

A review of the European Commission's 2013 Progress Report on Turkey

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On the 16th of October 2013, the European Commission assessed the progress made by Turkey in meeting the EU accession criteria over the past 12 months. During the presentation of the 2013 Enlargement Package to the European Parliament's Committee on Foreign Affairs by Commissioner Štefan Füle, it was underlined that Turkey remains a strategic partner of the EU, taking into account the size of the country's economy as well as its role in the energy and foreign policy sector.

During the presentation, the progress made in reforming the judicial sector was underlined and the Turkish efforts to promote a broader democratization package, introduced in September 2013 by, were welcomed. Commissioner of Enlargement and Neighborhood Policy Štefan Füle stressed that the protests taken place in May and June 2013 and the excessive use of force by Turkish police authorities, have raised serious concerns within the EU. As a result, it was underlined that the EU needs to step up and fulfill its engagement for a coordinated and consistent help and support, in order Turkish authorities to proceed with the agreed reforms.¹

The European Commission's 2013 Progress Report on Turkey highlights a number of important steps taken by Turkey towards democratization, as well as remaining issues and goals to be fulfilled. During the reporting period, the adoption of a fourth judicial package of reforms and the initiation of a peace process in the Southeast of Turkey, are worth mentioning. In addition, the report emphasizes the pressing need to develop a true, accessible and participatory democracy which will be able to reach out to all segments of society, as well as to further ensure and promote the respect

¹ European Commission, *Enlargement Package 2013*, Speech/13/816, Brussels, 16/10/2013.

towards fundamental freedoms, including the freedom of expression and assembly.²

As far as the relations between the EU and Turkey are concerned, the agenda launched in 2012, promotes the accession negotiations through an enhanced cooperation in several areas of joint interest such as political and social reforms, alignment with the *acquis communautaire*, promotion of the dialogue on foreign policy, mobility and migration issues, visas, energy, counter terrorism and participation in EU programmes.

Given the fact that Turkey remains the EU's sixth biggest trading partner and the EU is Turkey's biggest, the Commission initiated an evaluation of the EU-Turkey Customs Union, 18 years after its entry into force in 1996. Despite the fact that the final report of the evaluation is expected by the end of 2013, Turkey maintains legislation that violates its commitments derived from the Customs Union. In addition, several commitments to remove technical barriers in trade remain unfulfilled. The EU has urged Turkey to fully implement the Customs Union and remove all restrictions in the free movement of goods, including obstacles in means of transport regarding the Republic of Cyprus.

In terms of financial assistance towards Turkey, around €903 million have been earmarked for 2013 from the Instrument for Pre-accession Assistance (IPA). The Turkish government and the Commission are currently preparing a comprehensive Country Strategy Paper for the period 2014-2020, which will provide a coherent framework for financial assistance under the new IPA. According to the European Commission, Turkey will need to accelerate the strengthening of its administrative capacity in order to make best use of IPA II funding in 2014-2020.³

Examining the progress made by Turkey in meeting the Copenhagen political criteria, Turkish authorities announced on the 30th of September 2013 a set of democratization measures and reforms, allowing changes to the current 10% threshold for representation in parliament, providing the conditions for a decrease of the threshold in the budget of the Turkish political parties and facilitating the procedures for the establishment of political parties as well as for the removal of restrictions noted in political party membership. In addition, languages and dialects, other than Turkish, will be allowed and the existing provisions for sanctions on the use of the letters Q, X and W in the Kurdish dialect, will be removed.

In addition, civilian oversight of the security forces has been further consolidated. A law overhauling the Turkish armed forces' disciplinary system was adopted in January 2013, promoting the conversion of tribunals in the administrative disciplinary committees, the abolition of solitary confinement and the strengthening of appeal mechanisms for disciplinary punishments. Thus, the report of an inter-party Parliamentary Commission, investigating coups and alleged "deep state" networks, was published in December. At the same time, judicial investigations for the 1980 coup and the "Postmodern Coup" in February 1997, still continue. Overall, the

² European Commission, [Key findings of the 2013 progress report on Turkey](#), Memo/13/895, Brussels, 16/10/2013.

³ European Commission, [Turkey 2013 Progress Report](#), SWD (2013) 417 final, Brussels, 16/10/2013, p. 3-5.

progress made in consolidating civilian oversight confirms the profound shift in the balance of civil-military relations, in favour of the civilian authorities.

In the judicial sector, a number of important reforms have been monitored, towards compliance with the EU standards. More specifically, the adoption of the 4th Judicial Reform Package improved the legal framework concerning the freedom of expression. However, a consistent track record of implementation is required, as well as further reforms such as changes in the Article 314 of the Turkish criminal code concerning the participation in armed organizations. Several issues are still under the microscope, including control exercised over the media by state officials, wide spread self-censorship and frequent website bans. Furthermore, a significant step was monitored with the adoption of a new Action Plan (2013-15), implementing the National Strategy (2010-15) against organized crime.

According to the Commission's report, good progress has been made in establishing mechanisms and institutions in order to promote and protect human rights within Turkey. However, the excessive use of force, notably during the demonstrations in May and June 2013, constitutes a matter of concern. Six people died and thousands were injured. Also, 3.500 people were taken into police custody, 112 of who remained in detention on judge's decision, including several members of NGOs who participated in the Taksim Solidarity Platform⁴. In the field of gender equality and women's rights, legislation is reported to be implemented and further action plans to be adopted. More specifically, Turkish authorities have taken a strong line in addressing domestic violence. Nevertheless, gender equality, including access to education and to the labour market, political representation, violence against women and early and forced marriages constitute major challenges for Turkey.

Significant progress has been also reported at the legislative level with the adoption of the Law on Foreigners and International, concerning refugees and asylum seekers. As a result of the importance of implementing the necessary legislation is crucial, detailed provisions on the management of detention and removal centres are needed. In this context, Turkey has maintained an open border policy with Syria and has been providing considerable assistance to an increasing number of Syrian refugees living in camps within Turkish territory.

Overall, the Commission's report describes the progress made by Turkey in the area of fundamental rights as a "mixed picture". On the one hand, the EU welcomed the adoption of the 4th Judiciary Package, the initiation of negotiations between Turkey and the existing minorities within the Turkish territory, as well as the operation of the Ombudsman Institution and the National Human Rights Institution. On the other hand, European concerns have been raised due to reported cases of excessive use of force by the police during the protests and the demonstrations taken place in May and June 2013 in Turkey.⁵

At the local and regional level, Turkey is reported to issue statements against the Republic of Cyprus concerning the exploitation of hydrocarbon resources in Cyprus' Exclusive Economic Zone and to announce retaliatory measures against the Italian company ENI, to which Cyprus had awarded an exploration license. Despite repeated calls by the Council and the Commission, Turkey has not yet fulfilled its obligation to

⁴ A group of associations active on the Gezi Park issue in May and June 2013.

⁵ European Commission, *Turkey 2013 Progress Report*, op.cit, p. 44-64.

ensure full and non-discriminatory implementation of the additional Protocol to the Association Agreement, according to which all barriers and obstacles to the free movement of goods must be removed. It is also worth mentioning that Turkey froze its relations with the Council of the EU during the second half of 2012, when its Presidency was held by Cyprus. Overall, according to the Commission's report, there was no progress in the normalisation of Turkey's bilateral relations with the Republic of Cyprus⁶.

In the east and south-east of the country, the European Commission's Annual Report highlights that the government's initiative to start a peace process with the Kurds, met strong willingness for cooperation amongst Kurdish political actors. The Turkish authorities expressed their willingness and determination to put an end to hostilities and to provide a safe zone in order PKK members to exit the country. However, the announcement had already been overshadowed by military operations from the Turkish side and attacks launched by members of PKK. Tension peaked in late autumn during a hunger strike by Kurdish prisoners, joined by hundreds of family members and local political actors, which was followed by demonstrations, clashes and violent confrontations between demonstrators and the police.

In the economic and financial sector, the Commission's approach and assessment was formed according to the conclusions of the Copenhagen European Council in June 1993, which stated that, entrance into the EU requires the existence of a sustainable and functional market economy as well as the capacity to cope with competitive pressure and market forces within the Union.

In reference to the existence of a viable market economy, the Pre-Accession Economic Programme (PEP) for 2013-2015⁷, submitted to the European Commission in January 2013, is based on the assumption of a relatively moderate growth and a further reduction of the current account deficit. However, even under this optimistic scenario, the external deficit remains large. In combination to a precarious external debt structure, Turkey remains vulnerable to capital flow reversals, either in the context of an increasing global risk aversion in the emerging market of assets, or as a result of an increase in perceived country specific risks. The fragmentation of responsibilities monitored between government bodies, complicates the coordination of the overall budget process and the medium-term economic policy making. Nevertheless, it seems that economic policies have not been affected by internal conflicts and fragmentations. Overall, the consensus on Turkish economic policies has been preserved.

During 2012, the economy slowed down to an annual GDP growth of 2.2% from around 9% during 2011. The slowdown was combined with a rebalancing of growth from domestic demand to export-led growth. On the one hand, private consumption and investments declined by 0.6% and 4.8 % respectively. On the other hand, export volumes accelerated to an annual growth rate of 16.7 %.

Subsequently, the labour market performed relatively well in 2012 despite the economic slowdown. In the population aged between 24 and 64 years old, the annual unemployment rate fell from 8.8% in 2011 to 8.2% and employment rose by 3%. It is also worth mentioning that despite the low proportion of the female

⁶ European Commission, *Turkey 2013 Progress Report*, op.cit., p. 5-18.

⁷ [http://www.dpt.gov.tr/DocObjects/View/14790/PEP_\(2013-2015\).pdf](http://www.dpt.gov.tr/DocObjects/View/14790/PEP_(2013-2015).pdf)

population searching for work, the female unemployment rate is higher than the male unemployment rate. Inflation was reduced noticeably in 2012. However, during the first eight months of 2013, it has increased again, remaining above the central bank's target. More specifically, increases in unprocessed food prices, tax adjustments for tobacco products and the lira depreciation over the summer months, have pushed up inflation.

In contrast to previous years, the fiscal target was missed in 2012, due to expenditure overruns and the economic slowdown which was faster than the authorities expected. The central bank's budget deficit widened from 1.4 % of the GDP in 2011 to 2 %. The slowdown has been caused by two main facts; firstly, central government revenues from indirect taxes fell short of the budget. Secondly, expenditure overruns occurred, as a result of government transfers to state-owned enterprises, due to delayed price adjustments in the energy sector. Finally, in the first six months of 2013, fiscal performance improved, resulting in the central government's 12-month rolling budget deficit falling to 1.3 % of GDP in June, compared to the 2013 deficit target set at 2.2 %.

Analogically, the existence of a stricter monetary policy from the summer of 2011 onwards, contributed to the decrease of the output growth to a more sustainable level and to the reduction of the account deficit in 2012. The re-orientation of the monetary policy, towards easing the real economy, seems to have contributed to the re-acceleration of the economic activity during the first half of 2013.

Putting the financial development under the microscope, banks are reported to dominate in the financial sector with their share in the sector's total assets remaining at 88 %, while the share of the relatively small insurance sector –including private pensions- increased from 4 % in 2011 to 4.6 % in 2012. In particular, the value of the assets in the banking sector increased from 94 % of GDP in 2011 to 97 % in 2012. Furthermore, the banking sector maintained an adequate performance in profits during 2012 and the first seven months of 2013. Overall, the financial sector has performed well and has demonstrated resilience to shocks.

Monitoring the country's capacity to cope with competitive pressure and market forces within the EU, Turkey's growth performance, despite the recent global economic volatility, confirms the economy's resilience to shocks. However, the structural account deficit and the inflation remain at high levels, revealing significant imbalances within the Turkish economy. Consequently, the function of market mechanisms remains adequate.

Furthermore, the levels of trade and economic convergence with the EU remain high. More specifically, the openness of the economy measured by the value of exports and imports of services and goods in terms of GDP percentage, increased from 56.6 % in 2011 to 58 % in 2012. Within this context, the EU's share in Turkey's total trade transactions decreased from 40.8 % in 2011 to 37.7 % in 2012, while its share in Turkey's imports decreased more moderately from 37.8 % in 2011 to 27 % in 2012.⁸

Examining Turkey's convergence towards the European norms, values and policies under the accession and membership criteria, the European Commission's Annual Report monitored the progress made during the reporting period, summarizing the

⁸ European Commission, *Turkey 2013 Progress Report*, op.cit., p. 18-24

country's overall level of reforms and preparations. Within this framework of analysis, the most significant outcome is considered to be the agreement of the General Affairs Council to open chapter 22 of the *acquis communautaire*⁹ on regional policy and coordination of structural instruments within Turkey.

Monitoring Turkey's convergence efforts in order to adopt the *acquis communautaire*, stable progress was particularly noticeable in the free movement of goods, financial services, regional policies as well as in the energy sector. Significant developments have also occurred in establishing a legal framework concerning migration and asylum issues. However, it was underlined that consistent efforts towards a legislative convergence and an increased institutional capacity are needed. Further progress should continue on freedom, judiciary and fundamental rights, justice and security. Thus, the process of readmission agreement between Turkey and the EU needs to accelerate and the simultaneous start of the visa dialogue needs to be initiated.¹⁰

Important developments have occurred in the energy sector as well. Accordingly, European Commission welcomed the signing of an intergovernmental agreement between Turkey and Azerbaijan on the Trans-Anatolian pipeline (TANAP). In addition, the Trans-Adriatic Pipeline (TAP) was selected by the operators of the Shah Deniz II Consortium in June 2013 to connect with TANAP as the next line to carry azeri gas from TANAP's terminal in Turkey to Europe. Furthermore, in March 2013, a new Electricity Market Law entered into force, aiming at creating more competition within the Turkish market and succeeding convergence with the European standards set by the EU Electricity Directive.¹¹

In conclusion, examining Turkey's membership perspective and convergence towards the European norms and values, and despite 8 years of cooperation and negotiations with the EU, only 14 chapters of the *acquis communautaire* have been opened so far. Among these, thirteen chapters are still open (regional policy, science and research, enterprise and industry, statistics, financial control, trans-European networks, consumer and health protection, intellectual property law, company law, information society and media, free movement of capital, taxation, environment and food safety) and only one chapter (science and research) has been provisionally closed. In addition, despite repeated calls from the EU, Turkey refuses to fully implement the Additional Protocol of the Association Agreement. Furthermore, no progress has been made towards the restoration of Turkey's relations with the Republic of Cyprus.

Assessing the overall European policy strategy promoted and implemented in Turkey, one could underline that the EU has played a crucial role in any progress made towards the Europeanization of Turkish domestic structures, policies and institutions. The active role of the EU, together with the existence of pro-European actors within Turkey - willing to support economic, political and social reforms - makes the EU membership incentive effective in promoting economic, political, social and institutional transformation. However, the road towards Turkey's Europeanization is

⁹ The chapters of the *acquis communautaire* constitute the basis of the accession negotiations for each candidate country. They correspond to the different areas of the *acquis* for which reforms are needed in order to meet the accession conditions.

¹⁰ European Commission, *Key findings of the 2013 progress report on Turkey*, op.cit.

¹¹ European Commission, *Turkey 2013 Progress Report*, op.cit., p. 36-37.

still long and difficult. The acceleration of the reform process by Turkey on the one hand and the full engagement of the EU in the process on the other, can only guarantee the successful establishment and promotion of European norms and paradigms.