1946 and major strides, first and foremost in the areas of the freedom of the press and labour union rights, were taken towards an open and participatory social order. Turkey placed the individual and the inalienable human rights and freedoms of the individual at the very core of her efforts. Thus, a dynamic process of the evolution of democracy and the legal order was set in motion in Turkey.

Since 1984, Turkey has been fighting against separatist terrorism that has considerable external support. This phenomenon has adversely affected the environment of democracy and human rights, as well as the social and economic progress in Turkey. Despite this threat, the Turkish Republic has maintained her national integrity and unity, based on the equality of her citizens.

Economic policies in Turkey have progressively moved from the state-led development model attuned to the needs of the early years of the Republic towards first a mixed economic system, and later on, a market economy, keeping in step with developments in the international economic system. Despite the recent economic crises stemming mainly from the financial structure, Turkey is currently going ahead with her policies to further strengthen the rules and institutions of a free market economy. In order to eliminate macro-economic instabilities, Turkey aims to ameliorate the harmful effects of long-term inflation on the Turkish economy, maintain public deficits at a sustainable level, realise structural reforms in areas such as the financial and agricultural sectors and social security and speed up privatisation. Turkey intends to meet the Copenhagen economic criteria through the achievement of these objectives.

Turkey, a country that contributes to the enhancement and reinforcement of peace, security, stability and prosperity in international relations, will continue to develop her relations with

neighbouring countries on the basis of a peace-seeking foreign policy. In this context, Turkey will continue to undertake initiatives and efforts towards the settlement of bilateral problems with Greece through dialogue; support the efforts of the UN Secretary General, in the context of his good-offices mission aiming at a mutually acceptable settlement with a view to establishing a new partnership in Cyprus based on the sovereign equality of the two parties and the realities on the Island; act as a model for the Turkic States and the Islamic world in their further development on the basis of universal values; enhance, as a key actor, stability in the Balkans, the Caucasus, Central Asia and the Middle East; contribute to the ongoing rapprochement of Europe and Asia and hence, help extend contemporary standards throughout Eurasia.

The Republic of Turkey would like to share and is resolved to contribute to a peaceful and prosperous future based on common universal values with the Member States of the EU.

The Turkish Government regards EU membership as a new step forward, a milestone confirming the founding philosophy of and Atatürk's vision for the Republic.

For the Turkish nation, conforming to contemporary values is a way of life and an ideal to be pursued. Therefore, the Turkish nation is able and willing to assume the significant duties and responsibilities entailed by the ideal of European unification, drawing upon its centuries-old historical heritage and respect for civilization. In this context, Turkey is fully resolved to adopt and implement the EU acquis.

Turkey intends to fulfil the Copenhagen criteria and complete the accession process, on the basis of the fundamental principles of the Republic as articulated in the Turkish Constitution. The basic ideals of EU membership are one and the same as the ideals inherent in Turkey's national identity. Therefore, membership in the EU is a conscious choice for Turkey, promising new horizons in the nation's progress towards the highest contemporary standards. In this context, raising the standards of education for all citizens for further alignment with those of the EU Member States, both in terms of quality and quantity, will facilitate the achievement of the objectives set out in the National Programme.

Turkey will accede to all relevant international conventions and take the necessary measures for their effective implementation for further alignment with universal norms manifest in the EU acquis and the practices in EU Member States, particularly in the areas of democracy and human rights. In fact, Turkey has already acceded to a majority of the international conventions in these areas.

Turkey's membership in the EU will possibly be a symbol of the convergence of dynamic trends, embracing aspirations for the harmonious co-existence of cultures and enriching the spiritual fabric of the EU. In this context, a process that sustains continuous cultural interaction between Turkey and the EU may well pave the way for the common achievement of an higher moral and philosophical stature. This process would enable both parties to help shape a brighter future in a more stable and secure environment by encouraging positive developments in political, economic and social spheres.

Turkey can assume a fundamental role in the process of European unification through concrete and distinct contributions that she can offer. The combined experiences and strengths of Turkey and the EU will be a major advantage in meeting the promising, but also challenging prospects of our era. It would thus be possible to reap future benefits more fully by taking advantage of opportunities offered today by global spiritual and material assets.

Hence, through mutually advantageous and beneficial contributions, Turkey and the European Union would be better prepared for and capable of shaping the dynamics of the twenty-first century, and would continue to work together in cooperation and solidarity for the advancement and the development of their peoples and the international community.

Turkey, a largely Muslim nation with the population of 65 million (estimated 2000) is located in a region that boasts easy access for trade with Europe and the Middle East. Since 1980, the

Turkish government has implemented a series of measures and strategies designed to ease Turkey from the insular, provincial economy it once had to free trade with Europe, the Middle East, and East Asia. A three-plank plan designed to minimize state intervention in the economy, firmly establish a free market economy, and synthesize the Turkish economy with the larger global market was put into place (McCrary 96). Although slightly different in structure than many Western nations, Turkey has a sizable financial sector, with a stock exchange in Istanbul, thriving capital markets, a gold exchange, and a stable banking industry.

In the second half of the twentieth century, foreign investors began to invest capital in Turkish ventures. Since the first instances of foreign capital investment in Turkey, this practice has grown considerably, especially from the mid-1980s to the present. Chief among the factors that attract investors to the country have been the location of Turkey within close range of a number of desirable markets, its strong emerging economy, its political stability, and a widely accepted currency.

Although the prospects for Turkey's economic future appear very promising at this juncture, one event that will have the ability to significantly hinder Turkey's economic growth is its inclusion (or lack thereof) in the EU. All of its economic growth in the past decades will be compromised if the country is left out of the economic explosion that is regarded as destined to accompany the implementation of the euro as a full-blown system of currency.

Turkey has a long history of voicing its desire to participate economically in the larger European market. In 1923, when Turkey was proclaimed a republic in the aftermath of World War I, it chose Western European countries as economic models upon which to base its transition into the Western culture and economy, expressing a desire to standardize with the Western banking practices as a means of facilitating trade with the West. Turkey is an important gateway for trade and investment and the resource rich areas of Central Asia and Caucasus. Most immediately, Turkey offers a highly promising, cost-effective route for bringing oil and gas from those regions to Western markets.

The first officially recorded instance of this is the attempt Turkey made to join the newly formed European Economic Community, the predecessor of the European Union, in July of 1959. Although the EEC did not agree to fully admit Turkey as a member nation at that date, they did agree to fashion an agreement that would detail the changes and economic progress that Turkey would have to make to become a fully recognized member. The "Agreement Creating an Association between the Republic of Turkey and the European Economic Community" (also known as the "Ankara Agreement") was put into effect in 1963. The Ankara Agreement outlined three phases of economic development Turkish government and private industry should embark upon in order to be in equal footing with the member nations of EEC. The first phase intended to form a strong economic base in Turkey as a means of developing reserves to repay the debts. The second phase intended to lessen trade barriers in place against Turkey, which would eventually lead to growth in Turkey's primary industries such as agriculture. The third phase of plan was known as "Final Stage" which was to establish the criteria for membership in EEC. Turkey applied for full membership in 1987, but they rejected the application. Turkey was accepted into the Customs Union by year 1996.

Under the Customs Union, Turkey agreed to abolish tariffs on many of the goods imported by Turkey that originate from EEC member nations. Massive increases in recent years suggest that the EEC member nations have benefited significantly from this provision, with the total imports from other EEC participants expanding 30 to 40 percent in a year's time.

The net effect of the conference where the Agenda 2000 document was released was the reconfirmation of Turkey's eligibility paired with their exclusion from the EU's immediate expansion plans. A commission was initiated to help Turkey in its transition to a membership nation and to mediate any unresolved questions or problems. The EU also presented a list of issues and concerns that it felt Turkey needed to address prior to further considering Turkey's

membership bid. The EU has repeatedly criticized Turkey's treatment of the ethnic minority Kurds that comprise a considerable portion of the nation's population. Other demands the EU has placed on Turkey include emphasizing conciliation in its political relations, demonstrating greater concern for human rights, facilitating a resolution in the Cyprus conflict, and reversing the death sentence of Kurdish leader Ocalan. Additionally, the EU has cited a number of human rights treaties that Turkey has not yet officially ratified (Gunduz 20). In the economic sphere, the commission stresses that there is still too much macro-economic instability and excessive State intervention in the Turkish economy, notably in the banking system. Furthermore, the Commission states that it is up to Turkey itself to improve the situation as regards strengthening democracy and protecting human rights and minority rights. For Turkey, the EU dream is the answer to many desires of its people, its nation, and its viability. Long stifled by limited exports, high tariffs from outsiders, and a limited domestic economy, many feel that just as Atatürk (the founder of Turkish Republic) wanted Turkey to become Westernized, Europe should now accept this country as having reached the peak of its struggle to become what Europe is. The population of Turkey is aware with the fact that by being a full member of the European union would open the doors of prosperity for the country. Moreover, Turkey has been showing progress to reach its goal as to become a full member of the European Union. Since 1995-1996 the Turkish economy has shown undeniable dynamism. The GNP growth rate for 1997 was 8% while the average of fifteen member states for 1997 was 2.6%. Turkey's trade balance with the European Union accounts for 52.4% of Turkey's total import and takes in 50% of its exports. 2.5 % of the EU's total foreign trade is with Turkey. (In second place among the applicant States behind Poland, which accounts for 3.1%). Turkey is the trade bridge between the East and the West as Turkey has very important neighbors that affect the world issues. Furthermore, Turks are beginning to realize that unlike the last decade of somewhat glorious isolation from outside interference, EU membership means having to sacrifice many of the aspects of daily life that Turks take for granted. Whether it is farm subsidies, health and hygiene standards, or things as simple as education and schooling, Turkey and its people will have to sacrifice to make the EU "cut". Once Turkey reaches the criteria, we believe that both of the parties (Turkey and The European Union) will benefit from this agreement

CHAPTER 1

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1.1 The Ankara Agreement

In July 1959, shortly after the creation of the European Economic Community in 1958, Turkey made its first application to join. The EEC's response to Turkey's application in 1959 was to suggest the establishment of an association until Turkey's circumstances permitted its accession. The ensuing negotiations resulted in the signature of the Agreement Creating An Association Between The Republic of Turkey and the European Economic Community (the "Ankara Agreement") on 12 September 1963. This agreement, which entered into force on 1 December 1964, aimed at securing Turkey's full membership in the EEC through the establishment in three phases of a customs union which would serve as an instrument to bring about integration between the EEC and Turkey.

The Ankara Agreement envisaged the progressive establishment of a Customs Union which would bring the Parties closer together in economic and trade matters. In the meantime, the EEC would offer financial assistance to Turkey. Under the First Financial Protocol which covered the period 1963-1970, the EEC provided Turkey with loans worth 175 million ECU. The trade concessions which the EEC granted to Turkey under the form of tariff quotas proved, however, not to be as effective as expected. Yet, the EEC's share in Turkish imports rose from 29% in 1963 to 42% in 1972.

Although the Ankara Agreement envisaged the free circulation not only of goods, but of natural persons, services and capital between the Parties, it excluded Turkey from the EEC decision-making mechanisms and precluded Turkey from recourse to the ECJ for dispute settlement.

The Customs Union that was to be established between the Parties went much further than the abolition of tariff and quantitative barriers to trade between the Parties and the application of a Common External Tariff to imports from third countries, and envisaged harmonisation with EEC policies in virtually every field relating to the internal market.

The Ankara Agreement still constitutes the legal basis of the Association between Turkey and the EU.

1.1.1 The Additional Protocol

The Additional Protocol of 13 November 1970 set out in a detailed fashion how the Customs Union would be established. It provided that the EEC would abolish tariff and quantitative barriers to its imports from Turkey (with some exceptions including fabrics) upon the entry into force of the Protocol, whereas Turkey would do the same in accordance with a timetable containing two calendars set for 12 and 22 years, and called for the harmonisation of Turkish legislation with that of the EU in economic matters. Furthermore, the Additional Protocol envisaged the free circulation of natural persons between the Parties in the next 12 to 22 years.

The Additional Protocol brought significant advantages for Turkey's agricultural exports to the EEC. 92% of our agricultural exports in 1971 benefited from this regime. Despite other agricultural producers such as Greece, Portugal and Spain later becoming member states, and the EEC's conclusion of preferential trade agreements with certain Mediterranean countries, Turkey preserves even today its position as one of the EEC's most privileged trading partners. Had the Additional Protocol been implemented in full, the free circulation of goods and services and the harmonisation of Turkish legislation with that of the EEC in a multitude of areas would have been achieved at the end of the 22 year timetable.

1.1.2 Turkey's Application for Full Membership in 1987

On 24 January 1980 Turkey shifted its economic policy from an autarchic import-substitution model and opened its economy to the operation of market forces. Following this development in the economic area and the multiparty elections in 1983, the relations between Turkey and the Community, which had come to a virtual freeze following the military intervention of 12 September 1980 in Turkey, began returning to normality. In the light of these positive

developments, Turkey applied for full membership in 1987, on the basis of the EEC Treaty's article 237 which gave any European country the right to do so. Turkey's request for accession, filed not under the relevant provisions of the Ankara Agreement, but those of the Treaty of Rome, underwent the normal procedures. The Council forwarded Turkey's application to the Commission for the preparation of an Opinion. This has reconfirmed Turkey's eligibility, given that a similar application by Morocco was turned down by the Council on the grounds that Morocco is not a European country. The Commission's Opinion was completed on 18 December 1989 and endorsed by the Council on 5 February 1990. It basically underlined Turkey's eligibility for membership, yet deferred the in-depth analysis of Turkey's application until the emergence of a more favourable environment. It also mentioned that Turkey's accession was prevented equally by the EC's own situation on the eve of the Single Market's completion which prevented the consideration of further enlargement. It went on to underpin the need for a comprehensive cooperation program aiming at facilitating the integration of the two sides and added that the Customs Union should be completed in 1995 as envisaged.

Although it did not attain its basic objective, Turkey's application revived Turkey-EC relations: efforts to develop relations intensified on both sides, the Association's political and technical mechanisms started meeting again and measures to complete the Customs Union in time were resumed. Meanwhile, the Commission's promised cooperation package, known as the "Matutes Package", was unveiled in 1990, but could not be adopted by the Council due to Greece's objection.

1.2 The Customs Union

1.2.1 The Technical Aspects of the Customs Union

Under these circumstances, Turkey chose to complete the envisaged Customs Union with the Community. Talks began in 1994 and were finalised on 6 March 1995 at the Turkey-EU Association Council. The Association Council is the highest ranking organ of the association and is composed of the Foreign Ministers of Turkey and the 15 EU Member States. On that day the Association Council adopted its decision 1/95 on the completion of the Customs Union between Turkey and the EU in industrial and processed agricultural goods by 31 December 1995. At the same meeting, another Resolution on accompanying measures was adopted and the EU made a declaration on financial cooperation with Turkey as part of the customs union "package".

With the entry into force of the Customs Union, Turkey abolished all duties and equivalent charges on imports of industrial goods from the EU. Furthermore, Turkey has been harmonising its tariffs and equivalent charges on the importation of industrial goods from third countries with the EU's Common External Tariff and progressively adapting itself to the EU's commercial policy and preferential trade arrangements with specific third countries. This process is to be completed in 5 years.

As a result of these measures, Turkey's weighted rates of protection for imports of industrial products originating in EU and EFTA member states have fallen from 5.9% to 0%, and from 10.8% to 6% for similar goods originating in third countries. The latter rates will further drop to 3.5% when the EU fulfills its obligations under the WTO negotiations.

Although basic agricultural products have been excluded from the initial package, a preferential trade regime for these products has been adopted on 1 January 1998. Further efforts are expected to be made in the same direction. Moreover, Turkey is progressively adopting many aspects of the Common Agricultural Policy. On the other hand, under the Customs Union Decision, the EU is expected to take as much account as possible of Turkey's agricultural interests when developing its agricultural policy.

Turkey's efforts towards harmonising its legislation with that of the EU are under way. These efforts include, in commercial matters, monitoring and safeguarding measures on imports

from both the EU and third countries, the management of quantitative restrictions and tariff quotas and the prevention of dumped and subsidised imports. As to competition rules, subsidies through State resources in any form whatsoever which distort or threaten to distort competition will be banned. A special Competition Authority has been set up for this purpose. Assistance to promote economic development in Turkey's less developed regions and assistance intended to promote cultural heritage conservation and which does not adversely affect competition will however be allowed. Furthermore, Turkey is progressively adjusting its legislation regarding state monopolies of a commercial nature so as to ensure that no discrimination exists in the conditions under which goods are produced and marketed between nationals of Turkey and EU Member States. Turkey is also in the process of harmonising its laws with EU legislation eliminating technical barriers to trade during a transitional period which is expected to last five years, as foreseen in the Customs Union Decision. Effective cooperation between Turkey and the EU in the fields of standardisation, calibration, quality, accreditation, testing and certification will be achieved as part of this process. Harmonisation of Turkish legislation to that of the EU on intellectual, industrial and commercial property has been realised and laws for consumer protection are now being put in place. It is also noteworthy that both Parties are banned from using internal taxes as indirect protection mechanisms and from using tax rebates as export subsidies.

1.2.2 The Resolution on Accompanying Measures

Apart from these rather technical provisions related to the establishment and the proper functioning of the Customs Union, the package also comprised an Association Council Resolution providing for the intensification of cooperation between Turkey and the EU in such areas not covered by the Customs Union as industrial cooperation, Trans-European networks, energy, transport, telecommunications, agriculture, environment, science, statistics, as well as matters relating to justice and home affairs, consumer protection, cultural cooperation, information etc. These provisions also aimed at ensuring that the higher degree of integration achieved between Turkey and the EU through the Customs Union was not limited solely to economic/trade matters and that the Customs Union did serve its purpose under the Ankara Agreement: constituting an important cornerstone towards Turkey's accession to the EU.

1.2.3 Financial Cooperation

The third element of the Customs Union package was the statement on financial cooperation which the EU delivered at the Association Council meeting where Decision 1/95 was adopted. This financial cooperation, which amounted to 2.22 billion ECU over a five-year period, aimed at alleviating the burden which the opening up of the economy to EU competition would bring to Turkish economic operators on the one hand, and improving Turkey's infrastructure and reducing the economic disparities between the parties on the other hand. Yet, the transfers envisaged within this framework have so far failed to materialise due to the lack of political will on the part of the EU.

1.1.4 The First Results of the Customs Union

Trade figures after the completion of the Customs Union reveal that, in 1996, our imports from the EU rose by 34.7% compared to 1995 and reached 22.7 billion dollars, while our exports, amounting to 11.477 billion dollars, rose by only 3.6%. The EU preserved its place as our biggest trading partner with a 52.9% share in our imports and 49.5% in our exports. This trend continued in 1997 and 1998. Turkey's exports to the EU rose from 12.2 billion dollars in 1997 to 13.4 billion dollars in 1998 and imports from the EU increased from 24 billion dollars in 1997 to 24.8 billion dollars in 1998. In 1997, the share of Turkish imports from EU in total imports increased further reaching 51.1% and in 1998 52.5%, also the share of EU exports in total exports increased from 46.6% in 1997 to 50% in 1998. According to 1997 figures,

Turkey's share in total EU exports is 3.1% representing the significance of Turkey's potential as a growing market for the EU while Turkey's share in total EU imports is 1.8%. Since the EU had already abolished its tariffs for imports from Turkey before the Customs Union, the only trade barriers being quotas for textiles that could not be filled by Turkey, the Customs Union did not bring about a significant liberalisation for our exports to the EU. Since 66% of our exports to the EU consist of consumer goods, they are sensitive to changes in European demand. The slow growth rate recorded in Germany, our biggest trading partner within the EU, impeded the growth of our exports to that country in 1996. Our exports to the EU are expected to rise with a return to higher growth rates in the Union. Our industry has also adapted itself very well to the new competitive environment, and not a single sector suffered from important problems.

Turkey's efforts to align itself to the EU's commercial policy towards third countries produced the Free Trade Agreements with EFTA, Israel, Romania, the Czech and Slovak Republics, Hungary, Slovenia, Estonia, Lithuania, Latvia and Bulgaria. Negotiations with Poland have been successfully completed and the agreement will be signed in the near future. The Agreement with Macedonia has been initialled, and the negotiation processes have been launched with Tunisia, Morocco, Egypt and the Palestinian National Authority. Preparations for alignment to the EU's GSP are also underway. Agreement has been reached with the EU to further liberalise trade in agricultural products and a Free Trade Agreement with the ECSC (European Coal and Steel Community) entered into force on 1 August 1996. The Customs Union constitutes a very important step towards Turkey's full integration with the EU. It has also demonstrated that, despite predictions to the contrary, the Turkish economy was able to withstand EU competition.

1.3 The European Union's Enlargement Process and Turkey

Turkey attached particular importance to the EU's current enlargement process for two main reasons. Firstly, having played an active role in the demise of the Soviet bloc, it was only natural for Turkey to aspire for inclusion in the new European architecture which it helped to build. Second, the Association between Turkey and the EU aims at Turkey's full membership in the EU, as underlined once again with the Customs Union whose dynamics aim at bringing about further integration between the two Parties. This is why Turkey kept the question of inclusion in the EU's enlargement process on the agenda of Turkey-EU relations. At the last Association Council of 29 April 1997, the EU reconfirmed Turkey's eligibility for membership and asked the Commission to prepare recommendations to deepen Turkey-EU relations, while claiming that the development of this relationship depended on a number of factors relating to Greece, Cyprus and human rights.

The Commission, however, excluded Turkey from the enlargement process in its report entitled "Agenda 2000" which it disclosed on 16 July 1997. While the report conceded that the Customs Union was functioning satisfactorily and that it had demonstrated Turkey's ability to adapt to the EU norms in many areas, it repeated the same political and economic arguments against Turkey and made no reference to Turkey's full membership objective. The Commission unveiled on the same day as "Agenda 2000", the "Communication" to enhance relations with Turkey, where it reconfirmed Turkey's eligibility and brought a number of recommendations ranging from liberalisation of trade in services to consumer protection, that aim at taking Turkey-EU relations beyond the Customs Union, but cited a number of political issues as pre-conditions for moving our relations forward.

The fact that the EU confirmed Turkey's eligibility for membership but excluded it from the enlargement process has been seen as a contradiction. The Commission opted to propose

measures that would reinforce the relationship within their current framework and complemented these measures with the idea of inviting Turkey to the European Conference. In the light of the EU's claims that all candidates would be judged according to the same objective criteria and that there would be no prejudice in their evaluation, Turkey found the Commission's approach unjust and discriminatory.

As a result, even though the Commission argued that the same criteria were applied to Turkey and the other candidates, they produced logically diverging conclusions.

1.4 The Luxembourg European Council and the Following Period

Although the decisions of the Luxembourg Summit reflected by and large the contents of the Commission's "Agenda 2000", the following points related to Turkey need to be highlighted:

- Turkey's eligibility was reconfirmed.
- The EU decided to set up a strategy to prepare Turkey for accession and to create a special procedure to review the developments to be made.
- Turkey was invited to the European Conference, but a number of unacceptable pre-conditions were put forward.
- The development of Turkey-EU relations was made conditional on certain economic, political and foreign policy questions.
- The Commission was asked to submit suitable proposals to enhance Turkey-EU relations.

In a statement issued the day after the Summit, the Turkish Government criticised the EU's attitude, stated that Turkey's goal of full membership and Association would nevertheless be maintained, but that the development of bilateral relations depended on the EU's honouring its commitments, and that it would not discuss with the EU issues remaining outside the contractual context of the bilateral relations as long as the EU did not change its attitude. In line with this statement Turkey did not participate in the inaugural meeting of the European Conference held in London on 12 March 1998. Turkey has thus made it clear that the way out of this difficult situation in the bilateral relations depended on the political will to be displayed by the EU.

The Commission published its recommendations for a "European Strategy" on 4 March 1998. Its contents were more-or-less similar to former packages which the EU promised but failed to deliver in the past. Moreover, the ambiguity over how this package would be financed prevented Turkey from being optimistic about its chances of being put into effect soon. The Commission itself conceded that the implementation of this package would require considerable financial resources.

The summit meeting held in Cardiff on 15-16 June 1998 offered a good opportunity to rectify the unwarranted difficult period which Turkey-EU relations entered into following the Luxembourg Summit. Although certain positive developments were achieved with regard to the language used for Turkey in the Presidency Conclusions of the Summit, they were not sufficient for Turkey to modify its policy outlined after the Luxembourg Summit. An important result of the Cardiff Summit for Turkey-EU relations was the EU leaders' endorsement of the Commission's "European Strategy" for Turkey and the request made to the Commission to find solutions with a view to making available the financial resources required for the implementation of the "European Strategy".

In the Statement issued by the Ministry of Foreign Affairs following the Cardiff Summit, the positive developments mentioned above were noted and the EU's quest for finding the financial resources required by the "European Strategy" was interpreted as an indication of the EU's awareness of the need for fulfilling its obligations towards Turkey with due emphasis on the importance of concrete steps in this area. The Statement nevertheless underlined the contrast between the pre-accession strategy devised for the other candidates and the "European Strategy" for Turkey, which consisted simply of a set of ideas whose financing

remained uncertain. It also stressed the fact that Turkey would not accept the subjection of its candidacy to additional political pre-conditions, that the parameters put forward in the Government Statement of 14 December 1997 remained valid, and that Greece's persistent obstructions would continue to have negative effects on Turkish-Greek relations.

In fact, the Strategy does not contain new elements. Most of the proposals made in it reiterate commitments contained in earlier agreements which have not been fulfilled over the years. Although four rounds of talks were completed, there has not been sufficient progress in the implementation of the Strategy which was proposed by the EU as a basis for the development of Turkey's relations with the EU. The lack of financial resources and a proper perspective for Turkey's accession are, in fact, the main obstacles which impede the proper implementation of the Strategy. Consequently, the Strategy has been insufficient in bringing Turkey's relations to the desired level.

At the Cologne European Council held on 3-4 June 1999, the initiative was taken by the German Presidency with a view to ensuring the recognition of Turkey's candidate status on an equal footing with the others. Compared to the previous Government in Germany, the new Coalition Government which came to power in October 1998 seemed to have taken a more positive line regarding Turkey's quest for EU membership. However, the objections of some EU Member States prevented this initiative from being realised. As a consequence, the EU refrained from taking a decision to include Turkey in the accession process. This constituted yet another failure of the EU to recognise Turkey's candidate status clearly and unambiguously. Therefore, in the statement made by the Deputy-Spokesman of the Ministry of Foreign Affairs on 4 June 1999, Turkey's appreciation of the initiative taken by the German Presidency was expressed, but it was also declared that since the discriminatory approach towards Turkey remained unchanged at the Cologne Summit concerning the recognition of its candidate status, the decision adopted by the Turkish Government on 14 December 1997 following the Luxembourg Summit, pertaining to the conduct of its relations with the EU would remain valid.

The EU Foreign Ministers, at their Gymnich-type meeting on 4 and 5 September in Saariselkä, in Finland, had discussions on aid to Turkey following the earthquake in northwestern part of Turkey in August 1999 and on future relations between Turkey and the Union.

However, no agreement was reached at the meeting on Turkey's candidate status.

On the other hand, EU Council President, Finnish Foreign Minister Tarja Halonen invited Turkish Foreign Minister İsmail Cem to attend a working lunch after the General Affairs Council meeting 13 September 1999 in Brussels. This provided an opportunity to express the Turkish views concerning the need for reconstruction after the earthquake, as well as the current Turkish-EU relations.

In addition to the two emergency humanitarian aid packages of 2 million euros each granted to Turkey in the week preceding the earthquake, the consensus has been reached at the meeting for another humanitarian aid package of 30 million Euros for the reconstruction. It was understood that 150 million Euros foreseen for the 3-year period may now be released. In fact, this amount which is divided into 15 and 135 million Euros, has already been foreseen within the framework of the "European Strategy for Turkey". "Unanimity rule" is required only for the 15 million Euro part, whereas the other part of the said amount is subject to consensus.

The European Investment Bank has decided to launch a loan of 500-600 million Euro to help Turkey tackle the consequences of the earthquake. The allocation to Turkey of a "substantial part" of the resources of the MEDA II programme for 2000-2007 period has also been foreseen.

However, Greece has not lifted its veto on the 375 million Euro from budgetary resource or from the 750 million Euro of the European Investment Bank for Turkey as envisaged in 1995 when the Customs Union between Turkey and EU was realised.

In preparation for the European Council to be held in Helsinki in 10-11 December 1999, the Commission issued its second regular Report on the progress which Turkey makes towards accession on 13 October 1999. In the Composite Paper which was also presented together with the Progress Report, the Commission took important steps by proposing that Turkey be considered as a candidate and backed this with concrete actions similar to those provided for the other candidates. Turkey welcomed these proposals that would prepare her for full membership to the EU. In the Statement made by the Foreign Ministry of Turkey, it was stated that the endorsement of all these EU Commission proposals at the Helsinki European Council, in other words, Turkey's recognition as an official candidate with all its inherent modalities, would initiate a new phase in Turkey-EU relations.

After the OSCE Summit held in Istanbul, Foreign Minister Cem gave a lunch to his EU counterparts. At this meeting, Turkish candidacy at the European Council in Helsinki was discussed at length and Turkey was able to present the latest developments.

The Helsinki European Council held on 10-11 December 1999 produced a breakthrough in Turkey-EU relations. At Helsinki, Turkey was officially recognised without any precondition as a candidate state on an equal footing with the other candidate states. While recognising Turkey's candidate status, the Presidency Conclusions of the Helsinki European Council endorsed the proposals of the Commission made on 13 October 1999. Thus, Turkey, like other candidate states, will reap the benefits from a pre-accession strategy to stimulate and support its reforms. This will also include an Accession Partnership, which will be drawn up accordingly, combined with a National Program for the adoption of the acquis. Turkey will participate in Community programs open to other candidate countries and agencies. Turkey will be invited to the meetings between candidate states and the Union in the context of the accession process. A single framework for coordinating all sources of EU financial assistance for pre-accession will also be created.

CHAPTER 2

2.1 The Latest Situation of Turkey-EU Relations - April 2001

Turkey-EU relations took on an accelerating trend following Helsinki. The Association Council meeting that took place in Luxembourg on 11 April 2000, after an interval of 3 years, marked an important turning point in this context. The Association Council adopted important decisions for the period ahead.

2.1.1 ACCESSION PARTNERSHIP, NATIONAL PROGRAMME, SCREENING

Eight sub-committees under the Association Committee have been set up to carry out the screening process (Annex 1). As it has done for the other candidates, the EU has assigned the 31 areas that constitute the *acquis communautaire* to those eight sub-committees for Turkey. For this purpose, the Association Committee decided on the working procedures of the sub-committees which aimed to monitor the process of analytical examination of the *acquis*. The first group of meetings have been held between June 2000 and January 2001. The second set of meetings began in February 2001 and they are to be completed by the end of July 2001. The Turkey-EU Association Council of 11 April 2000 took a decision on the start of the negotiations on the liberalization of services and public procurement between the two sides. The first round of negotiations which were basically of an exploratory nature were held on 17-18 October 2000 in Ankara and the second round was held on 18-19 January 2001. The Draft Document of the Accession Partnership for Turkey was made public on 8 November 2000 by the European Commission. The Document defines a strategy outlining what Turkey is required to fulfil as short and medium term priorities in each respective domain for the adoption of the *acquis* in accession process.

The Accession Partnership Document for Turkey was discussed at the EU General Affairs Council Meeting on December 4th, 2000. Turkey held intensive contacts with the Commission and the member States till that meeting. In the end, the spirit of the Helsinki Conclusions especially regarding the Cyprus issue and border disputes was maintained. In the context of enhanced political dialogue, Turkey will remain in constructive engagement on all issues of common interest. Both documents were formally approved in March 2001. To complement the Accession Partnership Turkey has prepared a National Programme for the Adoption of the *Acquis*. The National Programme approved by the Council of Ministers on 19 March 2001. It includes detailed information on Turkey's alignment schedule, priorities and periods.

2.1.2 COMMUNITY PROGRAMS

The Helsinki European Council Conclusions opened the way for Turkish participation in several Community programs, in addition to those that were already envisaged (Leonardo, Socrates, Youth). Yet, procedural difficulties arose due to the fact that the Ankara Agreement did not foresee cooperation in many areas found in the Europe Agreements. The Commission is seeking a mandate from the Council to negotiate a Decision for Turkey's participation. Thus, it seems that Turkey will not be able to participate in Community programs until 2002, which is detrimental. At the same time, Turkey is preparing for the establishment of a National Agency for certain programs. A list of the Community Programs of which Turkey gives priority was given to the Commission for further information.

2.1.3 OTHER DEVELOPMENTS

Our relations with both the member countries of the EU and the candidates for membership intensified after Helsinki. Mutual visits with EU countries at political and technical levels increased.

As a result of the rapprochement with Greece, a Committee was established for cooperation

on the EU acquis. Within this respect, specialists from several ministries of both countries have met and exchanged information

Contacts with other candidate countries also increased. Discussions took place with the Czech Republic, Lithuania, Poland, Slovakia and Slovenia to share their experience.

Turkey has participated with other candidates in meetings organised by the EU as well as those organised by the candidates themselves.

Representatives of the United Nations Development Programme (UNDP) and the International Labour Organisation (ILO) have stated their readiness to support Turkey's accession strategy.

ANALYTICAL EXAMINATION (The sub-committees set up for the screening process in the Association Council meeting of 11 April 2000 and their areas of activity)

SUB-COMMITTEES NEGOTIATING CHAPTERS No. Agriculture and Fisheries 1.

Agriculture 7 Fisheries 8 Internal Market 2. Free Movement of Goods 1 Free Movement of Persons 2 Services 3 Company Law 5 Competition 6 Consumer Protection and Consumer Health 23 Commerce, Industry, ECSC Products 3. External Relations 26 Industry 15 Small and Medium Sized Enterprises 16 Economic and Monetary Issues 4. Economic and Monetary Union 11 Statistics 12 Free Movement of Capital 4 Innovation 5. Education and Training 18 Science and Research 17 Communication and Information Technologies 19 Cultural and Audio-Visual Policy 20 Transport, Environment, Energy and Trans-European Network 6. Transport 9 Environment 22 Energy 14 Regional Development, Employment, Social Policy 7. Employment and Social Policy 13 Regional Development 21 Customs, Drugs Trafficking and Money Laundering 8. Customs Union 25 Justice and Home Affairs 24 Taxation 10 Fiscal Control 28 Other Chapters CFSP 27 Budget 29 Institutions 30 Other 31

2.2 RELATIONS WITH THE EUROPEAN PARLIAMENT

The European Parliament's role in the EU decision-making process is constantly increasing. The European Parliament also plays an important role in the candidate countries' accession process. In this respect, it is essential that mutual dialogue and cooperation between the European Parliament and the Turkish Parliament be enhanced.

As a common platform for Turkish and European Parliamentarians, the EU-Turkey Joint Parliamentary Committee carries a significant responsibility towards this end. In 2001 the Committee held two meetings, on 26-27 June in Brussels and on 26-27 November in Istanbul. In these meetings, Turkey's pre-accession strategy was discussed along with other elements of EU-Turkey relations.

The candidate countries' progress towards accession is evaluated in annual reports prepared by the Parliament's Committee on Foreign Affairs, Human Rights, Common Security and Defense. Adopted for each candidate country separately, these reports are also important means to express the European Parliament's general reflections on the candidates.

Within the framework of the enlargement process, this year's annual report for Turkey, prepared by Mr. Alain Lamassoure (PPE-DE), was adopted at the European Parliament's Plenary session on 25 October 2001. In comparison with previous reports, it has a milder tone but it still contains criticisms in a number of areas. Nevertheless, as it was prepared in a more objective manner compared to the previous ones, Turkey's reaction to this year's report was more positive.

Along with these, since the Helsinki European Council, Turkey is also invited to meetings organized between the European Parliament and national parliaments, realized with the participation of the candidate countries. In this context, the Speaker, the Secretary General and the Chairman of the External Relations Committee of the TGNA and co-chairman of the Turkey-EU Joint Parliamentary Committee regularly participate in meetings between the EP and National Parliaments.

2.3 RELATIONS WITH THE EUROPEAN UNION COUNTRIES

When we look from a historical perspective, relations with the European countries have always been important for Turkey because of her geographical and geopolitical location. This influence between Turkey and European countries which has its roots in the history, has been an important factor in the adoption of such values as democracy, supremacy of law and secularism by playing a primary role in the determination of the political and institutional structure of Turkey in the aftermath of the proclamation of the Republic. Today, the full integration to the Western world is one of the primary objectives of Turkish foreign policy. We are engaged in a constructive cooperation with European countries in major international institutions and our bilateral relations have been developing.

On the other hand, today the existence of approximately 3 million resident Turkish citizens in Western European countries, constitutes a potential strength in our relations with those countries.

A brief history and the current situation of our relations with some Western European countries are as follows:

2.3.1 Member Countries Exception of Greece

DENMARK

Relations between Turkey and Denmark have started in the 18th century in the field of trade. On 14 October 1756, an Agreement of Friendship and Trade has been concluded between Osman III. and Frederik V. and in 1758, Denmark has appointed an extraordinary representative to the Ottoman Empire.

Turkish-Danish relations which has a 250 years of past, followed ups and downs in relation to the political developments in Turkey and Denmark respectively. Recently, there is a positive development in the bilateral relations and contacts between the business circles have increased.

FINLAND

Turkey's relations with Finland has a rooted past. Following the independence of Finland in 1917, the Ottoman Empire has been among the countries which have recognized Finland. In the aftermath of the proclamation of the Republic of Turkey, the two countries have established diplomatic relations by the conclusion of a Friendship Agreement on December 9, 1924. Although relations between Turkey and Finland remained minimal during the Cold War, it has followed a smooth path.

The official visit paid by the President of Finland H.E. Martti Ahtisaari on the occasion of the OSCE summit on 20-21 November 1999 constituted an important opportunity for the activation of bilateral relations.

The effort shown by the Finnish Presidency during the EU Summit in Helsinki on 10-11 December 1999, in favor of the Turkish candidacy has been a positive factor in the bilateral relations.

UNITED KINGDOM

First British Ambassador to the Ottoman Empire William Harborne arrived Istanbul in 1583. The appointment of Yusuf Agah Efendi by the Ottomans as Ambassador to London in 1793 marks the establishment of mutual diplomatic relations.

The conclusion of the long-lasting Mosul problem between the two countries following the first World War marked the beginning of a period of revitalization.

In the aftermath of the Second World War, the threat coming from the Soviet Union has drawn the two countries more closer. Following Turkey's membership to NATO in 1952, the relations between the two countries became even more closer. Britain, which became member of the same security bloc with Turkey, has been one of her closest partners in her relations with the Western institutions.

Turkish-British relations, which has a past of 400 years, without any major political problem, have been developing in all fields. Turkey and Britain share the same views in many subjects both at bilateral and international platforms.

IRELAND

In spite of the opening of the Turkish Embassy in Dublin in 1973, the Irish Embassy in Ankara could only be opened in late 1990. As of today, there is no major problem between Turkey and Ireland. The relations between the two countries are growing in all fields.

SPAIN

The period of the Ottoman Empire and the Spanish Kingdom has witnessed a standing competition between the two countries. The agreement on Peace, Friendship and Trade which was signed in 1782 constitutes the first agreement signed between the two countries.

The membership of Spain to NATO and to the EU, the return of democracy in Turkey in 1982 and the implementation of the economic liberalization policies paved the way for the activation of Turkish-Spanish relations. Today, there is no problem between Turkey and Spain at the bilateral level.

SWEDEN

Following the defeat of Poltova in 1709, the King of Sweden Charles XII. who went to war against the Russians, passed five years in the city of Bender, which was under the Ottoman rule. During his stay in Bender the King of Sweden continued to be in contact with the Ottoman Emperor Ahmet II through the Swedish mission in Istanbul.

With the influence of the non-alignment policy pursued by Sweden, relations between Turkey and Sweden remained minimal during the Cold War. In the recent years, there is a significant revitalization of relations between the two countries.

PORTUGAL

Our diplomatic relations with Portugal have been established in 1931. In the period of 1931-41, our embassy in Madrid has been accredited to Portugal, in 1941 the first resident Minister-Plenipotentiary has been appointed and in 1957 the level of representation has been raised to the level of Ambassador. Portugal has appointed her first resident Minister-Plenipotentiary to Turkey in 1941 and starting from 1957 the level of representation has been raised to that of Ambassador.

In general, there is no problem between Turkey and Portugal. The two countries have followed similar policies in major international institutions and have provided mutual support and solidarity.

Relations with the European countries have been strengthening through the mutual visits and close relations of Presidents, Prime Ministers, members of the Government, Speakers and members of the Parliament and friendship groups of the Parliament. Political consultation mechanisms with the officials of these countries are conducted regularly.

In the recent period, visits and meetings both at the Ministerial and technical level have been realized with Germany, France, Italy, United Kingdom, Spain, Belgium, The Netherlands, Sweden, Norway, Denmark and Finland.

In 1958, our President paid official visits to France and Spain respectively, he visited Paris for the opening of the Exhibition of the Treasures of the Ottoman Palace at Versailles Palace on 3-4 May 1999 and he paid an official visit to Austria on 17-19 November 1998.

On the occasion of the OSCE Summit in Istanbul on 18-19 November 1999 our president met with the Austrian President Klestil. Within the context of the OSCE Summit Prime Minister of the Netherlands had the opportunity to come together with our President and Prime Minister, our Prime Minister made meetings with Spanish Prime Minister Jose Maria Aznar, Luxembourg's Prime Minister Juncker and Italian Prime minister D'Alema and our Minister had the opportunity to met his French and Austrian counterparts Vedrine and Schüssel. Finnish President Martti Ahtisaari, who arrived in Istanbul on the occasion of the OSCE Summit on 18-19 November 1999, realized an official visit to Ankara on 20-21 November. Recently our Foreign Minister İsmail Cem, paid official visits to Denmark and Sweden, and the Foreign Ministers of Netherlands, Sweden, Denmark and Portugal paid official visits to Turkey.

GERMANY

Turkey and Germany cooperate extensively in political, economic and military areas.

Germany is our largest trading partner. The existence of a large Turkish Community (more than two million people) in Germany is another important element of our relations.

Following the Government of the Christian Democrat Party- Liberal Party (CDU/CSU-FDP) which stayed in power for 16 years under the leadership of Helmut Kohl, the SPD-Greens Government was established after the elections of 27 September 1998 and the new Government made it clear that it aims to have warm relations with Turkey and erase the coldness which was created by the EU's Luxembourg Summit. Two days after being appointed as the Prime Minister, Schröder made a statement on the occasion of the 75th anniversary of the Proclamation of the Turkish Republic in which he stated that he was going to strive for developing bilateral relations with Turkey and try to bring Turkey closer to the EU.

The SPD- Greens Coalition was determined from the very beginning to issue a Double Citizenship Law and, thus enable the foreigners living in Germany have their rights. Even though the New Citizenship Law which was prepared by the Federal Parliament at the end of long political discussions, does not fully satisfy our expectations, it sure is a signal of the good-will of the German Government. As of 1 January 2000 the newly born children of the resident Turkish nationals have been granted German citizenship. The decision of the Federal Government on this issue has been a step forward to facilitate integration. However, the new legislation has shortcomings for the adults and we observe a considerable degree of disappointment among the Turkish Community in Germany. The disappointment mainly stems from denial of dual citizenship and the threat of expulsion if former nationality is reacquired. Introduction of German Language Test for gaining German nationality is also seen as a major obstacle for the naturalization of adults.

The new approach pursued by the new German Government vis-a-vis Turkey- EU relations and its sincere commitment to integrate the Turkish Community into the German Society is widely appreciated in Turkey. This approach has generated a positive atmosphere in Turkish-

German relations. The German Government extended support with regard to Turkey's candidacy to the European Union and Germany's efforts have been instrumental in EU's official recognition of Turkey's candidacy.

AUSTRIA

Austria is an important partner for Turkey and the two countries are tied with a historical bond of friendship. Austria supported the registration of Turkey as an EU candidate at the Helsinki Summit. Today, Turkey is advancing in the path towards full membership and would be appreciative of benefiting from the experiences Austria has accumulated in the process. There are 170.000 Turkish people living in Austria which constitutes an important element in our relations. The Freedom Party's accession to power has naturally created concern in Turkey as Turkey is sensitive about the rights, well being and the future of the Turkish Community living in Austria.

FRANCE

France, which had appointed its first resident Ambassador to the Ottoman Empire in 1535, received substantial privileges, namely the "capitulations" from the Sultan of the Ottoman Empire of the time, Suleiman the Magnificent in 1536. Between 1556-1798, over a period extending beyond two centuries, France acquired "the most privileged nation status" in the Empire. During the Crimean war that broke out between 1853-1856 and the Paris Peace Conference, along with other allies, France sided with the Ottoman State. In this period France obtained privileges within the Ottoman Empire, in particular in the field of mine search and tobacco and played an active role in railway construction business as well as within educational and banking institutions.

During the war of independence of 1921 France signed a peace accord with Turkey and in 1930 a friendship agreement was signed between the two countries. In this period Turkey solved the Hatay problem with France and Hatay formed part of Turkey in 1936.

The visit of General De Gaulle to Turkey in 1968 marked the initiation of the revitalization of relations not only in the commercial field but in the cultural field as well, as it pertained the French Cultural Institutions located in Turkey. Ever since Jacques Chirac assumed the post as the Prime Minister of France our relations witnessed a remarkable development.

The Turco-French political relations which displayed a progressive evolution following the visit of President Mitterand to Turkey in 1992, gained further impetus in the aftermath of the election of Jaques Chirac (Mayys 1995) to the office of Presidency, and this impetus continued during the Jospin government which took office in 1997.

Especially in the first half of 1995 during which France assumed EU Presidency, France played an eminent role in Turkey's inclusion into the Customs Union. France's support also demonstrated itself during the process leading to the approval of EU candidate status of Turkey at the Helsinki Summit.

Bilateral cultural relations constitute an important dimension of our overall relations with France. The Galatasaray Educational Institution which was established by an agreement signed in 1992 constitutes the most concrete and fruitful example of Turkish-French cultural cooperation. The Galatasaray University which is considered to be one of the most brilliant projects realized in recent years, has already captured a prominent place within the Turkish educational system.

HOLLAND

Turkish-Dutch relations date back to the seventeenth century. Since the inception of their relations Turkey and the Netherlands shared common interests. 1612 marked the

establishment of diplomatic relations between the two countries. Besides The Netherlands was among the first countries to recognize the Turkish state.

The view of both countries on international issues displays parallelism. The existence of around 280.000 Turkish citizens in the Netherlands which stands as being the foremost investor in Turkey, constitutes an important dimension of our relations.

ITALY

During the period of establishment and development of the Ottoman Empire the republics in the Italian peninsula were among others; like the Cenoviz and Venecians which played a dominant role in the Mediterranean, to enjoy very close relations with the Ottoman Empire. Relations with the Venecians which came out at the fore front date back to 1381. Having been among the first states to establish political and commercial relations with the Ottoman Empire, the Venecian Republic always enjoyed a priority within the Ottoman protocol. The relations which had evolved rapidly following the establishment of the Italian Union in 1870, degraded when Italy attacked Tripoli. As a result of Turkey's inability to intervene in Tripoli because of its involvement in the Balkan war, Tripoli and the 12 islands were transferred to Italy.

Italy which was among the entente powers that invaded the Anatolia after the First World War, was the first one to establish good relations with Turkey.

1928 a "Friendship, Neutrality and Arbitration Agreement" was signed between Turkey and Italy. The positive atmosphere established with the signing of this agreement did not contribute to a sustained "rapprochement" of Turco-Italian relations because of Italian expansionist policy in Africa.

On the other hand, in the aftermath of the Second World War, both countries stood side by side in Western political, military and economic institutions.

Turkish-Italian relations, which have traditionally enjoyed close cooperation have suffered tremendously due to developments which took place following the capture of Öcalan in Rome.

LUXEMBOURG

With the establishment of Turkey's representation in Luxembourg at Ambassadorial level in 1987, and especially following the visit of the Prime Minister of Luxembourg to Turkey our relations with this country have rapidly developed.

2.3.2 GREECE

Turkish-Greek relations entered a totally new phase in July 1999, a date which mark the beginning of political dialogue on bilateral issues between the two countries. For years after the "Kardak" crisis which brought Turkey and Greece to the brink of war over a deserted islet in the Eastern Aegean and almost immediately after the capture of Öcalan, chief of the PKK terrorist organization while leaving the Greek Embassy in Kenya where he had been provided safe haven by the Greek authorities, such a development was definitely unexpected.

Back in June 1999, Turkish Foreign Minister İsmail Cem and Greek Foreign Minister George Papandreou instructed their respective ministries to initiate a process of consultation and joint work on bilateral issues. In July 1999, Turkish and Greek joint committees started to hold talks in a spirit of cooperation and friendship, which yielded very positive results. Nine agreements on promoting cooperation in several fields ranging from environment to combating terrorism have been concluded during the exchange of official visits by Foreign Ministers Cem and Papandreou in January and February 2000 -first of such in the last 40 years.

Rapprochement between the Turkish and Greek peoples after the devastating earthquakes each suffered in 1999 provided another stimulus to the intense diplomatic efforts for improvement of bilateral relations. If the tragedy that the two countries survived had one positive aspect, it was the reaffirmation of human solidarity by neighboring Turkish and Greek peoples. In the wake of the earthquake disasters, they reached out to one another in a magnificent manner and proven that deep down they are friends, not enemies. On both shores of the Aegean, after decades of tensions, Greeks and Turks discovered that they care for each other much more than what was generally presumed.

Following the earthquakes, Turkey and Greece co-sponsored a joint resolution for the very first time in the history of the UN, that is one on the establishment of a "Standby Disaster Response Unit" and they have also instituted a political consultations mechanism.

The endorsement of Turkey's candidacy to the EU on 10 December Helsinki Summit was another manifestation of the progress they have achieved. In the context of consultations between the Political Directors of respective Foreign Ministries, they have established a joint mechanism concerning the work that is necessary in preparation for Turkey's membership to the EU.

Recent proof of improved relations between Turkey and Greece was Turkey's participation in NATO's Dynamic Mix 2000 exercise which took place in Greece between May 20-June 10. In the final phase of the exercise, a company of 150 Turkish marines landed on the beach at Kyparissia on the West coast of the Greek Peloponesian peninsula. During the course of the exercise, a squadron of Turkish F-16 fighters arrived at the Anghalos base in Central Greece, which likewise had never occurred before in the history of the two NATO countries after the Cyprus crisis of 1974.

2.3.2.1 FOREWORD

Relations with Greece constitutes one of the most important aspects of the Turkish Foreign Policy. Both neighboring countries are NATO allies, associates in the EU and the WEU, share the same geography and the common democratic values of the of the Western world. Despite these realities, the improvement of the Turkish-Greek relations has been hostage to the longstanding bilateral problems for a long time. Today, several interrelated problems in the Aegean Sea exist between Turkey and Greece most of which were inherited from the past and yet to be resolved despite all efforts.

2.3.2.2 THE AEGEAN STATUS-QUO-HISTORICAL PERSPECTIVE

1923 Lausanne Peace Treaty established a delicate balance between Turkey and Greece by harmonizing the vital interests and legitimate rights of both countries including those in the Aegean Sea. The basic thinking of the Lausanne Treaty was to grant limited areas of maritime jurisdiction to the coastal states and leave the remaining parts of the Aegean to the common benefit of Turkey and Greece.

Turkey fully respects the provisions of Lausanne and in return expects Greece to act in the same manner. It is clear that if one of the littoral states unilaterally extends its jurisdiction in the Aegean and deprives the other coastal state from exercising its existing rights, it is no longer possible to speak of the Lausanne balance in the Aegean.

However, Greece has been tilting the Lausanne balance through unilateral acts to the detriment of Turkey's vital interests since 1930's.

2.3.2.3 PERCEPTION OF THE AEGEAN SEA

The fundamental source of tension between Turkey and Greece in the Aegean is the Greek perception to regard the entire Aegean as a Greek sea in total disregard of Turkey's legitimate

rights and vital interests and the Greek attempts to change the status quo established by the Lausanne Peace Treaty of 1923.

The Turkish perception regarding the Aegean is quite different. Turkey believes that the Turkish-Greek relationship in the Aegean has to be based on the following principles:

- a. The Aegean is a common sea between Turkey and Greece.
- b. Both countries should respect each others vital interests.
- c. the freedoms of the high seas and the air space above it, which at present both coastal states as well as third countries enjoy, should not be impaired.
- d. any acquisition of new maritime areas should be based on mutual consent and should be fair and equitable.

2.3.2.4 THE AEGEAN PROBLEMS

The Aegean problems can be summarized as follows:

- the breadth of territorial waters,
- delimitation of continental shelf,
- militarization of Eastern Aegean islands contrary to the provisions of international agreements,
- airspace related problems,
- islands, islets and rocks in the Aegean which were not ceded to Greece by international treaties,
- lack of any agreement with Greece to determine maritime boundaries
- and numerous other problems within NATO concerning command and control in the Aegean.

Most of these longstanding problems could have been resolved years ago had the Greek leadership responded favorably to the repeated Turkish calls for a negotiated settlement, and had it abandoned the policy of making use of those disagreements in domestic political power struggles.

2.3.2.5 TERRITORIAL WATERS

The Aegean is a semi-enclosed Sea located in between the Turkish and Greek mainland's and is dotted by thousands of islands, islets and rocks. Both Turkey and Greece presently exercise a 6 mile breadth of territorial waters in the Aegean which enables almost half of this Sea and the airspace above it, being freely used as high seas and international airspace by both Turkey and Greece as well as third countries.

6 miles breadth of territorial waters is therefore directly related to the preservation of vital and legitimate interests of Turkey and Greece in the Aegean and as such constitutes the core of the settlement to every Aegean problem.

Under the present 6 mile breadth of territorial waters, Greece holds approximately 43.5 % of the Aegean Sea. For Turkey this percentage is 7.5. The remaining 49 % is high seas. The extension by Greece of her territorial waters beyond the present 6 miles in the Aegean, will have most inequitable implications and would constitute an abuse of right for the following reasons:

- a) Such an action will turn the Aegean into a Greek Sea to the detriment of Turkey's vital and legitimate interests:

In case of an extension, Turkey with 2820 km. of coastline on the Aegean Sea will be locked out of the Aegean and confined to its own territorial waters.

Following an extension neither Turkey nor any other state will be able to benefit from a diminished proportion of high seas in the Aegean for economic, military, navigation and other purposes.

Only Greece will benefit from the extension of the territorial sea in the Aegean by a further 30% to the detriment of Turkey in particular and the international community at large. Should the territorial sea be extended to 12 miles as Greece advocates, the Greek territorial sea in the Aegean will increase from 43.5 % to 71.5 % whereas Turkey's territorial sea will increase by only 1.2 % (from 7.5 % to 8.7 %). The area of high seas will therefore reduce drastically from 49 % to 19.7 %.

The reduced high sea areas will also become fragmented due to the linking up of the expanded rings of territorial waters around the Greek islands scattered throughout the Aegean. In effect, Greece will add almost 30 % of the Aegean to its territory and such an expansion will enable this country to have direct control on nearly 3/4 of the entire Aegean Sea. As these figures speak for themselves, any extension of the breadth of the territorial sea beyond 6 miles will virtually turn the Aegean into a Greek sea.

b) Turkey's access to the high seas will be blocked and its Aegean coast will be encircled by Greek territorial waters :

Under the present 6 mile territorial sea breadth, Turkey only has a 126.5 km. front on its west coast to the high sea. Should the territorial sea be increased for instance to 12 miles the whole of Turkey's coastline to the high sea will be reduced to 11.9 km.

Turkey's Aegean coast will therefore be encircled by Greek territorial waters. Turkey's access from its west shores to the international waters of the Aegean and similarly from the Aegean to the Mediterranean will be seriously curtailed.

The current points of access from Turkey's west coast to the high seas will be reduced in case of any extension. Even Izmir, Turkey's second largest port will be cut off from the high seas. The routes from the Aegean to the Mediterranean will also pass through Greek territorial waters. Turkey will not be able to enter the high seas without passing through areas under Greek sovereignty and jurisdiction. While international law grants the right of innocent passage, Greece would be able to create artificial difficulties as experienced in other fields such as in the international airspace of the Aegean. It could try to determine, guide or restrict the routes that Turkish Navy vessels take using this right to reach high seas.

Any extension of territorial waters beyond 6 miles in the Aegean by Greece will mean the closing of the Aegean high seas to freedom of unimpeded passage for the international maritime community.

This course of action in the Aegean which is a sea with special features will also be contrary to international judiciary practice as exemplified in the 1951 UK-Norway, 1978 UK-Iceland and Iceland-FRG Fisheries cases.

c) Turkey's military, economic and scientific interests will be seriously jeopardized:

As a result of the constriction of the high sea, Turkey will not be able to carry any military training and exercises in the Aegean. It will lose the capability and flexibility to organize the defense of her shores as there will be practically no international maritime areas and airspace left. Turkish Naval units will have to cross Greek territorial waters to enter the Aegean and to pass from the Aegean to the Mediterranean. The Aegean will be closed to military aircraft as well. Aegean bound flights will not be possible and Mediterranean flights will be subject to Greek permission which even for Allied missions of NATO have persistently been rejected by Greece since 1993.

Furthermore, Turkey will not be able to engage in activities such as scientific research, fishing, sponge-diving in the Aegean beyond its territorial sea without Greek approval.

d) Greece will gain unjustified advantage in delimitation of other maritime jurisdiction areas. Since the issue of territorial waters is very much interrelated with other Aegean disputes such as the delimitation of the continental shelf, exclusive economic zone, air space related

problems, etc., expansion of Greek territorial waters in the Aegean will have a direct impact on the settlement of these issues.

The consequences of any extension of the Greek territorial waters in essence, are not limited to the internationally recognized navigational rights and freedoms as is being presented by Greece but extends far beyond that.

As a result almost all the Aegean Sea with its sea-bed, waters superjacent to it and airspace above it will automatically fall under Greek sovereignty and jurisdiction.

Hence Greece will accomplish its desire to turn the Aegean Sea into a Greek sea without having to enter into negotiations with Turkey regarding delimitation issues in the Aegean. This is quite contrary to good neighbourly relations and respecting the vital interests of a neighbour and allied country.

This course of action is not acceptable by Turkey as has been made clear on numerous occasions.

e) Conclusion:

In view of the above, any extension of the territorial sea beyond 6 miles in the Aegean by Greece can not be acceptable to Turkey. Contrary to what is being alleged by Greece, such a unilateral extension of territorial sea is also against the provisions of the 1982 UN Convention of the Law of the Sea for the following reasons. It should also be borne in mind that no maritime boundaries exists between the two countries.

The 12 mile limit envisaged in Article 3 of this Convention is neither compulsory nor a limit to be applied automatically. It is the maximum breadth that may be applied if conditions allow. Article 3 should only be applicable together with article 300 of the said Convention which reads as follows:

"States, Parties.....shall exercise the rights, jurisdiction and freedoms recognized in this Convention in a manner which would not constitute an abuse of right"

Article 300 therefore poses a clear limitation for states in exercising the rights derived from the Convention.

The extension of the territorial sea by Greece beyond 6 miles, in total disregard of the special characteristics of the Aegean and historical rights each of the coastal states have on it and in a manner to deprive Turkey of its vital and legitimate rights would clearly and unequivocally constitute an abuse of right.

Because article 15 of the Convention also brings obligation for states to take into consideration historic title and special circumstances as far as the delimitation of territorial waters is concerned.

Turkey has long been advocating that any acquisition of new maritime areas in the Aegean (territorial waters, contiguous zone, exclusive economic zone, fisheries zone etc.) should be fair, equitable and based on the mutual consent of both Turkey and Greece.

The 6 miles limit is a key factor establishing a very delicate balance of rights and interests between Turkey and Greece in the Aegean. Any extension beyond 6 miles will seriously undermine Turkey's vital interests.

Therefore, any unilateral action aiming at enlarging maritime jurisdiction areas in this Sea should not be allowed for the aforementioned reasons. In fact, both Turkey and Greece have committed themselves to refrain from unilateral acts in the Aegean by the Madrid Declaration of 1997. It is worth mentioning that the Madrid Declaration is a guiding document for Turkey and Greece which should be respected unreservedly by both countries. The Declaration contains a commitment to refrain from unilateral acts which is directly related to the preservation of the 6 miles territorial waters. It is not by coincidence that the first principle of the Madrid Declaration is to underline that both sides will refrain from unilateral acts since the opposite will upset the balance established by the Lausanne Treaty of 1923.

Before addressing any other Aegean issue through any means of peaceful settlement, it is imperative that other related problems should be resolved. These are the breadth of territorial waters and the non-existence of maritime boundaries in the Aegean between Turkey and Greece. It is technically impossible to delimit the Aegean continental shelf unless these problems are resolved.

Adherence to the principles included in the Madrid Declaration of 8 July 1997 and particularly commitment to the present breadth of territorial waters which constitutes the core of all Aegean problems will no doubt have a positive impact on the settlement of these problems.

CHAPTER 3

3.1 EU- Turkey Customs Union

The Customs Union (CU) came into force on 1 January 1996 as foreseen in the 1963 Ankara Agreement which established the EU-Turkey Association. Legally, it is the result of an Association Council Decision of 6 March 1995. It leaves out Agriculture and Services, even though a commitment between the parties exists to include the former through ongoing negotiations on mutual concessions. Coal and Steel Community products are dealt with separately through a free trade agreement that came into force on 1 August 1996.

At the time of the inception of the CU, the Turkish Government had both harmonised and put into place most legislation needed for its proper functioning. Since then the Turkish Government has gone a long way towards adopting EU's trade policy (signing free trade and textile agreements). However, the Turkish government still has important further work ahead of it, such as the publication of a new Customs Code, the proper setting up of competition board and copyrights supervisory authority, the ironing out of discriminatory practices in tax provisions applying to some EU imports such as cars or tobacco and the total harmonisation of the two import régimes. This, however, has not been a great hindrance for the implementation of the Decision itself. Naturally, problems have arisen, mostly of a practical nature, which have been dealt with through the existing channels, such as the Commission Representation in Ankara or the Joint Customs Union Committee and the Association Council in Brussels.

The law on the establishment of the Competition Board was passed on 12 December 1994. However, the 11 Board Members were appointed only on 27 February 1997. The Board is headed by an experienced official who is currently working on some amendments to the law allowing the Board to employ experts (in competition law and policy making) in order for it to start operations in the next few months. The plan has hit a snag in that the original text of the basic law stipulated that twelve months after its enactment all of the authority's staff would have to be appointed, which was not the case. The Cabinet has discussed an amendment, which is now being considered in Parliament. Board members confirm that they are doing their preparations as if the amendment existed. The Board expects to be fully operational by the end of this year.

In order to fund the Board, the Ministry of Industry and Commerce have been making deductions from companies' capital increases operations since 1994 (90% of the 0.2% deduction) and depositing the funds in a non interest bearing Central Bank account. The balance so far has reached US\$ 25 mn. Even when fully operational, the European Commission will allow a period of time to elapse (usually thought of as between six months and one year) before proposing the disarming of the EU's protective measures still applicable to Turkey, such as anti-dumping procedures.

Turkey had put into force the required legislation on industrial property rights prior to the Customs Union. The Patent Institute has been established as a semi-public body under the Ministry of Industry and Commerce. Since it was set up, thousands of patent rights have been granted to applicants (especially to foreigners). The institute also grants "trade marks" and "design rights" to applicants. Reports have praised the way the Institute has been carrying out its duties. Specialised courts, however, have not yet been set up.

Turkey also put into force the legislation regarding the protection of intellectual property rights (basically copyrights), but the body that will oversee its implementation has not been put in place. The Ministry of Industry and Commerce will have the choice either to establish a

new department within its existing structure (or a similar institution to the Patent Institute), or give the responsibility to the existing institute, given the closeness of the issues.

The Turkish Standards Institute (TSE) is the only authority preparing standards and granting quality certificates in Turkey. According to their reports, 80% of Turkish standards conform with the European Norms (EN). Most of the Council directives are being applied in practice even if the equivalent Turkish legislation has not yet been enacted. An initial study of EU Council directives has been carried out, but now it depends on the competent ministries to give the final form to the Turkish texts, again, a process that is likely to be slowed down by the current political climate.

In Turkey, to date, 526 'ISO-9000' certificates have been granted, both by TSE and foreign approved bodies. There has been a wide promotion of the CE Marking by both Government, and professional and sectorial, associations. Many private firms already have started providing consultancy services on its implementation given the complex nature of the procedure involved. The government finances in part quality studies done by small and medium sized enterprises, and CE marking applications.

3.2 Questions and Answers about the Customs Union

Q 1. What exactly is the Customs Union?

A Customs Union means that goods can move freely as within one customs territory and each party applies the same external tariff for imports from third countries and the same commercial policy. Turkey's Customs Union with the EU covers additional areas like competition, harmonisation of technical legislation, abolishment of monopolies and protection of intellectual property, which make this agreement more than a typical customs union. These additional elements are designed to further integrate the markets and bring Turkey closer to the EU.

Q 2. Which products are covered by the Customs Union?

The Customs Union covers trade in industrial goods and processed agricultural products. However as soon as the Customs Union entered into force, the Association Council was required to set a date for the initiation of negotiations aiming at the mutual opening of the public procurement markets and liberalisation of trade in services between EU and Turkey. Furthermore, the Ankara Agreement, which established an association between the EU and Turkey, envisages the abolition of restrictions on freedom of establishment and on freedom to provide services between the two parties. Negotiations are already underway for the liberalisation of services and public procurement between the parties.

Q 3. Who benefits more from the Customs Union - the EU or Turkey?

Turkey's share in EU's total exports was 2.3% in 1995 and 2.7% in 1999 (the latest available figure). The same figure for imports was 1.7% in 1995 and 1.9% in 1999. As one can see, Turkey's share both in term of import and exports in EU's trade developed positively and in equal manners. As of 1999, Turkey is the EU's 7th biggest export destination (up from 9 in 1990) and 13th biggest exporter to the EU (up from 17 in 1990). This shows that both sides profited from the Customs union agreement.

Q 4. What are the benefits of the Customs Union to Turkey?

For consumers the Customs Union has brought better quality, cheaper products and more variety, because of increased competition in the Turkish market. Consumer protection will be

increased as European technical norms are used. Producers and industry also benefit from cheaper and higher quality inputs, as well as access to a stable and large export market. The existence of a large and stable export market proved its importance during the economic crisis of 1998, when Turkey's exports to major destinations other than the EU declined whereas the EU continued to be the principal export market for Turkey and offset some of the negative effects of the crisis (EU share of Turkish exports up from 46,6% in 1997 to 50% in 1998 and 53,9% in 1999 whereas EU imports stayed stable at 51-52% over the same period. Exports to non-OECD countries in the same period declined from 40,7% in 1997 to 37,1 in 1998 and 29,2% in 1999).

Q 5. Has Turkey become more dependent on the EU for both imports and exports?

Almost half of Turkey's total trade is with the EU in general and this profile has not changed since the Customs Union has been in force. The EU share in Turkey's exports was 51.2% in 1995 (a year before the entry into force of the Customs Union) and this figure was 52.5% in 2000. EU imports in Turkey's total imports were 47.2% in 1995 and 48.9% in 2000. As one can see, the EU share has been stable and fluctuations are mainly due to the instability of the Turkish currency and the Turkish economy.

Q 6. Has the Customs Union increased Turkey's trade deficit with the EU?

Before the Customs Union, in 1993, 1994 and 1995, the EU's share in Turkey's trade deficit stood at 44,56%, 44,15% and 41,09 %, respectively. In 2000, this figure is at 45,15%. This shows that the Customs Union has not widened the trade deficit in relative terms. Of course the total absolute trade deficit volume has increased, but this is due to the increase in overall trade and currency fluctuations.

Q 7. Has the Customs Union caused a major increase in consumer goods imports?

Consumer goods constitute only a minor share of Turkey's total imports (fluctuating at around 10% of imports). The remaining 90% are capital goods, semi-finished goods and raw materials. Those are used as inputs for Turkish production. This healthy import profile remains unchanged since the Customs Union entered into force.

Q 8. Do Turkish businessmen complain about the Customs Union?

The biggest complaints of businessmen in Turkey concern the macro-economic instability which has been persisting for more than 20 years, high inflation, difficulties in access to finance and other kinds of support by the public sector including training and R&D rather than the Customs Union itself.

Q 9. What about the textile sector?

Turkish exports to the EU in textiles and clothing reached in 2000 Euro 7,5 bn; this represents an increase of almost 1 bn over 1999 and of 72% over 1995 (4,3 bn Euro); this compares with an increase of total EU imports in the sector of only 54%. The Turkish surplus in textiles and clothing reached euro 5,8 bn in 2000 - this is an increase of 65% over their surplus in 1995. The Turkish share of EU imports in this sector also increased, from 9,5% in 1995 to 10,8% in 2000.

The Turkish textile industry is worried that their privileged market position in the EU might be eroded by bilateral free trade agreements concluded by the EU, allowing direct competitor countries easier access to the EU market. While the EU has no intention to give up sustaining the textile sector, it is opening the market mainly in the framework of WTO developments. In that context, preferential access for Turkey will at any rate exist for only three more years.

Furthermore, Turkey is regularly informed of developments as it participates in the EU's textile committee.

Q 10. What remains to be done by Turkey to fulfil its obligations arising from the Customs Union?

Turkey has fulfilled most but not all of its obligations arising from the Customs Union. For example,

1. Removal of technical barriers to trade (Article 8 of Association Council Decision 1/95),
2. Harmonization of commercial policy: alignment of preferential customs regime of the Community (Article 16 of Association Council Decision 1/95),
3. Abolishment of state monopolies (Article 42 of Association Council Decision 1/95),
4. State aids to promote economic development and accomplishing structural adjustment (Article 34 of Association Council Decision 1/95)

Q 11. What remains to be done by the EU to fulfil its obligations arising from the Customs Union?

The EU has fulfilled all its legal obligations arising from the Customs Union. As for claims that the EU has not delivered the financial aid promised in 1995, it should be noted that the European Union's overall financial assistance to Turkey has been considerable, with total commitments of roughly € 3,920 mn in loans and € 1,561 mn in grants. A part of these funds were particularly earmarked for the intensification of the Customs Union.

Q 12. What would happen if Turkey cancelled the Customs Union?

As one can see from the pre-customs union trade figures, the EU will continue to be the leading trading partner of Turkey independent of the existence of a Customs Union. However, there will be more bureaucracy and delays, which in turn will have a negative effect on growth and trade. As Turkey, under the Customs Union, is part of a large trading bloc, it has more weight in international trade negotiations and disputes, for example within the WTO. Acting alone, Turkey would have much more difficulties in making its voice heard. Cancelling the Customs Union would be a huge setback in Turkey's accession process. It will now be important to intensify the Customs Union by including services and the liberalisation of public procurement, to bring Turkey ever closer to Europe and to promote competition, transparency and good governance. All this will be of benefit for consumers, SMEs and Turkish industry alike.

Q 13. Why does Turkey have to adopt all the EU's technical standards for imported goods? Surely Turkish or international standards are equally valid?

In order to allow goods to move freely and without hindrance, it is necessary to remove not only tariffs but also technical barriers to trade. In this respect, Turkey has made commitments to harmonise its technical legislation with the EU and start implementation as of the beginning of 2001. However, this deadline has not been met, leading to persistent trade problems. Although a framework law has recently been adopted, there is a need for the adoption of secondary legislation as well as effective enforcement, including mutual recognition of certification. Progress in this area is also important for the accession process.

Q 14. Why has there not been an increase in Foreign Direct Investment to Turkey?

One could have expected large Foreign Direct Investment as result of the Customs Union, because of relative Turkish advantages over other countries and the possibility to export without hindrance to major markets in Europe. However, this has not realised, due to political

and economic instability, red tape, corruption and imperfect competition in Turkey. Major improvements in the business environment are needed to stimulate foreign companies to invest in Turkey, as they have done in other candidate countries like Poland or Hungary.

Q 15. Why can Turkey not conclude free trade agreements with other countries?

The Customs Union necessitates the alignment of Turkish commercial policy with that of the EU. Turkey therefore needs to negotiate free trade agreements with those third countries with which the EU has concluded preferential agreements. These third countries sometimes are reluctant to negotiate with Turkey. The European Commission has suggested solving this problem conditions for doing business in Turkey will become substantially similar to by inserting a clause in negotiation texts with third countries by which Turkey would automatically benefit from agreed trade liberalisation. Furthermore, an intensified dialogue between the EC and Turkey on trade policy has recently started, with bi-monthly information meetings, to keep Turkey fully involved in the process from the beginning.

3.3 Benefits of the Customs Union

I) Economic benefits:

* to the European Union

- The Customs Union will open and consolidate the Turkish market for Community producers. All tariff and non tariff barriers will be eliminated. Community exporters will thus earn preferential and unhindered access to this young and non saturated market of 65 million consumers.
- Turkey is already the country with which the Community has the largest trade surplus. After the completion of the Customs Union this trend is expected to gain strength. In other words, Community firms are expected to increase their sales and thus their market share in Turkey which will have a positive impact on employment in the Community.
- With the Customs Union, Turkey will harmonize her economic legislation with that of the Community. As a result, the those existing in the Community. Thus Community firms operating in Turkey will enjoy a familiar economic and legal environment. Furthermore, the reference made in the Customs Union decision to the case law of the European Court of Justice will facilitate the process of dispute settlement. In short, EU firms operating in Turkey will enjoy increased legal certainty on a par with Member States.
- Community firms will gain a new competitive edge provided that they take advantage of the investment and production opportunities offered by Turkey. They will also be able to use Turkey as an export base for the Middle East, the Black Sea region, and Central Asia. In addition, improved opportunities of cooperation with Turkish firms will enable them to penetrate and to operate in those markets.

* to Turkey

- The Customs Union will crown Turkey's process of integration with the World economy. It will help rationalize and modernize Turkey's economic structure. Increased competition will improve the efficiency of Turkish firms.
- The opening of the European market will, on the one hand raise Turkey's exports to the EU and on the other, enable Turkish industry to reach economies of scale. In conjunction with a more efficient production structure, this will improve the international competitiveness of Turkish firms.
- The Customs Union is expected to give rise to an increased inflow of foreign direct investment which will modernize production facilities and bring in crucial international know how. That will enable Turkey to take a more active part in the process of globalisation.

- The upgrading of the economic legislation especially in areas of competition rules and protection of intellectual property rights will create a legislative framework favorable to the steady and adequate development of economic activity.
- The resumption of financial cooperation with Turkey will contribute to the success of Turkey's economic restructuring and to the improvement of her infrastructure. It will also bring up the possibility of increased and more effective cooperation between EU and Turkish firms through joint Community programs.
- All of these will, in the medium and long term, translate into increased employment in Turkey which will ease social tensions and improve the country's socio-economic situation. At the same time migratory pressures will be lessened.
- Furthermore, as is the case for the Single Market, improved microeconomic conditions will contribute to the betterment of the macroeconomic situation and help Turkey redress her macroeconomic imbalances.

II) Political benefits

* to the European Union

- The Customs Union will firmly anchor Turkey to the West and to the EU in particular.
- As the unquestionable proof of the relevance and success of the development strategy pursued by Turkey, the Customs Union will increase the appeal of the Turkish model in a region beset by economic difficulties and political instability. It will thus strengthen the position of those who defend such a pluralist and secular model of development. By the same token, it will help those countries to move away from radical and extremist attitudes.
- The Customs Union will send a highly important message to the Islamic world by demonstrating that religious differences are not an absolute barrier to integration.

*to Turkey

- The Customs Union will lead to the consolidation of Western values in Turkey. It will reinforce progressive forces in the country. By encouraging attempts at liberalizing the constitutional and legal system, a successful Customs Union will help Turkey in her efforts to upgrade her democracy.
- It will set firmly Turkey on the course of integration with Western Europe. As such, it will provide a concrete foreign policy objective and dissuade attempts to steer away from this goal. By the same token, it will help to undermine the influence of those who stand against such a policy.
- Increased economic interdependence with Western Europe will, through the strengthening of civil society, contribute to the development of a healthier democracy.

Q 17. What if the Customs Union is not approved by the European Parliament?

I) Economic consequences:

Not only would none of the afore-mentioned positive developments come into being, but furthermore:

- the parties would lose their preferential and unhindered access to each others' markets which would result in higher unemployment for both of them. In Turkey, that would also lead to increased migratory movements.
- Turkey's ongoing process of economic modernization will be jeopardized. The long run social consequences of such a development should not be underestimated.
- The business prospects of EU companies operating in Turkey would be hurt as Turkish consumers would turn, as a reaction, to US or Japanese companies.

II) Political consequences:

- It would be impossible for any government in Turkey to explain to public opinion why Turkey is kept out of the European integration process at a time when so many countries

which were outside the Community's sphere of interest until a few years ago are now being prepared for accession.

That would lead to a drastic reassessment of Turkey's links with the West. Such a development would also greatly strengthen the hand of all those in Turkey who wish to loosen ties with Europe

- It will constitute a severe blow to EU - Turkey relations that will seriously undermine their future evolution.

- The credibility of the EU with regard to the creation of a Mediterranean cooperation and partnership zone will be damaged.

3.4 TURKEY-EU FINANCIAL COOPERATION

April 2001

Financial cooperation between Turkey and the EU can be chronicled into four periods:

1964-1995-Prior to the Customs Union: Within the framework of the four Financial Protocols, the Supplementary Protocol and the Special Aid Package, Turkey received a total of ECU 1,05 billion from the EU, 78 million as grants and 927 million as low-interest credits.

1996-1999-In the framework of the Customs Union: The EU committed in credits a total of ECU 557 million, 340 million of which was given in the framework of the New

Mediterranean Policy, 205 million in the framework of MEDA-I and 12 million as risk capital. In the same period, the EU's commitment as grants totaled ECU 393 million, 376 million of which came from MEDA-I, 3 million from Administrative Cooperation, and 14 million from various individual projects on the environment, the fight against drugs, AIDS, etc. These grants are still being disbursed on a project-by-project basis.

Through the unilateral declaration it made in 1995, the EU pledged to provide Turkey with an additional ECU 375 million as budgetary grants, and ECU 750 million as EIB (European Investment Bank) credits. However, none of these pledges could materialize at the time due to the veto of a Member State. In the post-Helsinki period, the EU took the initiative to make available a portion, if not all, of the above-mentioned 750 million. In this context, on 4 December 2000, the EU General Affairs Council adopted the Regulation on the allocation to Turkey of EUR 450 million EIB credits. The programming of those credits covering the period between 2000-2004 is pending. Actual disbursements are planned to start in 2002.

As for the 375 million-worth grants, the EU Commission prepared two regulations of 15 and 135 million respectively, the process for the adoption of which have been completed. The regulations have also been promulgated in the Official Journal of the European Communities. A part of those grants is committed in 2001 for projects that will start to be implemented as of 2002. The remaining resources will be allocated to projects in the framework of 2002-2004 Financing Agreement.

- 2000-.....-Post-Helsinki period: Between 2000-2006, the EU is planning to grant a total of EUR 889 million under MEDA-II (an annual average of € 127 million), and provide EUR 1,470 billion as EIB credits (an annual average of € 210 million).

- The Framework Regulation which lays down the legal basis for Turkey's Accession Partnership and which stipulates that all financial cooperation between Turkey and the EU be used for the process of accession and alignment entered into force in March 2001.

- The Council Regulation concerning pre-accession financial assistance for Turkey, on the other hand, combines under a single framework the EU's grant assistance to Turkey which is currently supplied through various instruments. This regulation, also known as the "Single Framework", was adopted at the Fisheries Council on 17 December 2001. The Regulation regulates the three financial instruments for grant aid to Turkey¹ as a programme based on

standardized procedures and ensures that the aid shall be used solely for the Accession Partnership priorities. With the entry into force of the "Single Framework", the commitment and disbursement process of grant assistance to Turkey will no longer be subject to the rather complex and tiresome MEDA procedures, but to those applied to the other candidates.

- The EU Commission has decided on a lump sum allocation of the MEDA-II grants (EUR 150 million) to support Turkey's structural and sectoral reforms that are being carried out in collaboration with the IMF and the World Bank. This allocation is made directly, without being tied to any projects. The EU Commission decided to release the 75-million-worth first tranche of this aid on 7 December 2001.

- In line with the Framework Regulation and the "Single Framework", the EU's financial assistance to Turkey will have to be used exclusively in areas directly linked to the process of accession and alignment, and allocated solely to those programmes and projects decided together with the EU in the form of periodic financing programmes. In this context, €167 million was committed in 2001 to 14 projects which will be implemented in the period 2002-2003. Implementation is due to start in early 2002.

- The legal ground to open to Turkey the Pre-Accession Facility which offers a total of EUR 8.5 billion EIB credits during 2000-2003 to the public and private sectors from all the candidates was completed on 15 May 2001.

The Pre-Accession Facility is administered on a "first come-first served" basis; i.e. the available budget is not apportioned among the possible beneficiaries, and the allocations are determined case-by-case upon the presentation of projects and without any pre-set "quotas" for the candidate countries. On the other hand, for the public sector projects, the EIB maintains as a prerequisite that the beneficiary country should possess an international credit rating of "BBB". Similarly, for private sector projects, the beneficiary is required to bear a credit rating of "A+". Due to the recent economic developments, Turkey is currently unable to meet those prerequisite criteria. In fact, only some of the Candidate Central and Eastern European Countries (CEEC) can fulfill the criteria and actually benefit from the Pre-Accession Facility. However, for those candidate CEECs that fail to meet the criteria, and therefore cannot utilize the Facility, there exists a separate financial instrument called the "CEEC or PECO Fund" which is free from any prerequisites and is worth € 8.68 billion. Hence, the problems of those CEECs that cannot use the Pre-Accession Facility are solved considerably, while Turkey remains the only candidate which has no access to both instruments.

To rectify this situation, Turkey has been working on alternative solutions in consultation with the EIB. In this context, the contacts are maintained on the possibility of making the prerequisites somewhat more flexible for Turkey or granting Turkey an exception in this regard for a large-scale project.

- 1999-...-Earthquake assistance: The EU's earthquake assistance to Turkey is independent from the resources explained above, and consists of EUR 35 million grant aid, and EUR 600 million credits named TERRA (Turkey Earthquake Relief and Rehabilitation Aid). TERRA covers the period 2000-2003, and agreements concerning the release of EUR 375 million credits out of this fund have been signed as of end-2000.

IN THE FRAMEWORK OF ASSOCIATION COUNCIL DECISION No.1/95

3.4.1 TURKEY-EU FINANCIAL COOPERATION DECLARATION

Table 1

POSE	RESOURCE	VALUE	REALISATION
Financial budgetary resources made available for cooperation with Turkey over a five-year period starting from 1996	EU Budget	375 mEURO	The 56m EURO, the first part of the scheme, have been blocked due to the veto of Greece in 1997.
Additional EIB loans over a five-year period starting from 1996, in order to improve the competitiveness of the Turkish economy following the entry into force of the Customs Union	European Investment Bank	750 mEURO	Not disbursed yet.
Continued access to funds (EIB loans) made available under the 1992-1996 new Mediterranean policy for the financing of infrastructure projects in the fields of transport, energy, transport and telecommunications.	European Investment Bank	300-400 mEURO	339.5 m EURO
Facilities which the Community makes available, as from 1996, for all Mediterranean countries. (MEDA)	EU Budget + European Investment Bank	Share from a total of 3.4 billion EURO for the Mediterranean countries.	235.9 mEURO was disbursed to the projects in the Period of 1996-1998
On Turkey's request and in cases need, the Community, in coordination with national financial institutions and in the framework of all the funds available, could examine the possibility of granting optional additional medium-term socio-economic financial assistance and of IMF-approved programmes.	Funds available.	---	The possibility of EU help in the IMF supported projects is being searched.

(*) depending on the quality of the projects presented by Turkey

FINANCIAL SUPPORT OF THE EU IN THE CONTEXT OF
THE EUROPEAN STRATEGY FOR TURKEY (*)

Table 2

PURPOSE	RESOURCE	VALUE
Implementation of measures to intensify the EC-Turkey Customs Union	EU Budget (Grant)	15 million EURO
Implementation of measures to promote economic and social development in Turkey	EU Budget (Grant)	135 million EURO

(*) depending on the quality of the projects presented by Turkey.

3.4.2 EUROPEAN UNION FINANCIAL ASSISTANCE TO TURKEY

The European Union overall financial assistance to Turkey has been considerable, with totals of roughly 3.920 mio in loans and 1.561 mio in grants.

Financial Assistance between 1963 - 1999

(Pre-Helsinki Period)

Ankara Agreement

The starting point of EU financial support to Turkey goes back to the conclusion of the Ankara Agreement in 1963, in which an association regime was agreed between the two parties.

Under this legal framework, and to encourage Turkey's economic and social development, from 1964 to 1981, three subsequent Financial Protocols were signed and the amount of € 680 million was committed to Turkey EIB loans and EU loans at a reduced interest rate).

Even though Turkey-EU relations went through quite a delicate period, caused by the absence of approval of the Fourth Financial Protocol (a loan of € 600 million), the EU still allocated financial contributions to Turkey.

Special Aid Package

To start with, in 1980, under an exceptional aid, the EU granted Turkey € 75 million for the financing of specific projects. Following the military intervention in 1980 along with allegations of widespread human rights abuses, the EU decided to freeze a part of this grant until 1987. When the civil authority was re-established, the EU re-launched the remaining € 29 million under a Special Action Programme. Under it, several financing agreements were signed between the EU and the Turkish Government for the implementation of a series of projects -mainly in the fields of health, vocational training, education ...- which reached their last phase recently.

Gulf Crisis

Additionally, the EU provided Turkey with €175 million interest-free loans under the special aid programme for countries directly affected by the Gulf Crisis.

Other Budget Lines

Moreover, a large number of other budget lines allocated financial support to Turkey in the pre-Helsinki period. The total of this additional support amounts to €95 million in grants and €855 million in loans (part of it interest-free) since 1964. There are EC supported projects in the fields of democratisation and human rights, administrative and technical cooperation, environment/ecology, demography, public health, science and technology.

MEDA Programme

The financial support in the Pre-Helsinki period amounts to 376 mio Euro in grants and 544,5 mio Euro in loans under MEDA I and the Mediterranean Partnership. Most of the projects financed by these resources are currently being set-up and cover various sectors such as education, health and SME support.

Financial Assistance between 2000-2006

(Post-Helsinki Period)

In the post-Helsinki period, the European Commission has taken a number of decisions to increase the financial support of the European Union to Turkey. In this period, all funds for Turkey will be pre-accession oriented.

Under MEDA II (2000-2006), Turkey's allocation has been doubled and amounts now to €899 million in grant aid (administered by the Commission) and €1.470 million in loans (administered by the EIB).

Grant aid will in future amount to about €170 million per year, double that of previous years.

Loan of finance will, in principle, if suitable projects are forthcoming, amount to at least €210 million per year and possibly considerably more.

Additionally, several initiatives were taken to compensate for the non-delivery of assistance foreseen in 1995 in connection with the customs union: a package of €15 million in grants (2000-2002) was approved by the Council in April 2000; the Commission also adopted a further package of €135 million in grants (2000-2002) in December 2000. Similarly, a proposal for an additional €450 million in EIB loans was also approved in December 2000. Furthermore, the Commission decided on a further €20 million grant for earthquake rehabilitation (in addition to the emergency humanitarian aid of €31 million agreed last year through ECHO and the €600 million in loans for earthquake reconstruction).

To counter the outbreak of foot-and-mouth disease among cattle in Western Turkey in the recent months, the Commission immediately donated 1,5 million vaccinations Turkey.

3.4.2.1 Financial assistance for Turkey - Pre-Helsinki (1964/1999)

Financial Protocols

The EC included financial assistance for promoting economic and social development in Turkey in the 1963 Ankara agreement and subsequent financial protocols. From 1964 to 1981 Turkey benefitted from three successive financial protocols for a total value of € 680 million, made up of EC reduced interest loans and EIB loans.

Amounts in round brackets () were not and cannot be implemented. Amounts in square brackets [] are planned.

	Loan (€ mio)	Grant (€ mio)
First protocol (1964-69) : € 175 million (EC loans / soft interest rate)	175	
Second protocol (1971-77) : € 195 million (EC soft loans/ soft interest rate) : € 25 million (EIB loans)	220	
Additional Protocol (1971-77) : € 47 (EC soft loans/ soft interest rate)	47	
Third protocol (1979-81) : € 310 million (EC loans : € 220 mio / EIB loans: € 90)	310	
A fourth financial protocol was negotiated and initialled in July 1980. It was not implemented because not unanimously approved by the Council.	(600)	
Other Financial Assistance		

	Loan (€ mio)	Grant (€ mio)
In 1980, because of the particularly difficult situation in Turkey, the Community granted a special aid package of € 75 million (grants for eleven projects, mainly in the energy, health, environment and education sectors).		75
In 1991 the Community allocated financial aid to the countries most directly affected by the Gulf War, in Turkey's case consisting of an interest- free loan of € 175 million.	175	
In 1993 and in 1995 Turkey received twice € 3 million for administrative cooperation measures, (budget line B7- 4033)		6
Since 1993 Turkey's NGO and institutions benefit from an average annual budget of 500.000 € for the financing of actions aiming at defending and promoting human rights and civil society		4
B7-7040, B7-7050		
A grant amounting to € 760.000 has been allocated to Turkey for the fight against drugs (project implementation during the period 1996-1999).		0,76
Turkey received € 3,3 Mio in grant aid		3,3

for population policies and family planning.

B7-631 from 1992 -1998

Turkey received from 1992-1999 in the framework of Life-Third Countries (B7-810) and «Environment in Developing Countries»(B7-6200) € 4,92 mio in grants for environmental projects.

Turkey received from 1994-1998 € 682.000 in grants for HIV/AIDS related initiatives (B7-6211)

Turkey received 230.000 euro for food and mouth disease control (OJ L16/45 of 21.1.98)

Euro-mediterranean programmes

	Loan (€ mio)	Grant (€ mio)
Turkey is eligible to the horizontal Mediterranean programmes and has been supported financially in the framework of several EU initiatives in various fields like environment, health, energy, etc. (amount difficult to define as several countries benefitted).	
In the framework of Meda I a total amount of € 376 million has been committed for Turkey. It corresponds to 55 projects.		376
EIB loans have been made available under the New Mediterranean Policy from 1992 to 1996 and under the Euro-Mediterranean Partnership from 1997 to 1999. EIB loans to Turkey under these headings totalled € 544.5 million, of which € 205 million were granted under the Euro-Mediterranean partnership .		545

Earthquake relief

	Loan (€ mio)	Grant (€ mio)
A special € 30 million budget for emergency and rehabilitation actions after the earthquake which hit Turkey in August 1999.		30
An extraordinary € 1 million grant by the EIB, on its own funds, for post-earthquake rehabilitation		1
Special EIB mandate of € 600 million (named TERRA) to support the reconstruction of infrastructure in the area hit by the earthquake.	600	

Customs Union Assistance

	Loan (€ mio)	Grant (€ mio)
Special aid 'customs union'		(375)
Budget : € 375 million / grant		
Origin : declaration at the Association Council, 6 march 1995		
Situation : not implemented ; no legal basis - draft regulation not unanimously approved by the Council.		
Special EIB loan facility 'customs union'	(750)	
Budget : € 750 million / loan		
Origin : declaration at the Association Council, 6 march 1995		
Situation : not implemented ; no legal basis - no draft regulation prepared / forwarded to Council		

Macro-financial assistance (aid to the balance of payment)

	Loan (€ mio)	Grant (€ mio)
Origin : declaration at the Association Council, 6 march 1995		
Situation : not required as there was no balance of payments deficit; hence no agreement with the IMF during the period 1995-99.		

3.4.2.2 Financial assistance for Turkey - Post-Helsinki (2000/2006)

* MEDA II

	Loan (€ mio)	Grant (€ mio)
In the framework of Meda II, a 15% share of the bilateral envelope will be allocated to Turkey during the 2000-2006 period. All funds for Turkey will be pre-accession oriented. Per year, the share of Turkey amounts to € 127 million. For 2000-2006, the total would amount to € 889 mio.		889
I.1.2. Turkey is eligible for the EIB Euro-Med II facility (2000-2006) of € 6.425 billion to all eligible countries. It is estimated that Turkey could benefit		1470

from € 210 million per year. This would amount to a total of € 1.470 mio.

* OTHER FINANCIAL ASSISTANCE

	Loan (€ mio)	Grant (€ mio)
The Commission adopted two draft regulations to support financially the European strategy for Turkey (= the pre-accession strategy). A first regulation 'reinforcement of customs union' of € 15 million over a three-year-period (2000-2002) has been adopted by the Council on 10/4/2000.		15
A second regulation 'economic and social development' foresees € 135 million over a three-year-period (2000-2002). Adopted in December 2000.		135
The EIB has allocated a new loan facility of € 450 million for the period 2000-2004. This will be a special EIB action programme in support of the consolidation and intensification of the customs union.	450	
Access for Turkey to the EIB pre-accession facility that amounts to € 8.5 billion for 3 " years for all candidate countries. There is no allocation per country. The quality of projects is decisive.	[....]	
The EU general budget includes the budget line B7-411 'rehabilitation in the Mediterranean countries'. An earthquake-related rehabilitation project has been prepared and will be financed with € 20 million in the year 2000.		20
T O T A L 2000 – 2006	1.920 mio	1.059 mio

BILATERAL PROJECTS

Project List

* BIG SCALE PROJECTS (1995-1999)

PROJECTS	DESCRIPTION
KOSGEB Projects:	
Bus. Innovation Networks (BICS)	Contribution is €3.1 million. The aim of the project is to support the establishment of SMEs through setting up 4 BICs, providing common facilities and services for SMEs. Beneficiary is KOSGEB (Small and Medium Scale Industry Development Organization).
Automotive Sector	Contribution is €1.2 million. The project aims at attracting app.60 SMEs to an Industrial Zone with a view to structure the industry in a more

	efficient manner. Beneficiary is KOSGEB-TAYSAD (Vehicle Components Industry Association).
EU On-line Info. Network	Contribution is €773.000. The objective of the project is to assist the Turkish SME sector through the provision of a Turkey-wide network of business information providers. Beneficiary is KOSGEB.
Shoe-Making	Contribution is €1.9 million. The objective of the project is to create a training centre in Ankara (Ostim) for training of trainers, information dissemination and seminars etc. as well as a training unit in Istanbul (Ikitelli) for training of professionals (120) and vocational training (90). Beneficiary is KOSGEB- (in collaboration with TESK).
Clothing Sector	Contribution is €1.49 million. The project aims at training approx. 6000 workers in the clothing sector in sewing machine techniques; computerized pattern preparation as well as repair and maintenance of sewing machines and middle management and supervisor training. Beneficiary is KOSGEB.
Textile Sector	Contribution is €1 million. The aim of the project is to provide materials used in the Turkish textile sector with certificates of conformity in line with recognized environmental standards and to develop Turkish capacity in this field. Beneficiary is KOSGEB.
EU-Turkey Business Center	Contribution is €17.3 million. The overall objective of the project is to contribute to the strengthening of SMEs in Turkey through the setting up of 3 business centres. Beneficiaries are Aegean Region Chambers of Industry, Kocaeli Chamber through the setting up of 3 business centres of Commerce, Gaziantep Chamber of Commerce.
Effective Enforcement of Intellectual Property Rights	Contribution is € 1,700,000. The project aims to enable Turkish courts to apply effectively the 1995 decrees on intellectual, industrial and commercial property, thereby handling disputes in this field. To this end, the project will provide 12 specially trained judges, a library and set up a computer infrastructure that will link the courts, the Turkish Patent Institute and customs administrations. Beneficiary is the Ministry of Justice.
Rehabilitation of Balat and Fener Districts	Contribution is €7.000.000 .The overall objective of the project is to improve the living conditions of the inhabitants of Balat and Fener (Municipality of Fatih, Istanbul) mainly through the improvement of housing and the installation of general basic services in the area. Beneficiary is the Municipality of Fatih.
3 Business Partnerships	Contribution is €585.000. In this project, 3 matchmaking events will take place. During these events, to be held in Turkey, EU-based companies will be able to meet their Turkish Counterparts and potential partners according to pre-fixed appointments, attend seminars and workshops and will visit local enterprises. Beneficiary is the Treasury.
Reproductive Health Programme	Contribution is €55 million. The overall objective of the programme is to improve the Sexual and Reproductive Health (SRH) status of the Turkish population, especially women. Beneficiary is Civil Society Organizations
Civil Society Programme	Contribution is €8 million. The objectives are: Reinforcement of civil society in Turkey to develop the capacity for citizen initiatives at local level and the capacity for dialogue, in particular with the EU which will eventually contribute to the maturing of democratic practice, ensuring awareness and evidence of the potential and diversity of NGO activity,

Improvement of Human Rights	more know-how within the NGO community, as well as more sensitivity by public authorities. Beneficiary is various NGO's, municipalities, etc. Contribution is €120.000. The aim of the project is to make a weighty and useful attempt at changing Turkey's poor record in the preservation of human rights, raising attention towards the basic differences between Turkish and European practice in the protection of human rights, though seminars held for training people in the field. Beneficiary is Marmara University- European Community Institute.
Liberty of Press	Contribution is €35.000. The project aims at assisting journalists in Turkey and supports activities related to the freedom of press. Beneficiary is Reporters Sans Frontières.
Women's Leadership	Contribution is €200.000. The project aims at supporting women's initiatives through community organization with special emphasis on partnership, participatory and advocacy mechanisms, organizational capacity building and networking. Beneficiary is Foundation for the Support of Women's Work (FSWW).
Increasing Women's Political Participation (KADER)	Contribution is €339.396. The objectives of the project are to assist the Turkish NGO ``KADER``, the Turkish Association for supporting and training of women candidates in the following fields: the creation of support mechanism in order to increase women's participation in Turkish politics, increase gender awareness, contribution to the democratization progress. Beneficiary is KADER (Association for Support and Training of Women Candidates).
Establishment of an Independent Communication Network (IPS)	Contribution is €621.000. The aim of the project is to establish a countrywide platform for the local media in order to work out solutions to common problems, particularly arising issues and related topics. Beneficiary is IPS Communication Foundation.
Family Planning in Gecekondur Areas	Contribution is € 1,000,000. The project aims to raise awareness in gecekondu areas on family planning and sexually transmitted diseases and improve the quality of the services and the information available in the field. Beneficiary is Ministry of Health (Mother-Child Health and Family Planning).
Cancer Prediagnosis Centre	Contribution is €1.9 million. The objective of the project is to reduce illness and deaths caused by breast, cervix and skin cancers through different preventive measures, primarily by reducing risk behaviour and pre-diagnosis. Beneficiary is Ministry of Health.
Basic Education	Contribution is €100 million. The objective of the programme will be to support the MONE Basic Education strategy to improve the access to and the retention in education while improving its quality by supporting a system of enhanced national standards of teaching and learning. Beneficiary is Ministry of National Education
MECHATRONICS	Contribution is €1.8 million. The objective of the project is to strengthen the concept of Mechatronics as a new means of developing industrial products, processes and systems with particular focus on the relation between industry and new technologies. Beneficiary is Bodaziçi University
Support Women Entrepreneurs (TESK)	Contribution is €1 million. The objective is to establish 5 training centres throughout Turkey and through these local centres to train 1500 women in basic entrepreneurial skills as well as specific topics such as marketing, management, finance, etc. Beneficiary is TESK

Modernisation of Vocational Training	(Confederation of Turkish Artisans and Tradesmen) Contribution is €14 million. The objective of the programme will be to improve the quality, efficiency and relevance of vocational education training at school level, to raise standards of achievement and improve access to the labour market. Beneficiary is Ministry of National Education
Jean Monnet Fellowships (I)	Contribution is €5 million. The purpose of this project is to continue and expand the Jean Monnet Programme of study awards, which has been running since 1989 and is financed from the special action funds created by the Council in 1979 and other commitments made in 1993 and 1995 & 1996. Beneficiary is the Ministry of Foreign Affairs.
Food Inspection Services	Contribution is €10 million. The aim of the project is to ensure the application of the same standards of hygiene, consumer protection and public health throughout the whole territory of Turkey. Beneficiary is Ministry of Agriculture
Diyarbakir Waste Water Tr.	Contribution is €32 million. The aim of the project is the expansion and rehabilitation of the sewage system of the city of Diyarbakır, including the construction of a first stage wastewater treatment plant. Beneficiary is the Greater Diyarbakır Municipality.
Tarsus Waste Water Tr.	Contribution is €9.5 million. The project involves extending the main sewage system to encompass the entire city and includes the installation of about 57 km of new trunk and collection sewers and about 6 km of storm water mains and related flood control measures, together with the expansion and upgrading of a wastewater treatment plant with a capacity of 65100 m ³ /day. Beneficiary is TASKI
Sanliurfa Drinking Water	Contribution is €21.3 million. The project consists of entirely reconstructing the city drinking water network (579 km) from the source to the consumer. Beneficiary is the Municipality of Şanlıurfa.
Adana Waste Water Treat.	Contribution is €10.8 million. The aim of the project, supported by the EIB, is to contribute to the solution of the wastewater problem of Adana. Beneficiary is the Adana Municipality.
Izmit Waste Water	Contribution is €11.3 million. The objective of the project is to improve the collection and treatment of industrial effluents in the Greater Izmit Municipality. Beneficiary is İzmit Greater Municipality

SMALL SCALE NGO PROJECTS (1995-1999)

PROJECTS	DESCRIPTION
IULA	Contribution is € 855.000 The objective of the project is to foster sustainable local economic and social development in Turkey by supporting and developing existing local networks or assisting in the establishment and support of new networks in seven geographical regions in the country. Beneficiary is IULA.
WALD (Urban Community)	Contribution is €1.025.650. The purpose of the project is to facilitate the social and economic development of urban communities, strengthening civil society and enhancing decentralization of power within the country. Beneficiary is World Academy for Local Government and Democracy.
WALD (Women in the City)	Contribution is €200.000. The purpose of the project is to promote the full participation of women in societal life and to enable urban governments to include consideration of gender equity in their programs and in their representative and administrative structure. Beneficiary is

TUKODER	World Academy for Local Government and Democracy. Contribution is €410.000 .The purpose of the project is to support the Turkish Association for the Protection of Consumers in order to strengthen its structure as to enable it to reinforce its position as a defender and promoter of consumers' rights and interests. Beneficiary is Association for Protection of Consumers (TUKODER).
Management Training (NGOs)	Contribution is €125.000.
Traning Programme(Van, Diyarbakir)	Contribution is €150.000. Unemployment and security problems are the basic reasons for continuous migration to the cities of Van and Diyarbakır, the excessive growth that contributes to problems of poverty. The project is expected to have an additional positive impact by creating public awareness about the problems with a view to obtaining the support of government organization in the future. Beneficiary is Development Foundation of Turkey.
Alo Cocuk	Contribution is €150.000. The proposed project involves setting up a centre for children and providing them with medical and legal assistance because there is a need to raise public awareness about the problem of child abuse and neglect in Turkey. Beneficiary is Society for Prevention of Child Abuse and Neglect.
Civic Education (TDV)	Contribution is €250.000. The project aims at spreading democratic principles and creating awareness and knowledge of human rights at grassroots level. Beneficiary is Turkish Democracy Foundation.
HRDF(Young Girls & Wom.)	Contribution is €100.000. The objectives of the project are to provide technical and/or financial literacy to young girls and women living in slum areas of Istanbul through training courses on different topics like technical reading and writing, education on basic rights. Beneficiary is Human Resource Development Foundation.
Women- Econ. & Soc. Dev.	Suspended.
Children's Rights	Suspended
Democratisation Prog.	Contribution is €100.000. The aim of the project is to increase the awareness of democratization and introduce the modern democratic state concept and the EU human rights standards. Beneficiaries are Antalya Bar Association & Friedrich Naumann Foundation.
The Hope Bus	Contribution is €20.000. The aim of the project is to inquire into the causes of disappearances and create awareness among public on disappearances. Beneficiary is Association of Families with disappeared members
Healthy Beginnings	Contribution is €100.000. The objective of the project is to establish a reproductive health education programme for both expecting and new parents based on setting up a health care institution in Istanbul. Beneficiary is Istanbul University-Institute of Child Health &International-Women of Istanbul Association
Women's Human Rights	Contribution is €170.000. The objective is to increase the participation of women in public life, through training women in the areas of campaign management on how to run for elected office, governance, fund-raising, leadership and the democratic process. Beneficiary is Ankara Institute Foundation & the Turkish Social Sciences Association.
Efficiency In Judicial	Contribution is €60.000. The aim of the project is to empower the

Decisions	functioning and efficiency of the judicial mechanism, provide training for bar associations. Beneficiary is Helsinki Citizen's Assembly - National Branch Turkey.
Women in Audio-Visual Media	Contribution is €130.000. The main objective of the project is to underline the image of women in the media-to fight against violence. Beneficiary is World Mass Media Research Foundation.
Human Rights Education for Orphans	Contribution is €70.000. The objectives of the project are to train disadvantaged groups of children from slum areas who face problems related to human rights and to protect them against antidemocratic ideologies. Beneficiary is the Philosophical Society of Turkey.
House of Hope	Contribution is €70.000. The aim of the project is to provide temporary shelter, rehabilitation and vocational training for street children. Beneficiary is Association for Volunteers for Street Children.
International Women's Democracy Centre	Contribution is €100.000. The democracy center will conduct workshops and seminars to enhance women's political participation in Turkey, Egypt, Jordan, Lebanon, and Morocco. Beneficiary is the Women's Studies Association and NGO Advocacy Network for Women.
Centre for European Studies	Contribution is €150.000. The project aims to create a documentation centre on EU and give specific courses on European integration at Galatasaray University. Beneficiary is Galatasaray University.
Cultural Integration of Turkish Society	Contribution is €300.000. The aim of the project is encourage individuals and institutions in Turkey to question their society and to develop solutions and improve mutual understanding between Europeans and Turks. Beneficiaries are the Institut Francais d' Etudes Anatoliennes and Deutsche Orient Institute.
Risk Capital Resources	Contribution is €12 million in loans by the European Investment Bank. It ensures to set up a global loan providing risk capital to finance direct or indirect investments, mainly in joint ventures (associating Turkish and EU private companies) in the industry, agro-industry, services and tourism sectors.
State Reform in Turkey	Contribution is €600.000. In order to support the process of clear policy making of the state and to enhance transparency and accountability of state institutions, it is essential to create a forum for dialogue and to lead an open discussion about how the current structures can be reformed. The objective of the project is to contribute to this ambitious overall target. Beneficiary is TESEV-Turkish Economic and Social Studies Foundation.
Euro-Turkish Dialogue	Contribution is €500.000 The objectives are: Creating and enabling environment for bringing effective and influential actors from the EU Member States and Turkey into free and open debate of all issues of mutual concerns, providing informal networks to counter the chronic lack of familiarity that breeds suspicious and misconceptions on both sides. Beneficiary is Sabancı University.
Vocational Training – Tourism	Contribution is €5.4 million. The project is aimed at setting a centre in Kemer that will provide training for supervisory level staff of tourist firms (160 people each year) at a level comparable to the one in the other tourist countries. Beneficiary is The Development Bank of Turkey.
Info. Gathering & Awareness Raising on Internal and	

International Migration

LIST OF PROJECTS - as of 2000

PROJECTS	DESCRIPTION
Jean Monnet Fellowships (II)	Contribution is € 10 million. The aim of the project is to provide young Turkish university graduate, public and private sector employees with the opportunity to study for a year on a scholarship in the EU thereby strengthening the links between these young women and men and the EU by offering them a chance to live and study there for a longer period of time. The new JM Programme is a continuation of the programme currently being implemented. Based on the success of the programme it was decided to enlarge the impact of the programme in Turkey and to extend the number of scholars. The new Programme will benefit around 400 Turkish graduates for a period of 5 years. The project will start next academic year and will be implemented in close coordination with the Ministry of Foreign Affairs of Turkey. The management of the programme, including selection of the candidates, educational, administrative and financial matters will be in the hand of a Placement Agency that will be selected after a tender procedure in accordance with the EC procurement rules.
Van Regional Programme	Project is in the planning process
GAP Regional Programme	Project is in the planning process
MSTQ	Contribution is € 13.6 million. The aim of the project is to support Turkey's efforts in adopting and harmonization with EU standards, testing and certification of products according to the EU norms and the establishment of the necessary mechanisms for market surveillance leading to the elimination of technical barriers to trade. The project will help with the alignment of Turkey's quality infrastructure; disseminate information on conformity assessment and the implications of the adoption of EC legislation for Turkey's private and public sectors as well as consumers. Technical assistance will be provided to this end. The operational partners of this five-year project are the Undersecretariat of Foreign Trade, the Directorate General for Standardization and the Turkish Society for Quality (Kal-Der).

3.5 TURKEY'S BILATERAL FREE TRADE AGREEMENTS

According to the provisions of the Association Council Decision dated 6 March 1995, Turkey shall align itself progressively with the preferential customs regime of the EU, which rests on the sets of autonomous regimes and preferential agreements, within five years starting from 1.1.1996. Article 16 of the Association Council Decision No:1/95 and its Annex 10 set the rules and modalities of the alignment and also provide that Turkey will take the necessary measures and negotiate agreements on a mutually advantageous basis with the countries concerned. Turkey gives priority to the adaptation of preferential agreements concluded

between the EU and the third countries in which reciprocal trade provisions have been sought. Within the context of the Association Council Decision, Turkey stated that the priority will be given to the following preferential agreements: Israel, Hungary, Bulgaria, Poland, Romania, Slovakia, Czech Republic, Estonia, Latvia, Lithuania, Morocco, Tunisia, Egypt.

In this respect, the Free Trade Agreement between Turkey and the EFTA States which was signed in 1991 was the first step on the way to the adoption of the preferential regimes of the EU. Turkey concluded FTA Agreements with Israel in March 1996, with Hungary in January 1997, with Romania in April 1997, with Lithuania and Estonia in June 1997, with the Czech and the Slovak Republics in July 1997, with Slovenia in May 1998, with Latvia in June 1998, with Bulgaria in July 1998, with Poland in October 1999, with Macedonia in September 1999. Free Trade Agreements entered into force on 1 May 1997 with Israel, on 1 February 1998 with Romania, on 1 March 1998 with Lithuania, on 1 April 1998 with Hungary, on 1 July 1998 with Estonia, on 1 September 1998 with Czech and Slovak Republics, on 1 January 1999 with Bulgaria, on 1 May 2000 with Poland, on 1 June 2000 with Slovenia, on 1 June 2000 with Latvia and finally on 1 September 2000 with Macedonia.

On the other hand, FTA negotiations still continue with Morocco, Egypt, Faroe Islands, Palestine and Tunisia. Draft texts of agreements have been sent to Jordan, Malta, South Africa and Mexico

3.5.1 TURKEY- CZECH REPUBLIC FREE TRADE AGREEMENT

PREAMBLE

The Republic of Turkey and the Czech Republic (hereinafter called "the Parties"),
Reaffirming their commitment to the principles of market economy, which constitutes the basis for their economic relations, and their compliance with the rights and obligations arising out of the agreements within the framework of the World Trade Organization (WTO) and the General Agreement on Tariffs and Trade 1994 (GATT 1994);

Considering their common desire to participate actively in the process of international economic integration;

Resolved to this end to eliminate progressively the obstacles to substantially all their mutual trade, in accordance with the provisions of the General Agreement on Tariffs and Trade 1994;

CONSIDERING the rights and the obligations arising out of the Agreement Establishing an Association between the European Economic Community and the Republic of Turkey, its Additional Protocol and the Decisions of the EC - Turkey Association Council on implementing the final phase of the Customs Union and of the Europe Agreement Establishing an Association between the Czech Republic, of the one part, and the European Communities and their Member States, of the other part;

Convinced that this Agreement will create a new climate for their economic relations and, in particular, for the development of trade, investment and economic and technological co-operation.

CHAPTER 4

4.1 European Strategy for Turkey-Pre-accession Process

In response to the Cardiff European Council, on 23 October 1998 the Commission adopted two proposals for regulations on implementing a European Strategy for Turkey. The proposals concern:

the implementation of measures to intensify the EC-Turkey customs union. It is proposed that a total of € 15 million be made available to Turkey as a grant for three years. The regulation which will be implemented over a three-year-period (2000-2002) has been adopted by the Council on 10/4/2000.

the implementation of measures to promote economic and social development in Turkey. It is proposed that a total of € 135 million be made available to Turkey as a grant for three years. The legislative procedure is still in progress with respect to the regulation which will be implemented over a three year period (2000-2002).

4.1.1 European Strategy for Turkey

The Commission's initial operational proposals

* Introduction

The Luxembourg European Council of 12 and 13 December 1997 confirmed Turkey's eligibility for accession to the European Union and that it will be judged on the basis of the same criteria as the other applicant States. The European Council considered that it was important for a strategy to be drawn up to prepare Turkey for accession by bringing it closer to the European Union in every field. This strategy should consist in:

- development of the possibilities afforded by the Ankara Agreement;
- intensification of the customs union;
- implementation of financial co-operation;
- approximation of laws and adoption of the Union acquis;
- participation, to be decided case by case, in certain programmes and in certain agencies, as provided for in paragraphs 19 and 21 of the conclusions of the Luxembourg European Council.

Furthermore Turkey's involvement in the European Conference would provide an opportunity for greater dialogue and cooperation in areas of common interest between Turkey and the Member States. Turkey is therefore already involved in the EU enlargement process.

In this paper the Commission puts forward a work programme to consolidate and add substance to the customs union and step up co-operation in the other areas referred to in its July 1997 communication on the further development of relations with Turkey.

Implementation of some of the proposals could begin in the first half of 1998.

Implementation of some of the proposals in this paper will depend on the financial resources available for Turkey and notably on the implementation of the Special Action for Turkey (ECU 375 million). This makes it important for the Council to adopt the financial regulation for the special financial co-operation arrangements for Turkey as fast as possible.

Implementation of financial co-operation is part of the strategy put forward by the Luxembourg European Council.

It should be recalled that Turkey is also a member of the Euro-Mediterranean Partnership.

* Proposals

4.1.1.1 Industrial co-operation and investment

The promotion of co-operation on industry and investment, including the establishment of a suitable legal and administrative framework, in Turkey is a priority. The implementation of

customs union has to be paralleled by improvements in the competitiveness of Turkish industry, notably SMEs.

Turkey is already involved in regional activities through the Euro-Mediterranean Partnership; these include programmes for co-operation between firms (Med-Partnership and Med-Interprise) and two working parties, one on the legal and administrative framework and one on industrial development, established as a result of the Brussels Declaration on Euro-Mediterranean industrial co-operation (May 1996).

Bilateral activities could be added to the regional activities planned under this heading.

Activities for bilateral promotion of industrial co-operation are already planned for 1998 (they include the EU-Turkey Business Seminar and EU-Turkey Business Partnership programmes).

There will be discussion with Turkey during the first half of the year of the advantages of and opportunities which its industry might derive from the following activities to help it get the most out of the single market and improve its competitiveness:

- Access to the single market: assistance with setting up the necessary certification and quality-control instruments (laboratories and networks), provision of technical assistance for that purpose, pilot/demonstration programmes for firms (individual or in groups).
- Innovation and information technology: transfer of technology, exchange of information on best practice, technical assistance for the establishment of technology-transfer centres and networks, technology demonstration projects for firms (individual or in groups).
- Assistance for the development of the private sector: expert services needed to draw up projects for the diversification of industry, creation of companies, improving the financial environment, training for entrepreneurs and encouragement of co-operation.

In addition, the Commission sees it as being in the interest of the two parties to set up a mechanism for dialogue on greater liberalisation of movements of capital between the Community and Turkey as fast as possible. Among the main aims of the mechanism would be to check whether such liberalisation was compatible with the commitments made by the two parties under the OECD Code of Liberalisation of Capital Movements. It would also be made responsible for discussing investment-protection issues.

4.1.1.2 Agriculture

New negotiations with Turkey to achieve a reciprocal improvement in preferential market access could start in the second half of 1998. The negotiations should aim to produce a balance between reciprocal concessions and standstill on duties.

Moreover, Turkey will need to adjust its agricultural policy to encompass the Common Agricultural Policy measures needed to establish free movement of agricultural products, an aim that the European Community and Turkey set themselves in the Ankara Agreement and the Decision on Customs Union. Though it recognised that little progress had been made in this area, the communication of 15 July 1997 proposed that Turkey be encouraged to transpose the Community *acquis* while taking account of the characteristics of agriculture in the country. To that end, the Commission proposed a three-stage process based on the approach used for the CEEC.

The first stage would involve the Commission providing the Turkish authorities with an inventory of major legal acts connected with the various aspects of the market organisations and health rules and with details of the instruments and entities needed for administration. Turkey would provide the Commission with the details needed to understand its own agricultural policy.

The second stage would bring discussion of the various aspects and sectors of the CAP and of Turkish agricultural policy in greater depth.

The third stage would involve preparing a summary of the differences between the CAP and Turkish agricultural policy in the various sectors.

At the end of this process, Turkey would be asked to put to the Community a work programme for adopting the Community acquis.

The first stage of the process could begin in the second half of 1998. The detailed discussion sessions could follow once the exchange of information had taken place.

Community financial and technical assistance is an important factor in the restructuring of Turkish agriculture and the aligning of the country's agricultural policy on the CAP. In that connection, Turkey should supply the Commission with a list of priority measures. Once the list had been discussed, a technical assistance programme could be drawn up.

4.1.1.3 Services

On the basis of the guidelines of the communication of 15 July and discussions that have taken place in the Council, the Commission is willing to begin exploratory talks with the Turkish authorities in March 1998. Draft negotiating directives could go to the Council in the second half of the year.

4.1.1.4 Greater substance for the customs union

* Turkey's integration into the pan-European rules of origin system

The Commission's intentions with regard to Turkey's involvement in the rules-of-origin cumulation system for industrial goods operating between the Community, EFTA and the CEEC are as follows:

- during 1998, the Commission will take advantage of meetings with the associated countries (customs subcommittee, directors-general of customs administrations, Association Committees) to request them to react favourably to approaches by the Turkish authorities regarding the negotiation of free-trade agreements with them pursuant to Turkey's obligations under the Decision on Customs Union;

- by mid-1998, the Commission will prepare proposals (fourteen in total) for amending the origin protocols in the agreements between the European Union and the countries involved in the cumulation system to include Turkey.

Turkey should thus actually be in the cumulation system from 1 January 1999.

* Support for Turkey's participation in European transit arrangements

With regard to Turkey's joining the Transit and Single Administrative Document Conventions, the Commission would point to the favourable decision made on the matter at the April 1997 Association Council meeting. In 1998, the Commission will continue to provide technical assistance to prepare Turkey to join, while working in parallel on the completion of transit reform (and computerisation) in the European Union.

* Public procurement

Commitments regarding public procurement were made by both parties in the Decision on Customs Union. The Commission proposed in its communication of 15 July 1997 that negotiations be opened. The plan is for exploratory talks with Turkey to begin in the first half of 1998. The two parties will look at the advantages of three options: a bilateral agreement between them, Turkey joining the WTO's Agreement on Government Procurement and alignment of Turkish legislation on that of the Community.

* Approximation of legislation

In its communication of 15 July 1997, the Commission proposed that a programme of technical assistance and administrative co-operation be set up to finish the approximation of legislation in the areas covered by the customs union and to enforce that legislation in Turkey. The Commission will draw up the following measures:

- In areas connected with the customs union which are not yet covered by close co-operation, informal groups bringing together the appropriate departments of the Commission and the Turkish administration will be set up. The groups will look at the progress made by

the Turkish authorities in the approximation of legislation and will provide a framework for directing and providing momentum for implementation. Groups for whatever types of technical legislation referred to in Association Council Decision 2/97 which Turkey has adopted could be set up in the first half of 1998.

- Where approximation is already advanced, the Turkish authorities may request that seminars be organised in the country to discuss the detail of applying the Community arrangements transposed into the Turkish system and the implications for economic operators. The seminars would be attended by representatives of the Turkish administration and Turkish trade associations.

- At the Turkish authorities' request, training courses within the departments of the Commission may be organised on an as-and-when basis for Turkish administration experts in charge of applying the legislation.

- Any similar activities (e.g. a programme of technical assistance regarding the protection of intellectual, industrial and commercial property) will be considered by the Commission at the Turkish authorities' request.

* Closer technical consultations

The communication proposed that the mechanism for Community-Turkey consultation in areas connected with the customs union be strengthened, and the Commission plans to discuss with Turkey in the first half of 1998 which groups of experts and technical committees (the committees which assist the Commission with its implementation responsibilities) could involve Turkish representatives in their work.

Special attention will be paid to the groups of experts set up for informal discussion of the Community's technical legislation (on chemicals and pharmaceuticals, for example). Moreover, in line with the recommendations made by the Association Committee last April, the Commission will put to the Council in the first half of 1998 a proposed Association Council Decision on allowing Turkish experts to take part in the work of the Standards and Technical Regulations Committee (set up by Directive 83/189/EEC) insofar as necessary for the functioning of the customs union.

A mechanism for Community-Turkey dialogue on commercial policy issues will be set up in the first half of 1998.

In the field of anti-dumping measures, the Commission set up improved preferential information and consultation arrangements based on the procedures for the CEEC following the April 1997 Association Council meeting.

* Alignment with Common Commercial Policy

With regard to Turkey's concluding the preferential agreements referred to in Article 16 of the Decision on Customs Union, a number have already been negotiated. Where necessary, the Commission could provide Turkey with political and technical support for the agreements which remain to be concluded (these include Bulgaria, Poland, Slovenia and the Maghreb and Mashreq countries).

* Outward processing of textiles

The Commission notes that the problems which Turkey mentioned in connection with outward processing of textiles have already been partially addressed by the elimination (dating from 1 January 1998) of Community quotas for the CEEC and most Mediterranean countries. They will shortly be entirely resolved in the case of Turkey's traditional trading partners when Turkey is brought into the pan-European origin-cumulation system. Should Turkey wish to develop outward processing arrangements with non-member countries other than the CEEC or those of the Mediterranean, the Commission is prepared to discuss appropriate solutions with it.

4.1.1.5 Dialogue on macroeconomics

An inaugural meeting could take place by the end of the first half of 1998; its content would be discussed first with Turkey. The dialogue would cover matters of common interest. These could include the economic outlook for Turkey and the EU and the impact on Turkey of the introduction of the euro.

4.1.1.6 Telecommunications and the information society

Dialogue between the Community and Turkey on regulatory matters could begin in the first half of 1998. The aim would be to approximate Turkish telecommunications legislation with that of the Community. Assistance in achieving that aim could be provided in the form of the services of experts, exchanges of officials or training.

Support in developing a strategy to bring Turkey into the information society could also be given from the first half of 1998. There would be discussions between the Commission departments and the appropriate entities in Turkey (including TUBITAK). These discussions would enable specific activities to be identified.

During the first half of 1998, the scope of the European investigation of the information society (ESIS project) will be expanded to include Turkey.

The Commission will begin discussions with Turkey on the way to extend the Trans-European Networks to that country once the Commission communication on extending the Trans-European Networks, which is currently being prepared, has been adopted.

4.1.1.7 Co-operation in science and technology research

Under the Community's fourth framework programme of activities in the field of research, technological development and demonstration (1994-98), Turkey, as a European non-member country, can take part on a project-by-project basis in all the specific programmes under Actions I, III and IV, but cannot draw on the funds allocated to them. Turkey is also fully eligible for Action II (INCO programme), from which it receives Community financing. Provision will be made for Turkey to take part on a project-by-project basis in all the specific programmes of the fifth R&TD framework programme (1998-2002), on the same terms as apply to the fourth programme. In addition, Action II of the fifth programme (INCO2) includes for the first time an activity targeting co-operation with Mediterranean partner countries. Turkey will be able to participate fully, and will receive Community financing to do so.

Dialogue on Euro-Mediterranean science and technology policy also takes place within the Euro-Mediterranean Monitoring Committee for S&T Co-operation, on which Turkey is officially represented. The work of this Committee, which was set up as part of the Barcelona process, lead to the identification of specific activities and provide ongoing information on the planning and implementation of the framework programme as a whole.

4.1.1.8 Co-operation on environmental matters

Exploratory contacts between the Commission and Turkey in October 1997 produced a list of areas of co-operation on environmental matters. There was a focus on strengthening institutions and developing human resources (with the Environment Ministry and its local offices, the national sustainable development committee and the environment and development observatory). Turkey also expressed interest in training to evaluate environmental dangers, environment auditing at national and local level and integrated pollution prevention and monitoring. It also requested special assistance with drawing up a national action plan on climate change, a national inventory of chemical substances and cooperating with the European Environment Agency (particularly through the establishment

of a national database). Other activities could be put in place as part of regional co-operation in the Mediterranean and the Black Sea.

It will be possible to produce a timetable for co-operation in the first half of 1998, taking into account the (Commission-financed) study of the current state of Turkey's environmental rules and legislation, which is in progress.

The Commission attaches particular importance to approximation of environmental legislation and rules, and proposes to establish a framework to track this process once the results of the study referred to above are available.

4.1.1.9 Co-operation in transport

In the context of the development of transport infrastructure, the Pan-European Transport Corridors nos. IV and X extend to Istanbul (via Sofia). Turkey participates in discussions in this framework. Moreover, Turkey falls within the geographical scope of two of the Pan European Transport Areas (PETrAs) - that of the Black Sea and of the Mediterranean basin - adopted at the Third Pan-European Conference of Transport Ministers in Helsinki in June 1997. Preparatory work on developing these two regional transport networks is currently underway and we expect Turkey to participate in both these initiatives.

In the field of maritime transport, Turkey is an active participant and beneficiary in maritime transport projects financed under the regional programme of MEDA.

In the aviation field, the Commission has proposed holding exploratory talks on air transport with Turkey, as it has with other countries in the region, in preparation for future negotiations on a possible air transport agreement.

In the field of global navigation and positioning, the Commission is developing co-operation with its Mediterranean partners, including Turkey, in order to optimise the navigation signals in the region and to enable satellite navigation users to benefit from improved transport safety and efficiency.

4.1.1.10 Co-operation in energy

Co-operation in the field of energy should facilitate the adaptation of Turkish legislation to that of the EC in order to create a favourable framework for direct investment. In this context, the ratification by Turkey of the Energy Charter Treaty is particularly important. Taking into account the geographical position of Turkey, special attention will be paid to its participation in energy interconnection networks (TEN).

4.1.1.11 Co-operation on consumer policy and protection of consumer health

The two parties may begin discussions in the first half of 1998 to evaluate Turkey's situation and set up early-warning systems for industrial goods and foodstuffs (need for financial and technical assistance, staff training, etc.). They may also set out an overall strategy for the approximation of consumer-protection legislation. A first step would be to establish an inventory of Turkish legislation in this field.

Financial assistance for Tukoder, a consumers' association, has already been provided for. Other major Turkish consumers' associations may also receive EU assistance.

4.1.1.12 Regional and cross-border co-operation

Turkey's involvement in the regional co-operation schemes adopted as part of the Euro-Mediterranean Partnership and decentralised co-operation programmes will be stepped up wherever possible.

Co-operation projects involving Turkey and other countries in the Black Sea region could be set up in the fields referred to in the Commission communication on Black Sea regional co-operation (COM(97)597 final of 14 November 1997).

4.1.1.13 Involvement in Community programmes

The Luxembourg European Council proposed that Turkey be involved (on a case-by-case basis) in certain Community programmes and agencies. This would be subject to conditions similar to those applying to the CEEC. In the first half of 1998, the Commission intends to put to the Council a proposal for a decision to be adopted by the Community and Turkey. It would list the areas in which such involvement would be possible.

Once this decision has been adopted, the arrangements for Turkey's participation in a particular programme will have to be negotiated and the subject of a decision of the Association Council. Where necessary, a modification of the basic regulation for a particular programme to include Turkey as a beneficiary country will be proposed.

4.1.1.14 Institutional co-operation and political dialogue

The Commission stresses the importance of implementing the institutional co-operation and political dialogue provided for in the Association Council resolution of October 1995 and of financing individual activities in the field of justice and home affairs. The Commission places special emphasis on the need for active co-operation with Turkey on immigration. In that connection, the general affairs Council of 26 January adopted an action plan on the recent influx into the EU of people from Iraq and neighbouring areas.

4.1.1.15 Co-operation in the field of human rights and humanitarian issues

In the field of human rights, there are already ECU 3 million of Commission commitments for 1998 projects.¹ The priorities selected are: the status of women; the rights and protection of the child; information, education and training; boosting management capabilities of NGOs. Among the recipients of Commission grants were the Umut Foundation, the Society for the Prevention of Child Abuse and Neglect, the Turkish Democracy Foundation, the World Academy for local government and democracy, the Antalya Bar Association and the Helsinki Citizens' Assembly (Turkey Branch).

The Commission will continue the work of identifying and implementing projects in the field of human rights and humanitarian issues with Turkish NGOs in 1998. In the more specific area of co-operation with the Turkish government, the Commission has prepared a preliminary draft co-operation programme. It focuses on training Interior Ministry officials and police forces. The Commission intends to discuss it with the Turkish authorities in the first half of 1998.

Also in the first half of 1998, the Commission proposes to establish a working party (which will hold its meetings in Turkey or in Brussels as the need arises) to discuss humanitarian issues.

* Conclusions

The proposals contained in this paper demonstrate the European Union's commitment to developing a strategy to prepare Turkey for accession.

In that connection, the Commission sees it as particularly important that work with Turkey on the following issues should go ahead in the first half of 1998:

- intensifying industrial co-operation and stimulating investment;
- support for transposition of the *acquis* in the field of agriculture;
- exploratory talks aimed at an agreement on services;

- giving greater substance to the customs union through technical assistance and administrative co-operation;
- improving the machinery for consultation between the two parties in areas of direct significance to the operation of the customs union;
- exploratory talks on opening up public procurement;
- establishment of a macroeconomic dialogue, notably covering greater liberalisation of movements of capital;
- Community assistance to help Turkey take over the Community acquis in sectors such as the environment, telecommunications, consumer policy and consumer protection;
- establishment of the mechanisms needed to enable Turkey to become involved in certain Community programmes and agencies;
- greater institutional co-operation and political dialogue, in line with the October 1995 resolution.

These initial proposals will be followed by others to be developed by the Commission following further discussions with the Turkish authorities.

The implementation of financial co-operation is part of the strategy proposed by the Luxembourg European Council. The Commission wishes to draw attention to the urgent need for the Council to adopt the financial regulation for the special financial co-operation arrangements for Turkey as fast as possible, as this will enable a comprehensive and consistent strategy for Turkey to be implemented.

4.2 Executive Summary of the Turkish National Programme for the Adoption of the Acquis

* INTRODUCTION

The modern Turkish Republic is founded on the principles of peaceful foreign policy, secularism, the rule of law, a pluralistic and participatory democratic system, and fundamental human rights and freedoms.

Turkey is a country that contributes to the enhancement and reinforcement of peace, security, stability and prosperity in international relations and will continue to develop her relations with neighbouring countries on the basis of a peace-seeking foreign policy. In this context, Turkey will continue to undertake initiatives and efforts towards the settlement of bilateral problems with Greece through dialogue; support the efforts of the UN Secretary General, in the context of his good-offices mission aiming at a mutually acceptable settlement with a view to establishing a new partnership in Cyprus based on the sovereign equality of the two parties and the realities on the Island; act as a model for the Turkic States and the Islamic world in their further development according to universal values; enhance, as a key actor, stability in the Balkans, the Caucasus, Central Asia and the Middle East; and contribute to the ongoing rapprochement of Europe and Asia, and hence help extend contemporary values throughout Eurasia.

The Turkish Government regards EU membership as a new step forward, a milestone confirming the founding philosophy of, and Atatürk's vision for the Republic. Turkey will accede to all relevant international conventions and take the necessary measures for their effective implementation in order to align further with the universal norms manifest in the EU acquis and practices in EU Member States, particularly in the areas of democracy and human rights.

Turkey can assume a fundamental role in the process of European unification through the concrete and distinct contributions that she can offer.

4.2.1 POLITICAL CRITERIA

As of 2001, the Turkish Government will speed up the ongoing work on political, administrative and judicial reforms and will duly convey its legislative proposals to the Turkish Grand National Assembly. The goal is to strengthen, on the basis of Turkey's international commitments and EU standards, the provisions of the Constitution and other legislation to promote freedom; provide for a more participatory democracy with additional safeguards; reinforce the balance of powers and competences between State organs; and enhance the rule of law. In the context of the reform process regarding democracy and human rights, the review of the Constitution will have priority. The constitutional amendments will also establish the framework for the review of other legislation.

The Turkish Government will closely monitor progress in the country in the areas of human rights, democracy and the rule of law, regularly evaluate the work underway for harmonization with the EU *acquis*, and will take all necessary measures to speed up the ongoing work.

In addition, legal and administrative measures will be introduced in the short or medium term regarding individual rights and freedoms, the freedom of thought and expression, the freedom of association and peaceful assembly, civil society, the Judiciary, pre-trial detention and detention conditions in prisons, the fight against torture, human rights violations, training of law-enforcement personnel and other civil servants on human rights issues, regional disparities.

4.2.2 ECONOMIC CRITERIA

The economic stabilization programme introduced in 1999 has been revised due to the economic crisis of February 2001. It has been decided that the necessary structural reforms be introduced as soon as possible, on the basis that they are crucial for the success of the new program.

Within the scope of structural reforms, the social security system, which was in deficit for years, has been reorganised and significant steps have been taken to ensure a balance between the system's assets and liabilities.

Tax reform has been introduced so as to enlarge the tax base and to register the unregistered economy. The Banking Regulation and Supervision Board, established as a consequence of the reform of the fiscal sector, provides a central authority for the regulation, observation and supervision of the banking sector. However the crisis faced in February 2001 has made it necessary to take more fundamental measures in the context of the reforms of the fiscal sector. It is essential that priority be given to the Banking Act and the Law of the Central Bank of Turkey. The regulations regarding state owned banks will also be given first priority in the context of fiscal sector reform.

Transition to the direct income support system in agriculture has been initiated and positive responses have been received from projects undertaken in pilot regions. Within the framework of fiscal transparency certain projected budgetary and non-budgetary funds have been dissolved.

Privatisation is an important component of the reform program. For the growth of the Turkish economy in a competitive environment, economic activities of the state, especially those having a monopolistic character, have to be privatised immediately. Meanwhile, maximum care must be taken to ensure that private monopolies do not develop and replace the state monopoly.

The amendments introduced in 1999 mean that privatisation is included in the Constitution for the first time. In addition, problems concerning public procurement in the energy sector have been dealt with through the establishment of an international arbitration mechanism. Within the year 2001 the privatisation of public enterprises including State Economic Enterprises (SEE) such as TÜPRAŞ and PETKİM (petrochemical production and oil refining companies), Turkish Airlines, ERDEMİR (integrated steel and iron works) and SEKA (Turkish Pulp and Papermills General Directorate) has been planned via block sale and public offerings. Within the year 2000, a 51 percent block sale of Petrol Ofisi (responsible for petroleum distribution), a 31.5 percent public offerings of TÜPRAŞ, and a greater than expected revenue from the sale of mobile phone licences were positive developments in the privatisation program.

Following the February 2001 crisis the government has declared its intention of finalising the privatisation of Turkish Airlines and Turk Telecom by accelerating the procedure.

In the short term Turkey will fulfil its obligations regarding the Pre-accession Fiscal Surveillance Procedure.

4.3 CAPACITY TO ASSUME THE OBLIGATIONS FOR MEMBERSHIP

A. Efforts on the Adoption of the Acquis Communautaire Conducted under the Scope of the "Customs Union" (within the framework of Association Relations)

This chapter lists the obligations that are both fulfilled and unfulfilled by Turkey within the framework of the Association relations with the EU. In this respect, Turkey has not yet fulfilled the obligations due from previous years in the fields of adoption of the technical acquis of the EU, and certain parts of competition law (state aids, special or exclusive rights granted to public enterprises and TEKEL Administration).

4.4 Adoption of the Acquis

1. Free Movement of Goods

In the field of free movement of goods Turkey is required to complete the adoption of the technical acquis of the EU related to industrial products. This obligation arises from Decision No. 1/95 of the Association Council laying down the rules on the functioning of the customs union and Decision No. 2/97 enacted therefrom, and thus from the Association Agreement built between Turkey and the EU.

The fulfilment of these obligations, will provide for a supply of quality goods conforming to international norms to our domestic market, and with its positive impact on our exports, will also increase our competitiveness.

In this respect it is a priority that the draft "Law on the Preparation and Application of Technical Arrangements regarding Products", also known as the Framework Law, already presented to the Turkish Parliament, becomes law as quickly as possible. Only after the

enforcement of the said draft law will it be possible for related institutions to enforce the legal arrangements in the areas falling under their responsibility, and to take the necessary measures towards implementation thereof.

Another important factor in terms of implementation is to ensure that the Turkish Accreditation Authority (TÜRKAK), officially established on 4 November 1999 through Law No. 4457, begins operation.

Accordingly, it is necessary to establish and develop the institutions responsible for conformity assessment and certification, to assess and certify conformity with the legislation, and establish the accredited institutions to be notified to the EU Commission.

Studies for the establishment of a new market supervision system, initiated following the Customs Union, still continue. This system covers the technical acquis of the EU and its stages of implementation including standardization, measurement (metrology) and accreditation.

* Public Procurement

It is very important to finalize the new Draft Law on Procurement, prepared to replace the applicable Law No. 2886 on Public Procurement. This will ensure transparency and impartiality in conformance with international norms, maximize competition and public control in the field of public procurement, and harmonization with the EU acquis in the shortest possible time, as well as taking into account the interests of Turkey.

There is also the need to establish an independent legal or administrative institution to consider applications and to settle disputes in public procurement.

2. Free Movement of Persons

It has been envisaged that many issues related to the free movement of persons, considered to be a very sensitive issue by EU member states, will be dealt with at the full member stage, and possibly through transitional arrangements.

However, Decisions Nos. 1/80 and 3/80 of the Turkey-EU Council laying down the procedures related to the entry of Turkish workers and their families to the EU employment market and their wages and working conditions, need to be updated by taking into consideration the interpretations of the European Court of Justice.

There is a need for new

Association Council Decisions that will permit our citizens working legally and residing in member states to exercise the right to free movement without having to wait for Turkey's full membership.

On the other hand, it is proposed to amend related articles of Law No. 5682 on Passports, and to establish a structure ensuring conformity with the decisions of the Community acquis in order to prevent illicit immigration, as required by the EU. The relevant draft law should be enacted as soon as possible.

3. Free Movement of Services

Applications in the field of financial services are in harmony with the EU acquis in general terms. The relevant institutions are making efforts to define and correct areas which currently do not conform.

There are national preferences and restrictions with respect to services other than financial services. First of all, it is necessary to initiate coordinated studies for defining and correcting these. This subject will be handled by the Secretariat General of the European Union, as in similar cases, taking into account the fact that there are numerous public institutions and organizations involved in this field.

The negotiations between Turkey and the EU on "Liberalization of Services and Public Procurement" initiated by the Decision No. 3/2000 of the Association Council are underway, and the developments arising from these negotiations will be considered as part of further harmonization measures.

4. Free Movement of Capital

Upon enforcement of the "Draft Law on Foreign Capital", replacing the "Law on Foreign Capital Incentives", the authorization procedure will be abolished and a registry system will be introduced.

The following regulations having restrictive provisions on the "Free Movement of Capital" need to be revised, taking into consideration the important nature of such provisions and matters regarding security and reciprocity:

- Law on the Establishment and Broadcasting Activities of Radio and Television Enterprises,
- Law on Civil Aviation,
- Law on Cabotage,
- Restrictive provisions of the Turkish Code of Commerce regarding foreign shares,
- Restrictions on property acquisition by foreigners,
- Authorization for investments in the fields of oil and mining

Lifting restrictions such as those under the Village Law with respect to property acquisition by foreigners plays an important role in terms of free movement of services.

The restrictions put on cash and "in kind" transfers abroad according to Decision No. 32 on Protecting the Value of Turkish Currency and the Circular No. I-M of the Central Bank of the Republic of Turkey (where amounts over 5 million dollars are subject to authorization), must be adapted to EU norms.

5. Company Law

Although the corresponding Turkish legislation related to companies is in conformity with the EU acquis in general terms, partial amendments are required in Turkish legislation. To this end, a commission working under the coordination of the Ministry of Justice is preparing a new draft of the Turkish Code of Commerce, taking into consideration all the related EU Directives. It is very important that this draft be enacted in the medium term.

Significant progress has been noted in the field of industrial property rights within the scope of the Customs Union. Relevant studies still continue with respect to the Draft Law on the Protection of Integrated Circuit Topographies and on the Protection of the Improvement Rights of New Plant Species.

In the field of intellectual property rights, it is proposed to ratify certain international agreements (WIPO- World Intellectual Property Organization - Property Rights and WIPO Performances and Phonogram Agreements) within the year 2001.

It is expected that the project aimed at the establishment of 12 specialized courts to provide for expertise in the settlement of disputes on intellectual and industrial property rights will be concluded with the assistance of EU finance. As an initial step, a Specialised Court for Intellectual and Industrial Property Rights has been established in the province of İstanbul.

6. Competition and State Aid

Turkish Competition Law is to a great extent parallel to the Competition Law of the EU. The Competition Authority is following amendments to EU rules of competition, and activities have already been initiated to prepare parallel arrangements.

Works on the Draft Law No. 1177 on Tobacco and Tobacco Products which is part of the obligations of Turkey arising from the Customs Union should be completed immediately. The Turkish Parliament passed the Draft Law amending Law No. 4250 on the Monopoly on Spirits and Spirit Drinks on 11 January 2001. However, it would be beneficial to reconsider the said arrangements from the perspective of full membership.

Where state aid is concerned, a working group has been established with the participation of the related public institutions and organizations and whereby the fragmented picture of state aid aims to be eliminated. A system similar to the Nomenclature of Territorial Units for Statistics (NUTS), forming the basis of the regional statistical classification of the state aids system of the EU, needs to be established in Turkey.

Furthermore, there is also the need to establish a Monitoring and Supervision Authority for State Aid to assess the conformity of state aid applications with the criteria laid down by the EU acquis.

7. Common Agricultural Policy

The agricultural sector encompasses the largest area in terms of adoption of the EU acquis. It is very important to adopt the complicated provisions in this field which represents such a significant part of the Community acquis.

The priority issue in Turkey-EU relations in the field of agriculture is the harmonization of Turkish agriculture with the Common Agricultural Policy. However, it will not be possible to implement the Common Agricultural Policy in Turkey without establishing an adequate infrastructure that is in conformity with the system of the Community. Therefore, the adoption process can only be realized gradually. In the first place, certain studies on the infrastructure have to be completed prior to the completion of the adoption process. Studies on infrastructural development cover a wide range, from the administrative structure of the national agricultural sector to the policies on production, consumption, prices and markets, and from productivity and competition to rural, regional and environmental development policies.

One of the major factors in the adoption of the Common Agricultural Policy is the application of Direct Income Support for Farmers. A Decree on Direct Income Support for Farmers was enacted on 1 March 2000. Pilot projects have been conducted in Adıyaman, Ankara, Antalya and Trabzon. This system will be extended countrywide as from 2001 and will take into account findings of the pilot studies.

The application of Direct Income Support for Farmers depends on the establishment and development of functioning Farm Registry and Land Registry Systems across the country. Within the framework of the establishment of a Land Registry System studies are being conducted for the preparation of a new project which will provide for the entering of title deed and cadastre information into the data system, and for servicing computer users. The necessary technical and legal arrangements related to this matter need to be completed. Moreover, the studies on the development of a Geographical Information System and Data Network for Farm Accounting, together with the Farmer Registry System and the Title Deed

Cadastre System, and the establishment of the Agricultural Information System, should be accelerated by using the agricultural database.

Establishment of an Animal Identification System plays an important role in terms of bringing contagious diseases under control. Upon the realization of the above it will be possible to ensure safe animal movements and trade. Moreover, it will be impossible to include farmers producing dairy and meat products in the Direct Income Support System for Farmers, within the framework of the Common Agricultural Policy, without the establishment of a properly functioning Animal Identification and Registry System. To this end, the Animal Identification System should be extended nationwide and the administrative structure required for this matter should be completed.

In the field of animal health, the Community acquis related to veterinary procedures and the procedures of the EU related to the combat against contagious animal diseases need to be adopted as soon as possible, within the framework of the objective to eliminate such diseases. Concerning the administrative structure, relations between the central organization and the regional organizations have to be conducted in a way which eliminates conflict arising from delegation of authority and coordination. Furthermore, it is necessary to establish Quarantine Laboratories in conformity with Community standards at border inspection posts, in order to ensure efficient inspection during the customs clearance of livestock and animal products.

Turkish legislation on plant health is to a great extent in harmony with the related acquis of the Community. Studies to be conducted in this respect have been identified in general terms, and the results thereof need to be embodied in the legislation. It should be noted that the differences between Turkey and the EU in the field of plant health arise mostly in terms of implementation. Accordingly, necessary measures need to be taken towards improving implementation. Moreover, the infrastructure of the institutions and organizations in charge of plant health needs to be improved, mainly by focusing on the laboratories.

Studies on achieving harmonization with hygiene and public health standards of the EU by the foodstuff processing establishments still continue. In particular, the arrangements for bringing the standards of dairy and meat processing facilities to the level of the EU should be completed.

Activities conducted under the Southeast Anatolia Project and other studies performed by the Ministry of Agriculture and Rural Affairs within the framework of Rural Development Projects, based on the participation of producers, should be extended in scope to cover rural development measures parallel to those within the EU.

The Draft Law Regulating Agricultural Services is required for the purpose of eliminating the disorder existing in the distribution of authority in the agricultural sector and to centralize the delivery of services.

Existing legislation covers farmers organized within cooperatives. However, regulations in conformity with EU norms regarding Union for Agricultural Producers do not exist. In this context, the Draft Law on the Union for Agricultural Producers which has been presented to the Prime Ministry will allow producers' unions to become organized in conformity with EU norms and should be enacted. The said draft law aims at supporting organized farmers from the production to the marketing stages, and at implementing relevant incentives.

The Board for Restructuring and Supporting Agriculture has been established to eliminate disorder in the distribution of authority in the agricultural sector, to restructure the agricultural

subsidy policies, and conduct studies on the development of an agricultural database. It is composed of high level representatives from the leading institutions in the sector, including representatives from private sector establishments and farmers' organizations.

8. Common Fisheries Policy

The establishment of an administrative structure to organize the structural developments in the fisheries market by means of short term supervisory and control measures should be ensured. In addition, fishing fleet registers should be improved.

9. Common Transport Policy

Turkey is expected to join TINA (Trans-Infrastructure Needs Assessment), the main planning platform for the Transport Corridors, in accordance with the objectives set under the Decision 1/95 of the Association Council and the "European Strategy for Turkey" published by the European Commission on 4 March 1998.

Where adoption of the EU acquis in the field of transport is concerned, efforts regarding the road and rail transport need to be accelerated, the related framework laws have to be enacted, and the implementation regulations should be completed in the shortest possible time. In addition, it is expected to restructure the railways and to improve harmonization with security requirements applicable in maritime transport.

In this context, the following matters are to be fulfilled:

- To enact the Draft Law on Road Transport that is before the Turkish Parliament, to amend the Regulation on International Goods and Passenger Transport by Road, and to enforce the Regulation on National Goods Transport,
- To establish an institutional structure for the railways, by making amendments to Law No. 3348 on the Establishment and Duties of the Ministry of Transport, Statutory Decree No. 233 on the State Owned Economic Enterprises, and the Incorporation Statute of the Turkish Railways Authority.

The conventions of the International Maritime Organization (IMO) on sea safety have to be ratified. Moreover, the existing administrative, legal and technical infrastructure will be revised for increased efficiency in Flag State, Port State applications and a re-structuring will be undertaken in the areas of training, materials and financial resources, and through technology transfer.

10. Taxation

The corresponding Turkish legislation on taxation, including Value Added Tax, is to a great extent in harmony with the EU acquis. Remaining differences will be eliminated during the negotiations stage.

However, the Draft Law on Excise Tax (ÖTV), which was previously submitted to the Turkish Parliament became obsolete, needs to be re-submitted as soon as possible.

11. Economic and Monetary Union

For the purpose of achieving harmonization with the EU Central Banks System, amendments to certain parts of the Law on the Central Bank of the Republic of Turkey (TCMB) are necessary; namely the duties of the Bank, its independence, and its relations with public institutions. The new Law will include the following:

- The main objective of TCMB is to ensure price stability and determine monetary policy and policy instruments,
- With regard to the institutional independence of TCMB, no authority will give recommendations and instructions to the Bank in a way to affect its decision making process,

- The 51 percent share of the Treasury in the Bank's capital will be reduced.
- The Bank will not provide credit facilities to public institutions and organizations,
- The Bank will establish a Monetary Policy Board to ensure price stability,
- The Bank will be in charge of, and authorized for, establishing payment systems and making all necessary arrangements, thereby ensuring the continuous functioning of these systems,
- The Bank will be authorized to collect statistical data from real and legal persons, when deemed necessary,
- The terms of the vice presidents will be arranged in parallel to that of the president.

Furthermore, the legislation on the Protection of the Value of the Turkish Currency needs to be revised to permit the establishment of a fixed exchange rate with the single currency necessary for acceding to the European Economic and Monetary Union (EMU), and for implementing a single monetary and exchange rate policy. However, since Turkey's priority at the moment is accession to the EU and participation to the EMU is a post-accession phenomenon, it is not deemed necessary at this stage to make any changes in the legislation regarding harmonization with the single currency policy of EMU.

12. Statistics

Adoption of the *acquis* on "Statistics" has a special importance and urgency. Therefore, full adoption efforts on issues such as collection of data and methodology, necessary institutional arrangements, inter-institutional coordination and cooperation with EUROSTAT (the statistical office of the EU) are to be given priority.

There is no provision within Turkish legislation specifically relating to statistics. Necessary legal arrangements including standards, principles, and methodology, must be made in the medium-term in the laws of all institutions responsible for producing and interpreting statistics.

13. Social Policy and Employment

- The Law on Trade Unions for Public Officers has to be enacted.
- Legal arrangements will be introduced regarding job security.
- The following matters are required within the framework of studies on the elimination of child labour:
 - To amend Law No. 1475 on Labour in order to strictly prohibit the employment of children under the age 15,
 - To complete preliminary studies on defining light work in which children in the age group 15-18 may be employed, and in which sectors,
 - To continue to implement the ILO/IPEC project (International Programme on the Elimination of Child Labour) introduced in 2000.
- Amendments are required to be made to Law No. 2821 on Trade Unions, Law No. 2822 on Collective Labour Agreements, Strikes and Lockouts.
- The Law on the establishment and duties of the Economic and Social Council should be enacted.
- It is very important to enact the Draft Law on the Work Permits of Foreigners.

- The Ministry of Labour and Social Security, Labour Market Information Consultancy Committee will be established.
- The Ministry of Labour and Social Security, Labour Health and Safety Assembly will be established.
- The Professional Standards Authority must be established.

As for the elimination of discrimination based on sex the following matters are required to be fulfilled:

- To complete the legal arrangements on paid maternity leave and parental leave;
- To complete the legal arrangements on abolishing the term "head of the family";
- To introduce arrangements on equal treatment in terms of social security;
- To make the necessary arrangements for shifting the burden of proof in cases of sex discrimination to the employer.

14. Energy

The "Regulatory Authority for the Electricity Market" will soon be established in line with the provisions of the Electricity Market Law no.4628, which was enacted on 3 March 2001.

A restructuring of the national oil and natural gas market will result from amending the Law on Oil, introduced in 1954. It is anticipated that Directorate General for Oil Affairs will be reorganized as the "Regulatory Authority for the Oil Market".

15. Industrial Policy

The complex structure of the "Legislation on State Aids" shall be revised to ensure a simple, comprehensive and harmonious legislation. Accordingly, in the near future certain amendments will be made to the applicable legislation for the purpose of simplifying the investment incentive system and making this system more efficient.

The Turkish Accreditation Authority, officially established on 4 November 1999 through Law No 4457, will begin its activities as soon as possible. It will complete the national quality infrastructure by increasing competitiveness in industry and ensuring free movement of products within the EU market.

In relation to the structural problems of industry, the following will be accomplished:

- i. The adaptation of enterprises to the competitive environment
 - ii. To facilitate the access of enterprises to the Internal market and to enable them comply with the EU acquis and quality targets
 - iii. To support enterprises in complying with the environmental policies of the EU
- Within the scope of the development of a supportive infrastructure for enterprises the following steps will be taken:
- i. The development of technological infrastructure
 - ii. The provision of metrological and technological support for industrial sectors
 - iii. The establishment of technology transfer agencies
 - iv. The strengthening of the technical infrastructure
 - v. The establishment of certification institutions and business development centres
 - vi. Support for agencies developing industry
 - vii. The establishment of industrial zones
 - viii. Support for studies carried out by Small and Medium Sized Enterprises for harmonisation with the technical acquis (training and promotion), and to launch studies on harmonisation with the New Approach directives and use of CE marking.

The studies will be introduced parallel to the "Industrial Strategy" prepared within the context of the "European Strategy for Turkey", which also includes various requirements regarding

Small and Medium Sized Enterprises.

16. Small and Medium Sized Enterprises

Turkish Small and Medium Sized Enterprises will be encouraged to adapt to the Internal Market conditions of the EU, in accordance with the conditions existing in Turkey.

Turkey will try to participate in the EU's "Fourth Multi-annual Programme for Enterprises and Entrepreneurship (2001-2005)". Through participation in the Program the necessary alignment and implementation of legislation will be completed. The Multi-annual Program will enable the SMEs of the candidate countries and the SMEs of Turkey to participate in EU activities and this will be beneficial for SMEs in increasing their competitiveness within the EU market.

Legislation will be introduced to establish mutual benefits and greater reliability between the main and subsidiary industry, to provide mutual long-term cooperation between them, and to render the main and subsidiary industries more competitive.

17. Science and Research

Turkey endeavours to participate in the Fifth Framework Program (1998 - 2002) of the EU in the field of Research and Technological Development covering the years 2000-2002 with a maximum number of projects until 31 December 2001.

In order to participate in the next framework program as an "associate member", an association agreement will be negotiated and necessary studies will be conducted to allow for Turkey's first full participation in the 6th Framework Program (2002 - 2006).

18. Education and Training

For the delegation of relevant authority and responsibility to the regional organisations of the Ministry of National Education, Law No 3797 on the Establishment of the Ministry of National Education should be revised.

The modifications to be made to the following laws play a significant role in the elimination of shortcomings in the education system: Law No 1739 on National Education, Law No 3308 on Apprenticeship and Vocational Training, Law No 3797 on the Establishment and Duties of the Ministry of National Education, Law No 3418 on the Fund for Apprenticeship and Vocational Training, Law No 4306 on Eight Year Compulsory Basic Education.

With the aim of mutual recognition of vocational training documents and ensuring a certain standard in vocational training, the "Draft Law on National Professional Standards", contemplating the establishment of a Professional Standards Institute which regulates vocational standards and is open to the participation of employees, employers and state agencies has been prepared by the Ministry of Labour and Social Security and the Turkish Employment Agency and submitted to the Prime Ministry. The enactment of this draft will be very significant.

The Draft Law on Establishment and Duties of the National Agency responsible for the Youth and Training Programs of the EU should be enacted.

Turkey plans to participate actively in the SOCRATES Program, one of the education programs of the EU, as from November 2001. In this context, Diploma Supplements to be granted to students by the EU upon their graduation will be introduced in all the higher education institutions of Turkey with effect from June 2001.

Necessary studies will be carried out to increase the period of compulsory basic education to 9-12 years as in EU member states.

19. Telecommunications

Through the introduction of Law No 4502, various articles of Law No 406 on Telegram and Telephone Communications, Law No 2813 on Radio Communication, and Law No 3348 on the Establishment and Duties of the Ministry of Transport have been amended. It is anticipated that certain inconsistencies with the EU acquis in terms of implementation and technical compliance will be harmonised within a short period of time through by laws and/or technical specifications to be published by the Telecommunications Authority.

The necessary legal infrastructure and institutional structure to be applied to existing institutions will be prepared for the alignment of Turkish legislation with the EU acquis in the fields of information security and processing and free circulation of personal data, development of e-commerce in terms of information security, and disclosure of the information processed by the public and private sector through the internet, taking into account the protection of personal data and information related to national security.

20. Cultural and Audio-Visual Policy

Various articles of Law No 3984 on the Establishment of Radio and Television Enterprises and Their Broadcasts should be harmonised with the EU Directive on "Television without Frontiers".

The Draft Law Amending Some Articles of Law No 5846 on Intellectual and Artistic Works should be enacted as soon as possible.

21. Regional Policy

A system similar to NUTS (Nomenclature of Territorial Units for Statistics), which is a system based on the statistical classification of the regions in EU, should be identified and target regions should be determined according to this system.

State aid provided to the regions should be harmonised with the requirements of the EU. This is also one of the obligations of Turkey arising from the Customs Union.

22. Environment

The aim is to increase the efficiency of the Environmental Impact Assessment (EIA) process, harmonise with the EU acquis, and to develop the necessary infrastructure. Therefore studies on the revision of the EIA regulation should be finalised.

In the year 2001 a national program will be prepared so as to provide the necessary legal, technical and administrative infrastructure in order to provide access to environmental information. The said national program will also determine the strategy for accession of Turkey to the Aarhus Convention in the field of access to environmental information, and will accelerate integration of Turkey with the European Environment Agency and European Environment Information and Observation Network (EIONET).

Necessary modifications will be made to the Regulation on the Control of Solid Wastes (14 March 1991), the Regulation on the Control of Medicinal Wastes (20 May 1993), and the Regulation on the Control of the Hazardous Wastes (27 August 1995), for alignment with the EU acquis.

Administrative and technical arrangements covering the issues stated in the EU Directive on The Conservation of Natural Habitats and of Wild Fauna and Flora, that have been launched for the preparation of national legislation related to the conservation of habitats within the scope of the international conventions undersigned by Turkey, are expected to be completed in the near future. The Framework Law on Protection of Nature will be prepared and harmonised with the EU acquis. Legislation contradictory to the EU Directive will be excluded.

23. Protection of Consumers and Health

Studies have been launched for the amendment of Law No 4077 on the Protection of Consumers to ensure harmonisation with the EU acquis. The Draft Law was submitted to the Turkish Parliament in 2001.

The Framework Law mentioned in the Chapter entitled "Free Movement of Goods" should be enacted as soon as possible in order that the EU directive on general product safety, one of the most important directives of the EU in this field, can be adopted.

The Consumer Courts foreseen in Law No 4077 have been established and activated in Istanbul, Ankara and İzmir on 1 February 2001 as a first stage implementation.

24. Justice and Home Affairs

The following are the main objectives on which work is being initiated in 2001 to be completed mainly in the medium term:

- Work on administrative reform in the field of justice and home affairs will be accelerated.
- Coordination between competent Ministries and other public institutions will be strengthened.
- Border controls will be further strengthened and preparations will be made to fully implement the Schengen acquis.
- Work will be undertaken to harmonize the legislation and practices with the EU acquis on visa policy.
- In order to prevent illegal immigration, the EU acquis and practices on migration (admission, readmission, expulsion) will be adopted.
- The EU acquis in the areas of organized crime, fraud and corruption, the illicit use and production of and trafficking in drugs, money-laundering, and judicial cooperation in civil and criminal matters will be adopted, and international cooperation in these areas will be further intensified.
- The capacity to fight against organized crime, fraud and corruption, the illicit use and production of and trafficking in drugs, money laundering, and police and judicial cooperation in criminal matters will be enhanced.
- Work on the collection, storage, processing, analysis and exchange of relevant information on suspicious financial transactions will be accelerated.
- Harmonisation with relevant acquis will be completed and preparations will be made to participate in Europol.
- In order to fully participate in the Schengen Information System (SIS) and in Europol, the EU acquis on the protection of individuals in the processing of personal data will be adopted.
- Programs to inform and acquaint the public with the EU acquis and practices in the field of justice and home affairs will be prepared.
- It is intended to participate as much as possible in MEDA and programmes in the field of justice and home affairs such as Falcone, Odysseus, Grotius, Daphne, Oisin and Stop, and in cooperative schemes such as the Action Plan Against Organized Crime, the Action Plan on the Fight Against Drugs, and the European Refugee Fund, with the assistance of EU Member States.
- Existing accommodation facilities and social aid mechanisms for refugees will be further developed.
- Lifting the geographical limitation to the 1951 United Nations Convention Relating to the Status of Refugees will be considered in a manner that would not encourage large scale refugee inflows from the East, when the necessary legislative and infra-structural measures

are undertaken, and in the light of the attitudes of the EU Member States on the issue of burden-sharing.

25. Customs Union

The related legislation is to a great extent in harmony with the EU acquis. Developments are monitored and studies for the preparation of new legislation are ongoing.

Studies for the modernisation and automation of the customs administration are still underway.

26. External Relations

Harmonisation efforts are ongoing concerning EU trade policy. Within this framework, Free Trade Agreements (FTAs) have been signed with 13 countries. Parallel to the preferential regimes of the EU, negotiations towards the signing of free trade agreements are continuing with Egypt, Palestine, Jordan, Croatia, Morocco and Tunisia. Studies are ongoing to launch negotiations with Malta, Algeria, Mexico and South Africa in the near future.

Efforts are continuing towards alignment with the autonomous regimes of the Community.

27. Common Foreign and Security Policy

Turkey has been provided with the option of association with common positions and actions taken under the Common Foreign and Security Policy. However, contributions of the Candidate States are not necessarily incorporated in the common positions and actions adopted. Due to her distinct position in regional and global politics, Turkey's views on certain aspects of international relations may well offer useful insights. In this context, until Turkey becomes a full member of the EU, she may not wish to associate with common positions and actions that do not take into consideration her concerns. Nevertheless, Turkey will strive, in principle, to take part in as many common positions as possible and limit her abstentions only to specific cases that are closely related to national priorities and interests. As a matter of fact, Turkey participated in 83 percent of approximately 530 EU common positions and actions to which the Candidate States were invited to associate with between December 1999 and December 2000.

28. Financial-Control

It is necessary to introduce a framework arrangement since Law No 1050 on General Accounting does not meet EU requirements, and the implementation scope thereof is restricted.

This arrangement is important for increasing efficiency and productivity in public services, maintenance of macro discipline, and harmonisation with EU norms.

Within this framework;

- The creation of a unified public accounting system should be included within the scope of the Law.
- The penal liabilities in budgetary practices should cover all the authorities included in the implementation procedure.
- The budget should be simplified and the provisions not related to the budget should be excluded.

Law No 2886 on Public Procurement should be amended to ensure competition and efficiency required in purchasing and construction works. The scope thereof should be improved so that all the institutions exercising public authority can apply the said Law (special goods and

services and public institutions are excluded).

The main arrangement required for the effective operation of the fiscal control system is bringing together the piecemeal legislation within a framework law, and increasing coordination between 129 supervisory institutions to render them more efficient in carrying out the necessary arrangements.

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The recognition of Turkey as a candidate for accession at the Helsinki European Council in December 1999 ushered a new era in the relations between Turkey and the EU. For both parties, Helsinki marks a qualitatively new beginning and a process of strategic mutual transformation.

4.5 ACCESSION PARTNERSHIP, THE NATIONAL PROGRAM AND RECENT PROGRESS TOWARDS ACCESSION

As foreseen in the Helsinki European Council conclusions, the EU Commission started to prepare an Accession Partnership for Turkey, which was declared on March 8th, 2001. On the other hand, the framework regulation designed to furnish the legal basis for the Accession Partnership was adopted by the General Affairs Council on February 26th, 2001. The regulation aims at combining all EU financial assistance under a single program. The Accession Partnership was formally approved by the Council on February 26th, 2001. With the adoption of these two documents, an important legal procedure concerning Turkey's accession strategy was finalized.

After the approval of the Accession Partnership by the Council and the adoption of the Framework Regulation, the Turkish Government announced its own National Program for the Adoption of the EU acquis on March 19th, 2001. The National Program was submitted to the EU Commission on March 26th, 2001. The National Program has been produced with a careful appreciation of the short and medium term priorities as spelled out in the Accession Partnership.

Following these important developments, the 40th Turkey-EU Association Council meeting was held in Luxembourg on June 26th, 2001. In this second Association Council meeting after Helsinki, progress achieved within the framework of Turkey's pre-accession strategy was evaluated and a number of decisions were taken, concerning Turkey's participation in Community programs, providing Turkey with full access to TAIEX offices and the establishment of joint consultation mechanisms that will convene regularly in order to discuss trade matters related to the Customs Union. The next meeting is envisaged for 16 April 2002.

Progress towards accession continues along the path set by the National Program. The most pressing aim here is the opening of accession negotiations, which depends on the fulfillment of the Copenhagen political criteria. Within the last year, Turkey took a number of important steps towards this end. The most important among these is the major review of the Constitution. Thirty-four Articles of the Turkish Constitution have recently been amended and many of these amendments (22) actually coincide with the provisions of our National Program. The package of constitutional amendments covers a wide range of issues, such as improving human rights, strengthening the rule of law and restructuring of democratic institutions. These form only a part of the deep political reform process that Turkey has initiated. They are being followed by complementary legislative and administrative measures to ensure their implementation.

On the economic front, in line with the National Program and in response to the serious economic crisis that Turkey has been going through, numerous reform measures have been adopted. Therefore, considerable progress has been made in meeting the priorities envisaged

in our National Program. Work on the harmonization of Turkish legislation with the *acquis* also continues unabated.

During the whole year, the EU on its side, worked to finalize its internal procedures on Turkey's participation to the Community programs and the adoption of the single framework for financial assistance to Turkey. The related decisions were finally adopted by the Council on 17 December 2001. With the single framework, from now on PHARE procedures will be applied in EU-Turkey financial cooperation. As far as Community programs is concerned, Turkey will be able to participate in them as of 2002, with the completion of the Framework Agreement.

4.6 LAEKEN EUROPEAN COUNCIL

The Laeken European Council of 14-15 December 2001 had important implications for EU-Turkey relations in general and the accession process in particular. Foremost among these is the possibility of opening accession negotiations with Turkey, which for the first time has been explicitly mentioned at the highest levels. Turkey's recent concrete steps as regards European Security and Defense Policy, together with the recent developments in Cyprus also had a positive impact on this conclusion. Another important decision taken at Laeken is that Turkey will be taking part in the Convention on the future of Europe on an equal basis with the other candidates. This can be considered as a progressive step, in the sense that the EU considers Turkey to be part of a common future. Thus, a clear membership perspective along the lines of the other candidates has been given to Turkey.

4.7 CONVENTION ON THE FUTURE OF EUROPE

Having established the institutional framework necessary for an enlarged EU, the Nice European Council of December 2000 also called for a deeper and wider debate about the future development of the EU. To this end, a declaration on the "Future of the Union" was annexed to the Nice Treaty and the debate was formally launched in 2001. In 2004, an Intergovernmental Conference will be convened to finalize the debate.

In order to structuralize this debate and prepare the groundwork for the forthcoming IGC, a "Convention" was set up at the Ghent Informal European Council meeting of 19 October 2001 and its rules of procedure were agreed upon. The Convention will consist of government representatives, members of national parliaments, members of the European Parliament, Commissioners and NGOs. Candidate countries will also be represented in the Convention on an equal footing with member states. In its preparatory work, the Convention will mainly focus on four themes: the status of the Fundamental Rights Charter, the role of national parliaments within the European architecture, sharing of responsibilities between the Union and member countries, the simplification of EU's founding Treaties.

The status of the Convention was stipulated by a specific declaration adopted at the Laeken European Council. According to this declaration, the Convention will hold its first meeting in 1 March 2002 and at the end of its preparatory work, will submit a report to the Council as a recommendation. Candidate countries will take part in the Convention on equal basis as the member states; nevertheless they will not have the right to prevent a consensus.

In accordance with the Laeken European Council Conclusions, Turkey will participate in the Convention on an equal status with the other candidate countries and will join the Convention's work with two parliamentarians and a government representative.

4.8 SCREENING PROCESS

At the Association Council meeting of April 11th, 2000, 8 sub-committees were set up with the task of monitoring the process of analytical examination of the *acquis*. The sub-committees completed their second round meetings within July 2001.

Substantial progress has been made during these meetings. The *acquis* has become more tangible and meaningful for the Turkish bureaucracy. Yet in this process, the need for a more detailed evaluation of the *acquis* became apparent. Therefore, Turkey suggested initiating a formal screening exercise. The request was especially pronounced during meetings with the Commission officials, before the announcement of this year's Progress Report.

The fact that the Progress Report for 2001 did not propose the initiation of a screening process for Turkey is its most negative aspect. Initiating the screening process with Turkey would have been important in two aspects. Firstly, it would indeed provide a further technical capacity of developing the integration process. Secondly, beginning the screening process would give added impetus to the implementation of the reform measures undertaken by the government in the political and economic spheres.

It is an unfortunate development that a number of EU Member States have made the initiation of the screening process a political issue and identified it with accession negotiations. The fact that there is a linkage between screening and membership negotiations is not challenged.

However, there are no conditions to start a screening process, while to begin accession negotiations, political criteria must be fulfilled. Moreover, as the experiences of other candidate countries reveal, there are no uniform procedures for the initiation of the screening process. As the Helsinki European Council Conclusions pointed out, there should be no discrimination between the candidate countries and future steps for Turkey should also be similar to those of the other candidates.

Nevertheless, in the Progress Report, the Commission recommended starting a new phase in the pre-accession strategy by involving a detailed scrutiny of Turkey's legislation and its timetable for alignment with the *acquis*. While unsatisfactory in responding to her requests, Turkey will assess the Commission's proposal positively. The sub-committees will continue to monitor the progress. We envisage that the 3rd round will complete its work during the Spanish Presidency.

4.9 2001 REGULAR REPORT AND STRATEGY PAPER

This year the European Commission prepared its fourth annual Progress Report for candidate countries. As all other reports, 2001 Progress Report for Turkey was announced on 13 November 2001. On the same day, the Commission also declared its Strategy Paper, introducing proposals on methods to be applied in the future, within the framework of the enlargement process.

Progress Reports evaluate the candidate states' progress towards membership only for that specific year. Compared to previous ones, there is a notable difference in this year's Report for Turkey. It was drawn up in a more careful manner in view of the momentum created by the recent constitutional amendments. Those matters that were found wanting were also enumerated in the same way.

It is evident that some of the weaknesses pointed out in the Report concerning fundamental rights and freedoms will disappear as our National Programme comes to life with all its aspects. In fact, this assumption finds its place in the Report, which states that as the constitutional changes are reflected into the secondary legislation, these weaknesses will gradually disappear.

On the other hand, the steps taken in Turkey concerning improvements in the economic, social and cultural rights areas, training carried out in the human rights field and the modernization in the prison system were found to be positive by the EU Commission. This assessment is constructive and an encouragement for Turkey's ongoing reform process carried out in these fields. Turkey has lately made some real progress deserving attention and it is believed that individual cases ought not shadow these developments.

* COPENHAGEN EUROPEAN COUNCIL

The European Council met in Copenhagen on 12 and 13 December 2002. The meeting was preceded by an exposé by the President of the European Parliament, Mr Pat Cox, followed by an exchange of views concerning the main items on the agenda.

The European Council heard a report by President Valéry Giscard d'Estaing on the progress of the Convention's proceedings. In the light of that report the European Council held an exchange of views on the development of the discussions. The Convention will present the result of its work in time for the European Council in June 2003.

4.10 Enlargement

The European Council in Copenhagen in 1993 launched an ambitious process to overcome the legacy of conflict and division in Europe. Today marks an unprecedented and historic milestone in completing this process with the conclusion of accession negotiations with Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, the Slovak Republic and Slovenia. The Union now looks forward to welcoming these States as members from 1 May 2004. This achievement testifies to the common determination of the peoples of Europe to come together in a Union that has become the driving force for peace, democracy, stability and prosperity on our continent. As fully fledged members of a Union based on solidarity, these States will play a full role in shaping the further development of the European project.

The Union endorses the result of these negotiations as set out in document 21000/02. The financial consequences of enlargement are set out in Annex I. The comprehensive and balanced outcome provides a solid basis for the smooth integration of ten new Member States, while safeguarding the effective functioning of the enlarged Union. The agreement reached will provide the acceding states with the necessary transitional arrangements to cope successfully with all obligations of membership. The result achieved in the accession negotiations ensures the continued functioning of the internal market as well as the various EU policies, without prejudging future reform.

Monitoring up to accession of the commitments undertaken will give further guidance to the acceding states in their efforts to assume responsibilities of membership and will give the necessary assurance to current Member States. The Commission will make the necessary proposals on the basis of the monitoring reports. Safeguard clauses provide for measures to deal with unforeseen developments that may arise during the first three years after accession. The European Council welcomes furthermore the commitment to continue the surveillance of progress with regard to economic, budgetary and structural policies in the candidate States within the existing economic policy coordination processes.

All efforts should now be directed at completing the drafting of the Accession Treaty so that it can be submitted to the Commission for its opinion and then to the European Parliament for its assent, and to the Council with a view to signing the Treaty in Athens on 16 April 2003.

By successfully concluding the accession negotiations the Union has honoured its commitment that the ten acceding States will be able to participate in the 2004 European Parliament elections as members. The Accession Treaty will stipulate that Commissioners from the new Member States will join the current Commission as from the day of accession on 1 May 2004. After the nomination of a new President of the Commission by the European

Council, the newly elected European Parliament would approve a new Commission that should take office on 1 November 2004. On the same date, the provisions contained in the Nice Treaty concerning the Commission and voting in the Council will enter into force. The necessary consultations with the European Parliament on these matters will be concluded by the end of January 2003. The above arrangements will guarantee the full participation of the new Member States in the institutional framework of the Union.

Finally, the new Member States will participate fully in the next Intergovernmental Conference. Without reform the Union will not fully reap the benefits of enlargement. The new Treaty will be signed after accession. This calendar shall be without prejudice to the timing of the conclusion of the IGC.

The current enlargement provides the basis for a Union with strong prospects for sustainable growth and an important role to play in consolidating stability, peace and democracy in Europe and beyond. In accordance with their national ratification procedures, the current and the acceding States are invited to ratify the Treaty in due time for it to enter into force on 1 May 2004.

4.10.1 Cyprus

In accordance with the above paragraph 3, as the accession negotiations have been completed with Cyprus, Cyprus will be admitted as a new Member State to the European Union. Nevertheless the European Council confirms its strong preference for accession to the European Union by a united Cyprus. In this context it welcomes the commitment of the Greek Cypriots and the Turkish Cypriots to continue to negotiate with the objective of concluding a comprehensive settlement of the Cyprus problem by 28 February 2003 on the basis of the UNSG's proposals. The European Council believes that those proposals offer a unique opportunity to reach a settlement in the coming weeks and urges the leaders of the Greek Cypriot and Turkish Cypriot communities to seize this opportunity.

The Union recalls its willingness to accommodate the terms of a settlement in the Treaty of Accession in line with the principles on which the EU is founded. In case of a settlement, the Council, acting by unanimity on the basis of proposals by the Commission, shall decide upon adaptations of the terms concerning the accession of Cyprus to the EU with regard to the Turkish Cypriot community.

The European Council has decided that, in the absence of a settlement, the application of the *acquis* to the northern part of the island shall be suspended, until the Council decides unanimously otherwise, on the basis of a proposal by the Commission. Meanwhile, the Council invites the Commission, in consultation with the government of Cyprus, to consider ways of promoting economic development of the northern part of Cyprus and bringing it closer to the Union.

4.10.2 Bulgaria and Romania

The successful conclusion of accession negotiations with ten candidates lends new dynamism to the accession of Bulgaria and Romania as part of the same inclusive and irreversible enlargement process. The Union welcomes the important progress achieved by these countries, which is duly reflected in the advanced state of their accession negotiations.

The Union looks forward to consolidating the results achieved so far. Following the conclusions of the European Council in Brussels and depending on further progress in

complying with the membership criteria, the objective is to welcome Bulgaria and Romania as members of the European Union in 2007. The Union confirms that accession negotiations with these countries will continue on the basis of the same principles that have guided the accession negotiations so far, and that each candidate country will be judged on its own merits.

The roadmaps put forward by the Commission provide Bulgaria and Romania with clearly identified objectives and give each country the possibility of setting the pace of its accession process. It is essential that Bulgaria and Romania seize this opportunity by stepping up their preparation, including fulfilling and implementing the commitments undertaken in the accession negotiations. In this context, the Union underlines the importance of judicial and administrative reform that will help bring forward Bulgaria's and Romania's overall preparation for membership. This will ensure that the process will be successfully brought forward on the basis of the results reached so far. Future Presidencies and the Commission will make sure that the pace of accession negotiations on all remaining chapters, including chapters with financial implications, is maintained and matches the efforts of Bulgaria and Romania.

The Union underlines its resolve to assist Bulgaria and Romania in these efforts. The Union endorses the Commission's communication on roadmaps for Bulgaria and Romania, including the proposals for a significant increase in pre-accession assistance. The high level of funding to be made available should be used in a flexible way, targeting the priorities identified, including in key areas such as Justice and Home Affairs. Further guidance in their pre-accession work will be provided by the revised Accession Partnerships to be presented to them next year.

Furthermore, Bulgaria and Romania will participate in the next Intergovernmental Conference as observers.

4.10.3 Turkey

The European Council recalls its decision in 1999 in Helsinki that Turkey is a candidate state destined to join the Union on the basis of the same criteria as applied to the other candidate states. It strongly welcomes the important steps taken by Turkey towards meeting the Copenhagen criteria, in particular through the recent legislative packages and the subsequent implementation measures which cover a large number of key priorities specified in the Accession Partnership. The Union acknowledges the determination of the new Turkish government to take further steps on the path of reform and urges in particular the government to address swiftly all remaining shortcomings in the field of the political criteria, not only with regard to legislation but also in particular with regard to implementation. The Union recalls that, according to the political criteria decided in Copenhagen in 1993, membership requires that a candidate country has achieved stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities.

The Union encourages Turkey to pursue energetically its reform process. If the European Council in December 2004, on the basis of a report and a recommendation from the Commission, decides that Turkey fulfils the Copenhagen political criteria, the European Union will open accession negotiations with Turkey without delay.

In order to assist Turkey towards EU membership, the accession strategy for Turkey shall be strengthened. The Commission is invited to submit a proposal for a revised Accession

Partnership and to intensify the process of legislative scrutiny. In parallel, the EC-Turkey Customs Union should be extended and deepened. The Union will significantly increase its pre-accession financial assistance for Turkey. This assistance will from 2004 be financed under the budget heading "pre-accession expenditure".

The European Union and the acceding States agreed on a joint declaration "One Europe" on the continuous, inclusive and irreversible nature of the enlargement process which will be annexed to the final act of the Accession Treaty.

Conclusion

Turkey is located in a region of conflicts. Its rivalry with its NATO partner Greece, and the conflictual elements brought to this by the Aegean and Cyprus questions; the Cyprus conflict itself; Turkey's close proximity to the crisis region of the Caucasus; its difficult relationship with its Arab neighbours Syria and Iraq; and its military relations with Israel, which further complicate its relationship with the Arab world—all these factors harbour considerable potential for conflict. The European Union has no interest in seeing potential points of conflict such as these become an even more acute problem for the EU following Turkish entry. Conversely, it has a very great interest in seeing that Turkey's disputes with EU member Greece are resolved in a peaceful and co-operative way. What role does Turkey's regional security environment play in relation to its planned accession to the EU?

According to the diagnosis offered by Ms Ferai Tinç of the daily newspaper *Hürriyet* (Istanbul), the Kosovo war had also been a factor in the EU's change of attitude to Turkey. Europe, she said, 'wants to, and ought to, play a more prominent role in security policy, and Turkey could make a contribution to this'. In this respect, Kosovo had played a significant part in the formulation of the EU's Helsinki resolutions. These resolutions had also prompted Brussels to take a new look at the Cyprus conflict. Thanks to Helsinki, thought Ms Tinç, the EU had in a certain sense 'unburdened itself of the tiresome Cyprus problem and passed it on to Turkey'.

The first thing that we have to ask ourselves is: does Turkey really belong to Europe? Somehow yes, somehow no. Which one is more strong? My personal idea is we don't belong to Europe, and in 21st century we won't belong there either. 65million populated country with 94% of muslim fellow citizens, Turkey really does not belong to Europe.

The second thing that we have to make it clear is: does any of the candidate countries including the member countries that became after year 1980 tried and struggled as much as Turkey to become a part of Europe? When we will look for Turkey that how much struggled, and after if we will compare with the other countries we will see the differences.

Here is some articles from Europe's most prestiged and readen newspapers. Paris *L'Express* (centrist newsmagazine), Dec. 12: The Turkish problem already divides—and will continue to divide—the French, and undoubtedly also other citizens of Europe. ...One thing is certain: Turkey should be assisted economically.... But Turkey is not Europe!... [It] never belonged to Europe.... There is a European culture, but there is no such a thing as European-Turkish culture..... —Claude Allègre

Maybe the journalist of *L'Express* is somehow right but who can say that United Kingdom and Greece has got same culture? Does every member country has got same culture like England has? I don't think so...

London *The Daily Telegraph* (conservative), Dec. 14: Why should not Turkey's credentials eventually be accepted? I fear there is only one reason...: Turkey is not a European country. In taking that fact seriously, we don't necessarily fall into cultural bigotry and racism. Turkey has a traditional pull towards both Central Asia and the Middle East. With Turkey in the E.U., our borders will include Iran and Iraq....

Before answering the The Daily Telegraph i would like to ask some questions. Why world needed NATO? What was the first reason of its establishment? As everyone else knows it was against the former U.S.S.R . When Finland has a border to Russia, does it make any sence about talking about Iran and Iraq?

Long, long before the Poles, Hungarians, or the Baltic states could imagine that they would one day become part of the E.U., and even before the Spanish, Portuguese, or the Austrians were thinking about it, Turkey had presented its request for admission into what was then called the European Economic Community. For 40 years, fearful of giving offense, yet unable to accept it, Europe neither said “yes” nor “no”. Few express their thoughts with absolute clarity, but one could say that those saying “no” to Turkey's acceptance into the E.U. have a “federal” conception, a homogeneous and compact image of Europe's future. Those saying “yes” to Turkey see Europe as an open space with few rules in common, but much liberty and diversity within. The naysayers believe in completing the process of integration. For the supporters, neither geography nor cultural identity defines borders—because in this era of globalization, borders no longer exist.

On Dec.13, delegates from the 15 members of the European Union met in Copenhagen and crushed Turkey's hopes that they would set a date to start negotiating admission to their exclusive club. In stark contrast, seven Eastern European countries—Poland, the Czech Republic, Slovakia, Hungary, Slovenia, Estonia, Latvia, Lithuania, all formerly part of the Soviet Union, as well as Malta and Cyprus—have just received the green light, after they fulfilled Europe's rigid economic and political pre-membership requirements. All of them had submitted their requests to join only 10 years ago.

Turkey, a member of NATO, has waited 40 years to become a part of Europe. Toward that end, it has undertaken crucial domestic reforms—abolishing the death penalty and taking steps to improve its human-rights record. It wasn't enough to convince the delegates at the Copenhagen summit.

But in the end we can't skip by the truth. Turkey is far away from fulfilling E.U. requirements for membership, which call for a well-functioning market economy as prerequisite for joining the E.U. Turkey will need to undergo deep and unpopular reforms. The new government can count on its majority in Parliament to push those changes through. Whether it has the courage to do so, however, is an entirely different matter.

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