



The EU's Progress Report on Turkey's Accession: Derailment or Shunted into a Siding?

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Theme: Following a damning report by the European Commission Turkey's hopes of becoming the EU's first mainly Muslim country are in jeopardy.

Summary: The European Commission's damning report on Turkey's progress in its accession negotiations sets the scene for a 'train wreck' if Ankara does not make sufficient headway by the middle of December when EU leaders hold their summit. The report, a wake-up call, voices 'serious concern' about freedom of expression, questions the independence of the country's judiciary and says the military is not yet under full civilian control. Most seriously, for the immediate future, José Manuel Durão Barroso, the President of the Commission, said Ankara had a month to abide by its 2004 commitment, which allowed EU membership talks to start 13 months ago, and open Turkey's ports and airports to Greek Cypriot ships or risk a suspension of some chapters of its negotiations. The negotiations are in fact already stalled as no new chapters have been opened since the first one (science and technology). The EU has also failed to meet its commitments: Brussels agreed to end the economic isolation of northern Cyprus, occupied by Turkey since its invasion in 1974, when Cyprus joined the Union in 2004. Since then, however, little has happened because Cyprus, with whom Turkey does not have diplomatic relations, always vetoes the move. There will be a great deal of brinkmanship in the coming weeks: the stakes are very high both for the EU and for Turkey, whose hopes of becoming the EU's first mainly Muslim country are in jeopardy.

Analysis:

Background

The report, issued on 8 November, came amidst growing opposition to Turkey's full EU membership among European governments. Angela Merkel, who heads Germany's coalition government, visited Turkey in October and made it clear that her Christian Democratic Union (CDU) party would continue to support a 'privileged partnership' for the country. Her comments followed similar ones by Nicolas Sarkozy, the French Interior Minister and prospective presidential candidate, who has been banging the anti-Turkey drum increasingly loudly as part of his election campaign. In Austria, where anti-Turkey sentiment is also strong, the two extreme right-wing parties gained 15% of the vote in October's general election. Extreme-right parties are also on the rise in other countries including Belgium.

Olli Rehn, the EU's enlargement Commissioner, denounced those leaders calling for a privileged partnership as irresponsible as 'it reduces the political incentive for reforms (in Turkey) and causes a political backlash among ordinary Turks'. The European People's

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party, the centre-right political grouping in the European Parliament, also supports the idea. Rehn pointed out –which these leaders do not– that Turkey already has a close and special relationship with the EU, cemented in 1996 when it became the first and so far only non-EU country to have a Customs Union for industrial goods and processed agricultural products.

Turkey was also dealt a heavy blow by France's National Assembly on 12 October when it overwhelmingly approved a bill to criminalise denial that Armenians were victims of genocide in 1915-18 during the Ottoman Empire and before the founding of the Republic of Turkey in 1923. In some Turkish circles the bill, which is unlikely to become law, was interpreted as a sign that France was now permanently against Turkey's bid to join the EU. Armenians (the community of 450,00 of them in France is influential) say as many as 1.5 million people died, while Turkey denies the genocide and admits only that hundreds of thousands of both Armenians and Turks died, largely as a result of civil war and famine.

Turkey, until very recently, punished or sought to punish those who questioned the official version of events including Orhan Pamuk, its most prominent novelist, who was awarded the Nobel Prize for Literature on the very same day as the vote in Paris.¹ Pamuk's prize was greeted in Turkey with a mixture of pride (by his supporters) and cynicism (by nationalists). Kemal Kerincsiz, leader of a group of ultra-nationalist lawyers that brought charges against Pamuk, said he was ashamed at the award.

The French legislation could be blocked by the Senate; President Chirac sought to assuage an outraged Ankara by telling Recep Erdogan, Turkey's Prime Minister, that he would do whatever he could to prevent it from becoming law. Yet Chirac said on a visit to Armenia in October that Turkish recognition of the Armenian genocide should become a pre-condition of EU membership. Chirac, with one eye on French companies being frozen out of bidding as Turkey prepares to build three nuclear power stations and replace parts of its defence infrastructure, would appear to be playing a double game.

Lastly, the furore in the Muslim world caused by Pope Benedict XVI citing an obscure 14th century text has not helped Ankara's cause and has raised suspicions that the Vatican is aligning itself with Catholic countries such as France and Austria opposed to Turkey's EU membership.² The Pope quoted Emperor Manuel II Palaeologus of the Byzantine Empire (1391-1425), the Orthodox Christian empire which had its capital in what is now Istanbul. Manuel, who was defeated by the Ottoman Turks, said: 'Show me just what Muhammad brought that was new, and there you will find things only evil and inhuman, such as his command to spread by the sword the faith he preached'. Despite the row, the Pope will visit Turkey on 28 November, his first visit to a predominantly Muslim country and a very delicate one.

Turkey is thus left with fewer active champions of its accession to the EU among the big nations other than Britain and Spain (with whom Turkey is sponsoring the UN-backed

¹ Pamuk appeared before a court in Istanbul in December 2005 on charges of 'publicly denigrating Turkish identity' after he told a Swiss publication that 'Thirty thousand Kurds and a million Armenians were killed in these lands and nobody but me dares to talk about it'. The case was referred to the Justice Minister and the charges dropped on a technicality.

² In 2004, reflecting the Vatican view that Europe must retain its Christian identity, the Pope, as Cardinal Joseph Ratzinger, the doctrinal head of the Church, said that bringing Turkey into the European Union would put European culture at risk. 'Europe is a cultural and not a geographical continent', he said. 'Turkey always represented another continent throughout history, in permanent contrast with Europe', so to equate the two continents 'would be a mistake', he told the magazine of the French newspaper *Le Figaro*. Earlier this year, Cardinal Walter Kasper, head of the Vatican's department for Christian Unity, said the knife attack on a Catholic priest and the murder of another in Turkey showed that the EU candidate country was not yet ready for integration with Europe because religious freedom is not ensured there.

'Alliance of Civilisations' between Western and Muslim countries).³ And support, never very high, is also declining among the public. José Luis Rodríguez Zapatero, the Prime Minister, visited Turkey shortly after the report was released and openly expressed his support for Turkey's membership.

Popular support in Turkey for EU membership has also fallen sharply over the past two years, from around two-thirds of those asked to only one-third. There is a growing mood of nationalism and a feeling that the EU is moving the goal posts for Turkey's membership. And the government is constrained in how far it can go in making concessions by next year's parliamentary and presidential elections.

Significantly, the Commission also adopted a strategy paper on enlargement the same day that it published its progress report on Turkey. The paper makes clear that the EU will expand beyond 27 member states –Romania and Bulgaria will join in January– only after the bloc has reformed its institutions. And it suggested that the 'absorption capacity' test used in the past to decide whether a new member could be fitted in should be renamed the 'integration capacity' test as both the EU and an aspiring member needed to show how a new member would benefit EU integration.

The Report

The 74-page report gives plenty of ammunition to those who were never happy with the idea of allowing Turkey –which became an associate member of the then EEC in 1963– completely into the EU.

In **civil-military relations**, the Commission says the armed forces have 'continued to exercise significant political influence', as senior officers have expressed their opinions on domestic and foreign policy issues including Cyprus, secularism and the Kurdish issue. 'Statements by the military should only concern military, defence and security matters and should only be made under the authority of the government'.

The Turkish Armed Forces Internal Services Law remains unchanged. This defines the role and duties of the military and contains articles granting the military a wide margin of manoeuvre. No measures have been taken to enhance civilian control over the Gendarmerie (part of the army). While the budgetary appropriations of the National Intelligence Service, the National Security Council and the administrative budget of the under-secretariat in charge of the defence industry were all included in this year's state budget, most procurement projects are funded separately from extra-budgetary funds (excluded from parliamentary scrutiny).

As regards the **judicial system**, a number of issues remain to be addressed. The best known one abroad is the infamous Article 301 of the new Penal Code which has been repeatedly used to restrict the expression of non-violent opinions, most notably against the novelist Orhan Pamuk, this year's winner of the Nobel Prize for literature. Although the independence of the judiciary is guaranteed by the Turkish constitution and domestic law, there are still a number of factors undermining it (the same shortcomings were pointed out in the Commission's 2005 progress report). Among them are that judges and public prosecutors are attached to the Justice Ministry as far as their administrative functions are concerned and the Justice Minister and the Undersecretary are two of the seven members with voting rights on the High Council of Judges and Prosecutors, the supreme governing body of the judiciary.

³ Not so long ago, the Church of England used to pray on Good Friday for God's mercy on the Turks and that all ignorance and hardness of heart be taken from them.

Corruption remains ‘widespread in the Turkish public sector and judiciary’ and the ‘wide scope of parliamentary immunity remains a significant problem’. Nevertheless, Turkey was one of the countries singled out by Transparency International in its annual report, released two days before the Commission’s, for having improved its record, although it still has a very long way to go (see Figure 1). Turkey was ranked 60th out of 163 countries compared with 65th in 2005 and its score improved from 3.5 out of 10 to 3.8 (the closer to 10 the cleaner the country). And Turkey was ranked better than Poland, the largest country which joined the EU in 2004 and well above Romania which will join the EU in January. Among the 30 countries separately ranked on the basis of companies paying bribes to win business, Turkey was placed 27th (see Figure 2).

Figure 1. Transparency International Corruption Perceptions Index, 2006, Turkey, and selected countries (1)

Country	Score (2)
23. Spain	6.8
24. Estonia	6.7
41. Hungary	5.2
46. Czech Republic	4.8
57. Bulgaria	4.0
60. Turkey	3.8
61. Poland	3.7
84. Romania	3.1

(1) Out of 163 countries.

(2) The CPI score relates to perceptions of the degree of corruption as seen by business people, academics and risk analysts, and ranges between 10 (highly clean) and 0 (highly corrupt).

Source: Transparency International.

Figure 2. Transparency International Bribe Payers Index 2006: Selected Rankings (1)

Country	Average Score (0-10) (2)	% of Global Exports (2005)
1. Switzerland	7.81	1.2
2. Sweden	7.62	1.3
6. UK	7.39	3.6
7. Germany	7.34	9.5
9. US	7.22	8.9
13. Spain	6.63	1.9
15. France	6.50	4.3
20. Italy	5.94	3.6
27. Turkey	5.23	0.7
30. India	4.62	0.9

(1) Out of 30.

(2) The Index is based on the responses of 11,232 business executives from companies in 125 countries to two questions about the business practices of foreign firms operating in their country, as part of the World Economic Forum’s Executive Opinion Survey 2006. Respondents are asked to answer on a scale of 1 (bribes are common) to 7 (bribes never occur). In calculating the BPI, the answers are converted to a score between 0 and 10, and the ranking reflects the average score.

Source: Transparency International.

With regard to **human rights**, in the first eight months of 2006 the European Court of Rights (ECHR) delivered 198 final judgements finding that Turkey had violated at least one article of the ECHR. Most of these cases, however, referred to cases lodged before 1999 when Turkey became an EU candidate country. The downward trend in the number of cases of torture and ill-treatment continued and the reforms in detention procedures and detention periods have shown ‘positive results on the ground’. Yet the human rights situation in the south-east, a predominantly Kurdish area where activity by the PKK terrorist group has flared up again, raises ‘particular concerns’. And the new provisions introduced in June to amend the anti-terror law ‘could undermine the fight against torture and ill-treatment’.

Freedom of expression provisions need to be brought ‘into line with the relevant European standards’, especially Article 301 which makes it a crime to insult ‘Turkishness’. The government is looking into scrapping or amending this article which is being used by right-wing nationalist lawyers to prosecute writers and journalists.

Freedom of worship is generally respected, but non-Muslim religious communities have no access to legal personality and continue to face restricted property rights.

No progress was reported in **trade union's rights**. The significant shortcomings in the right to organise and the right to collective bargaining, including the right to strike, remain in place.

Turkey's approach to **minority rights** also remains unchanged. The authorities still regard minorities as those under the 1923 Treaty of Lausanne (Jews, Armenians and Greeks). However, there are others in Turkey which, in the light of the relevant international and European standards, could qualify as minorities. No progress has been made in starting a dialogue on the situation of national minorities in Turkey.

As regards **cultural rights**, two local TV channels in Diyarbakir and one in Sanliurfa were given permission to broadcast in Kurdish. Time restrictions, however, apply with the exception of films and music programmes. Educational programmes teaching the Kurdish language are not allowed.

The most pressing and immediate problem is **Cyprus**, the one with the capacity to wreck the accession negotiations. Turkey continues to deny access to its ports to ships flying the Republic of Cyprus flag or where the last port of call is in Cyprus. This barrier to free movement of goods and to trade infringes the Customs Union agreement. Similar restrictions continue to apply in air transport. No progress has been made on any aspects of normalising bilateral relations with the Republic of Cyprus (the self-declared Turkish Republic of Northern Cyprus is only recognised by Turkey).

The Turkish and Cypriot positions over the trade issue are entrenched. Ankara is adamant it will not relent until the EU lifts its embargo on the Turkish-occupied northern part of the island. Cyprus meanwhile constantly reminds Ankara that the Additional Protocol extending the EC-Turkey Association Agreement to the 10 member states that acceded on 1 May 2004, which it had signed in July 2005 enabling its accession negotiations to start, is a legal obligation and cannot be linked to the situation of the Turkish Cypriot community. According to a survey by the Institute of Strategic Studies in Ankara, 70% of respondents prefer a suspension of the accession negotiations to making concessions over Cyprus.

One of the few bright spots mentioned in the report is the performance of the **economy**. The Central Bank of Turkey has been successful in reducing inflation to single figures and the consolidation of public finances has been on track. Yet although it has made tremendous strides in creating a more stable economy and improving structural weaknesses, Turkey's gap with other EU countries is still huge. In the World Economic Forum's 2006 Global Competitiveness Index (GCI) Turkey is ranked 59th out of 125 countries, up remarkably from 71st position in the 2005 index but way below Estonia (25th), the best performer among the 10 countries that joined the EU in May 2004, and Poland (48th), the worst placed (see Figure 3). However, Turkey scores better than Romania (68th) and Bulgaria (72nd) which will be admitted to the EU next January under strict conditions. These countries, however, are –like Estonia– midgets compared with the Turkish giant (population 73 million).

Figure 3. GCI Performance of Turkey, Recent EU Entrants* and Candidate Countries

Country/Economy	Global CI		Institutions		Infrastructure		Macroeconomy		Health/primary education		Higher education/training		Market efficiency		Technological readiness		Business sophistication		Innovation	
	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score
Estonia	25	5.12	30	4.7	30	4.66	16	5.31	43	6.58	23	5.26	25	4.98	16	5.29	25	4.65	30	2.82
Czech Rep.	29	4.74	60	3.8	23	4.50	42	4.81	58	6.42	27	5.04	41	4.43	26	4.74	29	4.96	28	2.98
Slovenia	33	4.64	42	4.3	22	4.51	29	5.08	19	6.83	26	5.07	63	4.17	29	4.51	26	4.64	34	2.71
Average (new entrants)		4.99		4.17		4.28		4.62		6.54		4.84		4.44		4.38		4.46		2.54
Latvia	36	4.57	50	4.1	39	4.33	34	4.93	79	6.27	29	5.01	40	4.44	43	3.98	54	4.28	66	2.19
Slovak Rep.	37	4.55	53	4	47	4.08	68	4.37	74	6.31	38	4.52	34	4.66	30	4.50	45	4.41	42	2.51
Uthuania	39	4.54	59	3.9	44	4.14	41	4.82	70	6.37	29	4.97	45	4.35	42	3.99	41	4.56	50	2.35
Malta	39	4.54	31	4.6	27	4.37	76	4.26	32	6.69	47	4.36	46	4.35	22	5.00	51	4.32	62	2.26
Hungary	41	4.52	46	4.2	48	4.05	98	3.94	66	6.39	30	4.93	37	4.61	35	4.17	48	4.34	31	2.82
Cyprus	46	4.36	35	4.5	34	4.47	72	4.33	22	6.79	41	4.48	55	4.22	38	4.10	50	4.32	55	2.30
Poland	48	4.30	73	3.6	57	3.64	70	4.34	26	6.76	33	4.79	64	4.16	51	3.56	63	4.13	44	2.47
Croatia	51	4.26	66	3.7	51	3.98	73	4.30	67	6.39	44	4.43	68	4.11	47	3.68	61	4.17	45	2.45
Turkey	59	4.14	51	4.05	63	3.46	111	3.58	78	6.28	57	4.15	47	4.35	52	3.56	39	4.58	51	2.35
Romania	68	4.02	87	3.4	77	3.05	97	3.94	69	6.39	50	4.34	76	4.03	49	3.59	73	3.89	68	2.14
Bulgaria	72	3.95	109	3.1	65	3.41	35	4.92	39	6.61	62	4.05	90	3.75	68	3.21	84	3.59	87	2.92

* Countries that joined the EU in May 2004.

The GCI index is made up of nine pillars: institutions, infrastructure, macroeconomy, health and primary education, higher education and training, market efficiency, technological readiness, business sophistication and innovation. In macroeconomy Turkey ranks a dismal 111th, despite the improvements, reflecting in the World Economic Forum's words 'the continued vulnerability of its economy to external shocks'. Turkey was one of the countries most affected by the decline in the risk appetite of the international financial markets earlier this year.

The OECD's latest survey on Turkey, published shortly before the Commission's report, said a number of challenges must still be addressed to minimise the risk of falling back into a boom-bust cycle and to ensure that strong growth is sustainable. They include further strengthening fiscal, monetary and prudential policy institutions in order to make the economy more resilient to shocks and accelerating the pace of reform in labour, product and agricultural markets and in the social security and education systems.

On the positive side, Turkey achieved a high rank of 39 in the business sophistication pillar of the GCI, particularly for the quality and quantity of networks and supporting industries (33), well above the EU average. The WEF said this showed that Turkey has 'sophisticated industrial and service sectors which are already operating at high levels of efficiency'.

As a result of these improvements, and the attraction of a large and fast-growing domestic market, foreign direct investment (FDI) is flowing into the country in significant amounts for the first time. Inward FDI was a record US\$9.6 billion in 2005, according to UNCTAD's latest World Investment Report (see Figure 4). Citigroup, in the latest major foreign investment, paid US\$3.1 billion in October for a 20% stake in Akbank, the country's largest privately owned bank. The stock of inward investment, however, is still tiny for a country of Turkey's size and growth potential: US\$42.1 billion at the end of 2005 (11.6% of GDP) compared with Spain's US\$367.6 billion (33.8% of GDP).

Figure 4. Turkey's and Spain's Inward FDI Flows, 1990-2005 (US\$ million)

	1990-2000 Average	2002	2003	2004	2005
Turkey	791	1,137	1,752	2,837	9,681
Spain	14,351	39,214	25,926	24,761	22,987

Source: UNCTAD, World Investment Report 2006.

The Commission's report was also preceded by the OECD's first-ever report on Turkey's corporate governance. The country has a strong regulatory framework for corporate governance, disclosure to the market by listed companies is improving, and international standards for accounting and auditing are being introduced. But some challenges remain. The OECD said Turkey should strengthen the laws on deals involving related parties, for example by implementing proposed amendments to Turkish company law requiring more disclosure about deals between companies that belong to the same group (often family-controlled). The report also recommended that publicly held companies be required to give more detailed and easier-to-understand disclosure about who owns them and controls them and proposed tougher penalties for breaking the law.

Conclusion: While highly critical of Turkey's progress so far, or rather the lack of it, the Commission stopped short of calling for a suspension of negotiations now. Ankara has been given a breathing space in which to change course, most importantly, in the short term, over Cyprus in order to avoid an imminent 'train crash'. There is a very real risk that this will be the outcome of the potentially acrimonious EU summit in December if Ankara pursues its current course. This would be disastrous for Turkey for many reasons, not the least being that it would probably trigger a financial crisis, and for the EU for geo-strategic and credibility reasons.

Resolving the Cyprus problem, however, is not the end of the matter, although it is the most pressing and immediate issue because without some kind of solution or fudge Turkey will fail review of its compliance with the Customs Union agreement and its bilateral relations with other member states. The review was agreed by the EU under pressure from France and Cyprus. As the report makes crystal clear, there are many other shortcomings; they are the country's weak flanks over which it can also be easily attacked.

Yet at the end of the day it is not in the interests of Turkey or the EU as a collective body (as opposed to those individual countries firmly against Turkey's membership) to see Ankara storm out of and close the door it has spent so many years trying to fully open. Finland, which currently holds the presidency of the EU, has to pull a rabbit out of the hat.

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