

TURKEY'S EU ODYSSEY: PROBLEMS AND PROSPECTS

Turkey has been pursuing the goal of accession to the EU since it applied for an Association Agreement in 1959. This goal proved to be a vital source of dynamism, modernization, and growth for Turkey especially in the phases of establishing the Customs Union, acquiring candidate status, and starting accession negotiations. However, the momentum stalled due to a stalemate in the negotiations. Currently, refugee cooperation, visa liberalization dialogue, and the prospects for a modernized Customs Union are areas that promise some progress in relations. Nonetheless, these areas do not constitute a comprehensive framework for the future of the relations, therefore rendering the revitalization of the accession process imperative.

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Turkey's candidacy to the European Union (EU), declared in 1999, was the success story of the 2000s. Turkey swiftly carried out major reforms in order to comply with the Copenhagen criteria, including the abolition of the death penalty, revision of the composition and remit of the National Security Council, extension of cultural rights, and lifting restrictions on basic freedoms. Despite all the prejudices and cultural arguments against Turkey's accession, EU member states were able to reach a common position regarding the start of Turkey's accession negotiations as of 3 October 2005.

In 2006, the Council decided against opening eight chapters in the negotiations and not to provisionally close any chapters until Turkey complied with its obligations under the Customs Union. This was a sanction against Turkey and aimed to put pressure on the country to open its ports and airports to vehicles originating from the Republic of Cyprus. Later, France under President Nicolas Sarkozy also implemented a unilateral veto, blocking the opening of five more chapters with the reasoning that these chapters were related directly to membership requirements. Since President Sarkozy was opposed to Turkey's membership on civilizational grounds, he thought that it was pointless to open chapters such as regional policy and coordination of structural instruments.¹ A third blow came when the Greek Cypriots unilaterally blocked the opening of additional chapters in 2009. Hence, due to the unresolved Cyprus issue, resistance by some member states on cultural and strategic grounds,² and the slowdown of EU-induced reforms, Turkey's accession process, despite starting with high expectations, quickly crashed into the rocks.

Over the past two years, Turkey's relations with the EU have also been undergoing a process of partial recovery from the tense and highly problematic developments after the July 2016 failed coup attempt in Turkey. The half-hearted support shown to the Turkish government by EU leaders in the wake of the coup attempt was regarded as a disappointment in Turkey. While the EU harshly criticized the ongoing state of emergency in terms of its impact on Turkey's Europeanization process, Ankara developed tense relations and had altercations with several member states including Germany. Accession negotiations came to a virtual freeze at the end of 2016 with the Council's decision not to open any new chapters with Turkey. The only remaining hope for the revitalization of Turkey-EU relations was directed at a new negotiation process regarding the modernization of the 22-year-old Customs Union. Visa liberalization was a related issue that raised Turkish citizens' hopes for visa-free travel to the Schengen area, but this also could not be successfully completed.

¹ Dan Bilefsky, "Sarkozy blocks key part of EU entry talks on Turkey," *The New York Times*, 25 June 2007, <http://www.nytimes.com/2007/06/25/world/europe/25iht-union.5.6325879.html>

² For an account of such a reasoning, see Çiğdem Nas, Yonca Özer, *Turkey and EU Integration: Achievement and Obstacles* (New York: Routledge, 2017), pp. 125-144.

“In the area of visa liberalization Turkey is ready to take steps in order to fulfill the remaining criteria for visa-free travel.”

At the time of writing, relations with the EU are proceeding in a more moderate environment. Despite the continuing criticism of the political situation in Turkey as exemplified by a recent resolution of the European Parliament on the human rights situation,³ the EU has expressed its support to Turkey's Operation Olive Branch in Syria. The Customs Union modernization process could not be opened, however, due to the political conditionality applied by several member states. In the area of visa liberalization, Turkey presented a position paper to the EU including measures that Turkey is ready to take in order to fulfill the remaining criteria for visa-free travel.⁴ At the time of writing, the Commission has still not presented its evaluation regarding this document. The Turkey-EU Summit that took place on March 26 in Varna did not produce any concrete results for the acceleration of Turkey-EU relations. However, it was instrumental in bringing about an environment of dialogue and mutual understanding between the parties despite the persistence of differences.

Areas of Dynamism in Turkey-EU Relations

Despite all the turmoil and unexpected disturbances in Turkey-EU relations over the last year, Turkey is a vital player in the European scene and an irreplaceable partner in the execution of several EU policies such as security, defense, trade, energy, and migration. Because of their mutual dependence and need for engagement in these important areas, Turkey and the EU will continue to work together and find ways for deepening and widening their relations. However, the accession framework, which was thought to be the most optimal means of achieving those objectives, could not be successfully put into action and completed. The EU has made attempts to replace the accession framework with the idea of a privileged partnership,⁵ but both the Turkish government and civil society insist on maintaining the accession framework and reject any offers for a new type of partnership. Although membership may not be in the cards for the foreseeable future, the prospect of Turkey's membership to the EU should be kept alive, both as a tool of engagement and anchor for reforms in Turkey.

³ European Parliament, “European Parliament resolution on the current human rights situation in Turkey,” 5 February 2018, (2018/2527(RSP)) <http://www.europarl.europa.eu/sides/getDoc.do?type=MOTION&reference=B8-2018-0082&language=EN>

⁴ Sevil Erkuş, “Turkey's anti-terror law to be amended for EU visa deal: Officials,” *Hürriyet Daily News*, 7 February 2018, <http://www.hurriyetdailynews.com/turkeys-anti-terror-law-to-be-amended-for-eu-visa-deal-officials-126978>

⁵ Karl-Theodor zu Guttenberg, “Preserving Europe: Offer Turkey a ‘privileged partnership’ instead,” *The New York Times*, 15 December 2004, <http://www.nytimes.com/2004/12/15/opinion/preserving-europe-offer-turkey-a-privileged-partnership-instead.html>

During this volatile period, Turkey, the EU, and the international system are undergoing major shifts and turbulence. In Turkey, snap elections will take place on June 24th, which will accelerate the country's transition to an executive presidency. Turkey is also embroiled in the Syrian conflict and is conducting a military operation in the north of Syria in order to protect its borders and internal stability. Meanwhile, the EU is going through an unprecedented process—the withdrawal of one of its largest members. Brexit shook the foundations of the Union, making extensive and fast reform of the institutional system inevitable. Throughout the next two or three years, the EU will be embroiled in this process and will aim to restructure and strengthen its internal structure. On the global front, tectonic changes in the international system are contributing to the uncertain and ambiguous state of affairs influencing Turkey and the EU. The United States' turn away from global leadership under the “America first” mantra of the Trump administration is increasing volatility and cacophony in the field of international relations.

Under these conditions, identifying concrete areas of action and cooperation can be the key to revitalizing Turkey-EU relations. Three specific policy areas come to the fore in which Turkey and the EU can successfully engage in cooperation and at the same time contribute to Turkey's alignment to EU rules and norms. These areas are refugee cooperation and regulation of irregular migration, visa liberalization, and Customs Union modernization.

Migration and Refugees

Cooperation against irregular migration in view of the Syrian crisis has been a principal area of cooperation between Turkey and the EU since 2015. Turkey and the EU signed a readmission agreement in 2013, which also started the visa liberalization dialogue between the parties. However, the large exodus of migrants from Syria due to worsening conflict created migratory pressure on the EU's borders, particularly along the Aegean shores between Turkey and Greece. The result was extensive negotiations between EU and Turkish officials, particularly the German and Turkish prime ministers, with a view to preventing the extremely dangerous irregular migration flows towards the Greek islands and bringing an end to the activities of human trafficking networks. The joint action plan adopted on 29 November 2015 and the EU-Turkey Statement adopted on 18 March 2016 created the conditions for close cooperation on this issue. As a result, the number of migrants crossing the Aegean decreased from 26,878 persons in the three weeks before the application of the EU-Turkey Statement to 5,847 in the three weeks after the start of its application.⁶

⁶ Communication from the Commission to the European Parliament, the European Council and the Council, First Report on the progress made in the implementation of the EU Turkey Statement, Brussels, 20 April 2016, COM (2016) 231 final, <https://goo.gl/Sfp3xS>

Visa Liberalization

The visa liberalization process, which was not only a practical but also a symbolic dimension for Turkish citizens, also formed part of the deal that was reached between Turkey and the EU regarding the refugee crisis. While Turkey fulfilled 65 of the criteria set in the visa liberalization roadmap, by the end of April 2016⁷ controversy over the remaining criteria particularly concerning the revision of Turkey's anti-terror legislation prevented the process from being completed. The EU's original target date for finalizing visa liberalization, October 2016, could not be met. The visa requirement continues to act as a barrier for entry into the Schengen area for Turkish citizens. It is not only a physical barrier but also a mental barrier making Turkish citizens feel unwanted and discriminated against by the EU. Such feelings are further justified when citizens of Georgia and Ukraine, two countries that are not candidates to join the EU, are now able to travel visa-free to the Union. Turkish citizens' visa application fees alone constituted a financial burden amounting to 317 million euros between 2010 and 2016.⁸

Recently, Turkey prepared a position paper and delivered it to the EU.⁹ This paper contained Turkey's planned measures in order to comply with the remaining conditions for visa liberalization in the following areas: revising anti-terror legislation with a view to leaving freedom of speech and expression out of its scope, revising data protection laws, renewing anti-corruption strategy, signing an operational agreement with Europol, engaging in cooperation with EU member states in the field of judicial affairs, making a transition to biometric passports for Turkish citizens, and effectively implementing the Turkey-EU readmission agreement. Although this is a positive development, it is not the end of the process. The European Commission first needs to evaluate whether or not the foreseen measures fulfill the requirements of visa liberalization. Then, it will be up to the European Parliament and the Council to vote on visa-free travel for Turkish citizens. Hopefully, the visa requirement will be lifted. Visa liberalization will surely provide a breath of fresh air to Turkey-EU relations and rekindle enthusiasm for EU integration.

Modernization of the Turkey-EU Customs Union: A Win-win Scenario

Another area that promises to revitalize Turkey-EU relations is the modernization of the Customs Union. The Customs Union, which was implemented at the end of 1995, realized the liberalization of trade in industrial goods between Turkey and the EU, and Turkey's alignment with the EU common commercial policy and common

⁷ European Commission, "Turkey's Progress on the Visa Liberalisation Roadmap," 4 May 2016, goo.gl/g57pCj.

⁸ Schengen statistics, <https://www.schengenvisainfo.com/statistics/>

⁹ Sevil Erkuş (2018).

customs tariff. It was a big step towards economic integration into the EU's single market and played a vital role in elevating the competitiveness, productivity, and quality of Turkish industrial sectors. Today, the EU is Turkey's number one trading partner, while Turkey is the EU's fourth largest export and fifth largest import partner. As of 2016, 64 percent of foreign direct investment in Turkey originated from EU countries. Turkish industry has been integrated into EU production chains, especially in the automotive parts and chemicals industry.

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It should also be underlined that it is not only Turkey that has benefited from the Customs Union. In fact, Turkey has accumulated a trade deficit amounting to 293 billion dollars against the EU since 1996.¹⁰ For the EU's benefit, increasing EU direct investments in Turkey has yielded positive results in terms of profitability. Between 2006 and 2015, for every 100 dollars invested in the country, 22 dollars were transferred as profits outside of Turkey—in other words, roughly one unit transferred abroad for every four units invested into the Turkish economy. According to figures published by the Central Bank of Turkey, profit transfers from direct investments to Turkey amounted to 26.2 billion dollars between 2005 and 2015.¹¹

Despite the mutual benefits that the Customs Union delivered, some important shortcomings in its functioning have remained unresolved over the years. As the EU shifted the focus of its trade policy from multilateral trade to bilateral trade deals, Turkey began to be negatively influenced by trade diversion effects. While free trade agreement (FTA) partners benefited from preferential access to the EU market and hence the Turkish market, Turkey could not gain reciprocal benefits since it was not a party to the EU's FTAs. Moreover, with the increasing number of third countries with privileged access to the EU market, Turkey's comparative advantage due to the Customs Union began to shrink. According to the 2013 World Bank report on the Customs Union, Turkey lost market share vis-à-vis EU firms in Algeria, Mexico, and South Africa.¹² According to a recent study conducted by Leibniz Institute for Economic Research at the University of Munich, Turkey's conclusion of the EU's six FTAs with Canada, Japan, India, Mercosur, ASEAN, and the United States would result in a 1.89

¹⁰ Turkish Statistics Institute, Foreign Trade Statistics, http://www.tuik.gov.tr/PreTablo.do?alt_id=1046

¹¹ Central Bank of the Republic of Turkey, Statistics, <http://www.tcmb.gov.tr/wps/wcm/connect/EN/TCMB+EN/Main+Menu/Statistics/Balance+of+Payments+and+Related+Statistics>

¹² World Bank “Evaluation of the EU-Turkey Customs Union,” 28 March 2014, p. 25, <http://www.worldbank.org/content/dam/Worldbank/document/eca/turkey/tr-eu-customs-union-eng.pdf>

percent growth in GDP for Turkey.¹³ The resolution of the FTA problem would be a huge improvement in the asymmetrical conditions in the Customs Union.

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Hence, what Turkey expects from the modernization of the Customs Union is that it would negotiate FTAs when the EU starts to negotiate with a third country and conclude the FTA at around the same time as the EU. This procedure should be made obligatory since Turkey is a Customs Union partner, and any country gaining privileged access to the EU market directly affects Turkey's trade with the EU. Turkey also expects a more effective dispute settlement mechanism to be established as a result of the modernization of the Customs Union. In the present Customs Union arrangement, the Association Council may decide to set up an arbitration panel to settle outstanding disputes. However, when the two sides cannot agree on a course of settlement, the problem cannot be resolved. A standing dispute settlement body could be a viable solution for the resolution of problems that may emerge in the course of the trade relationship.

Since Turkey has aligned its trade policy with that of the EU under the terms of the Customs Union decision, any changes or revisions of the EU's trade policy also concern Turkey. Turkey's incorporation into the trade policy-making structures as an observer and its consultation prior to the adoption of new legislation in this area are important, and should involve close coordination between the respective parties as a part of the modernization of the Customs Union.¹⁴

Quotas and transit fees applied by some member states to trucks carrying goods from Turkey to the EU constitute another obstacle, a non-tariff barrier to trade between Turkey and the EU. We know that almost half of all goods exported to the EU are produced through EU investments in Turkey. Therefore, the elimination of any such barriers and discriminatory practices should be avoided in order to benefit fully from a modernized Customs Union.¹⁵

¹³ Erdal Yalçın et al., “Turkey's EU Integration at a Crossroads: What consequences does the new EU trade policy have for economic relations between Turkey and Europe, and how can these be addressed?” *GED Study*, April 2016, Bertelsmann Stiftung, p.58, <https://goo.gl/7Fhh7p>

¹⁴ For details about rules governing the customs union see DECISION No 1/95 OF THE EC-TURKEY ASSOCIATION COUNCIL of 22 December 1995 on implementing the final phase of the Customs Union (96/142/EC), http://trade.ec.europa.eu/doclib/docs/2003/december/tradoc_115267.pdf

¹⁵ For an account of the economic benefits from an agreement between Turkey and the EU on road transport quotas, see Enrico Pastori et al., “Study on the economic impact of an agreement between the EU and the Republic of Turkey,” 14 October 2014, <https://ec.europa.eu/transport/sites/transport/files/icf-eu-turkey-road-freight-liberalisation-final-report.pdf>

Although the Turkey-EU Customs Union is a deep form of economic integration, it may be safely argued that it has fallen out of sync with current progress in trade deals. While the Customs Union included trade in industrial goods and processed agricultural goods, it also facilitated legislative harmonization in areas such as intellectual property rights, competition law, and consumer protection. Today's new generation FTAs include trade in services, agricultural goods, right of establishment, access to public procurement, dispute settlement mechanisms, regulatory issues such as SPS standards and technical barriers, impact on environmental sustainability, social rights, and transparency. Thus, the Turkey-EU trade relationship needs to be placed within a deeper and wider framework, too. We do not yet know what this new framework will be, but it must certainly include correcting the Custom Union's design imperfections and practical implementation problems. Sectors such as services and agriculture, which are foreseen to be added to the trade framework, were already part of the original Association relationship.

Services constitute an economic sector where Turkey is generally competitive. Turkish exports in the services sector rose from 14.9 billion dollars in 1995 to 46.3 billion dollars in 2015. The 2023 target is 150 billion dollars. Unlike trade in goods, Turkey is a net exporter in the services sector including a trade surplus in trade with the EU. According to latest figures available for 2016, Turkey exported 13.9 billion euros of services to the EU while it imported 11.8 billion euros amounting to a surplus of 2.1 billion euros.¹⁶ A probable expansion of the Turkey-EU customs union to include services is expected to enhance Turkey's gains in its leading services sectors such as tourism, construction and transport.¹⁷

Agriculture constitutes a vital sector where Turkey will experience considerable difficulties. Currently, agriculture constitutes eight percent of the Turkish economy, while 18 percent of the workforce is employed in agriculture. It is an area that may reap the highest benefits from increased trade but also the highest adjustment costs due to the need to restructure and modernize agricultural production in line with EU standards. Any changes in agricultural policy or liberalization of agricultural trade will inevitably have critical economic and social influences. The adjustment costs and preparation that will be needed before the liberalization of agricultural trade should also be taken into consideration.

¹⁶ European Commission, "EU-Turkey: Trade in Services," 24 April 2018, <http://ec.europa.eu/trade/policy/countries-and-regions/countries/turkey/>

¹⁷ European Commission: Commission Staff Working Document, "Impact assessment Accompanying the document Recommendation for a Council Decision authorising the opening of negotiations with Turkey on an Agreement on the extension of the scope of the bilateral preferential trade relationship and on the modernisation of the Customs Union," SWD (2016), 475 final, Brussels, 21 December 2016, http://trade.ec.europa.eu/doclib/docs/2017/january/tradoc_155238.pdf

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As for public procurement, the modernization of the Customs Union is foreseen to lead to the mutual opening of public procurement markets and lifting of national thresholds and quotas. It is expected that the opening of public procurement markets will enhance bilateral trade integration and also bring about greater transparency and regulation in the conduct of public contracts.

The modernization of the Customs Union will also facilitate Turkey's alignment and integration to the EU single market by way of harmonization into EU standards and norms not only in industrial production but also services, agriculture, and public procurement. Despite the difficulties and challenges that this process is bound to create for the Turkish economy, such change will contribute to Turkey's rupture from the “middle-income trap,” and allow it to join the league of countries with higher value-added production and exports. While Turkish GDP is expected to increase by 1.5-2.0 percent and exports by five billion euros, the EU economy is expected to grow by 0.01 percent and experience an increase of 5.4 billion euros in household income and 27.1 billion euros in exports.¹⁸

Benefits expected from a modernized Customs Union are not limited to material or short-term gains. The new deal will trigger the revision of legislation including greater efficiency, transparency, and conformity to EU norms and standards, which in turn will change the expectations, behavior, and productivity of economic actors—engendering a change of mentality and increasing the level of integration to European and global value chains. If negotiations on the modernization of the Turkey-EU Customs Union can be initiated and completed successfully within a reasonable time span, it will help to ignite Turkey's integration to the EU with a view to facilitating the final goal of accession. Taking into account that membership is a political decision more than a purely technical one, when and if conditions conducive to Turkey's EU membership emerge, Turkey will be ready to join the EU as a result of its vast experience of operating in the internal market.

¹⁸ See economic impact assessment report by the European Commission, Commission Staff Working Document, Impact Assessment Accompanying the document Recommendation for a Council Decision authorizing the opening of negotiations with Turkey on an Agreement on the extension of the scope of the bilateral preferential trade relationship and on the modernization of the Customs Union, Brussels, 21 December 2016, SWD(2016) 475 final, http://trade.ec.europa.eu/doclib/docs/2017/january/tradoc_155238.pdf

Concluding Remarks

Turkey-EU relations cannot be relegated to cooperation and dialogue only. Momentum can be maintained only if a comprehensive framework providing meaning and direction to the relations can be established. While Turkey remains a candidate country to join the EU, positive steps can be taken in order to improve relations and facilitate Turkey's harmonization to the EU acquis. The July 2016 failed coup and the multiple security threats faced by Turkey in recent years both internally as well as emanating from the Syrian crisis, have impeded the country's EU reforms. Turkey is being criticized by the EU for failure to implement EU norms in areas such as rule of law, independence of judiciary, freedom of expression, and freedom of the media. Political instability is also hampering the country's business environment.

As a candidate country and a vital player in Europe's wider region, the EU should engage more with Turkey, show solidarity, and help the country return to its European path. On the other hand, the situation in the EU is far from being problem-free and stable. The emergence of authoritarian tendencies in some member states potential threats emanating from the neighborhood, the rise of populist parties and leaders even in established democracies of Western Europe, the strengthening of Eurosceptic currents, the Brexit process, and internal reform struggles all present severe challenges for the future of Europe. Under such grave conditions, the EU is also finding it extremely difficult to present a credible enlargement perspective to Turkey and the Western Balkan countries. The myriad of challenges enhances the need for Ankara and Brussels to improve bilateral relations and work together on mutual priorities.