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«THE ROAD OF TURKEY TO EU MEMBERSHIP»

ΣΥΓΓΡΑΦΕΑΣ

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ΕΠΙΒΛΕΠΩΝ ΚΑΘΗΓΗΤΗΣ

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***Αφιερώνεται στη σύζυγό μου Βάσω και τα παιδιά μου
Χριστούλα και Νεκτάριο για την αμέριστη συμπαράσταση και
ατελείωτη υπομονή τους***

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ABSTRACT

The aim of this paper is to delineate the economic and political aspects of Turkey's EU membership. The main finding is that although Turkey has made great strides towards EU membership concerning the economic criteria through its economic reform, there has not been made the same progress in the political field because of major obstacles described in Chapter 3. Turkey's economic profile is provided in Chapter 2 through comparisons to other already EU or EU pre-accession countries in basic economic figures, in which Turkey's dynamic in many cases is obvious. Chapter 4 summarizes the main points of the recent Turkey's progress in economic and political terms, which confirms that Turkey has still a lot to do (especially in the political field) in order to reach full EU membership.

CHAPTER 1: HISTORICAL BACKGROUND OF EU-TURKEY RELATIONS

1.1 Introduction

It is widely approved that relations between Turkey and Europe have undergone strong fluctuations during the past decades. Although great efforts have been made towards EU integration, these efforts have many times been stained by actions of political uncertainty, strong tension and domestic violence.

It is also true that the prospect of Turkey's EU membership has influenced positively its internal transformation in many domains of economic political and social life. Of course there are also some other domestic factors which have enabled its domestic transformation, but many agree that relations with the EU are the most important ones.

1.2 The Ankara Agreement

Ankara Agreement was signed in 1963 and is considered Turkey's first step towards the then European Economic Community (EEC). The agreement contained Turkey's connection with the EU in three stages:

- During the first stage (preparatory stage, 1964-1969) Turkey was offered economic privileges concerning the exports of traditional agricultural products. The only obligation Turkey had during this period was to demonstrate and achieve an economic development and make preparation for the second stage. During this stage no problems were reported.

- The second stage (transitional stage) is considered a preparatory stage towards Customs Union which was signed in 1995. The transitional stage was established with the signature of the Additional Protocol in Brussels (23 Nov 1970) and covered trade and financial commitments between EU and Turkey. During this period Turkey was granted tariff quotas but they did not prove as effective as expected. The Agreement was aligned with the then EEC directives. Turkey was excluded from political decisions which caused its recourse to the European Court of Justice.

1.3 The Copenhagen Criteria

The Copenhagen criteria (21-22 June 1993), (Emerson M. ,2004) are summarized to the fact that stability of institutions and the existence of market economy are basic factors for a country to reach EU membership.

Although Turkey has undergone a great transformation in its constitution and established seven harmonisation packages, barriers such as penal system and judiciary still exist. Many believe that further transformation will take years for Turkey to meet the Criteria but these criteria will definitely pave the way for the opening of negotiations.

1.4 The Customs Union

Turkey entered the Customs union in 1996. Customs Union was a further step for Turkey to reach EU membership, which foresaw the liberalization of industrial tariffs and Turkey's alignment with the Community legislation and Community policy towards third countries. In this way relations between Turkey and EU became stronger.

1.5 Deterioration in Turkey-EU Relations

In 1997 the European Council decided that Turkey does not meet the criteria for EU membership. This was the second blow for Turkey after 1989 and deteriorated further the relationship with the EU. Although Turkey never forgot the target of EU membership, did not operate remarkable transformations in its domestic mechanisms to change the already negative atmosphere and as a result Turkey's progress was real slow.

1.6 The Helsinki Agreement

The negative atmosphere that had already been created was reversed in 1999 in Helsinki, where Turkey gained its EU candidacy. This event was far from the opening of the negotiations because European Council considered that Turkey had to fulfil Copenhagen Criteria first. It also paved the way for the integration procedures of thirteen countries.

The participation of a Muslim country in the Christian club of the European Union (Marias E., 2005), was accepted for the first time through the Helsinki Agreement according to which all candidate countries:

- Participate in EU membership procedures in equal terms.
- Have to fulfill the Copenhagen criteria.
- Have to accept the principles and political civilization of the EU
- Have to respect the principle of the peaceful resolution of all conflicts without the use of violence in front of the International Court of Justice.

Additionally, the reinforcement of EU-Turkey relations depends on:

- The continuation of the economical and political reforms in order to adjust its patterns and practices concerning the human rights area, to the patterns and practices of the European Union.
- The respect and protection of the minorities.
- The conflict resolution, especially through the International Court Justice.
- The negotiations support taking place under the auspices of the United Nations Organization (UNO), concerning the resolution of the Cyprus problem.

1.7 The Years before the opening of Negotiations

The years before the Opening of the Negotiations were crucial for Turkey because:

- Many constitutional articles were revised.

- Another legal harmonization package was approved mainly concerning human rights (right to broadcast and teach in foreign languages, religious minorities, abolition of death penalty e.t.c.)
 - New constitutional reform was made.
 - Additional legislative harmonization packages were approved.
 - New penal code was approved.
 - Numerous laws and regulations were revised.

All these transformations took place mostly during the years 2003 and 2004 in an area that represent the “deep” Turkish legal and political system and paved the way for the opening of Negotiations in October 2005. The European Council also decided that the transformation in Turkey should be ongoing and that its performance should be monitored through yearly EU Commission reports (EU Commission, 2005). The main focus should be given on political reforms that had to do with judiciary and essential rights.

During the years 2006 and 2007 there has been noted a considerable slowdown in the transformation process (due to prosecutions limiting the freedom of expression), which undermined Turkey’s EU membership. The fact that Turkey denied to include Republic of Cyprus in its amended customs union protocol brought about the suspension of the negotiations with Turkey in eight chapters of the *acquis* and spread a lack of confidence among EU members.

1.8 The Opening of Negotiations

The Opening of the Negotiations (Joseph J., 2006), (EU Commission, 2005) took place on October 2005 and was based on the “*acquis communautaire*”, which includes the following chapters:

- Free movement of goods
- Freedom of movement for workers
- Right of establishment and freedom to provide services
- Free movement of capital
- Public procurement
- Company law
- Intellectual property law
- Competition policy
- Financial services
- Information society and media
- Agriculture and rural development
- Food safety, veterinary and phytosanitary policy
- Fisheries
- Transport policy
- Energy
- Taxation
- Economic and monetary policy
- Statistics
- Social policy and employment
- Enterprise and industrial policy

- Trans-European networks
- Regional policy and coordination of structural instruments
- Judiciary and fundamental rights
- Justice, freedom and security
- Science and research
- Education and culture
- Environment
- Consumer and health protection
- Customs union
- External relations
- Foreign, security and defence policy
- Financial control
- Financial and budgetary provisions
- Institutions
- Other issues

The EU Commission is responsible to monitor the progress of Turkey concerning the above chapters and issue Turkey's yearly progress report, which plays a significant role to Turkey's EU membership.

CHAPTER 2: ECONOMIC DYNAMICS OF TURKEY

2.1 Macroeconomic factors

2.1.1 Population and economy size

Turkey's population is about 70 million, one of the largest countries in Europe. Many experts believe that the population growth rate will slow down in the next decades. Whether this forecast is true or not the fact is that birth rates are low in regions where the average income of the population is high or close to average income of the European countries and high were the average income is extremely low. The example of other countries shows that governments whose policies are family oriented present a considerable growth on population. (Neyer G., 2003).

Turkey's economy is large regarding its immediate neighbours: Greece, Romania, Bulgaria and FYROM, Table 1 compares those countries' GDP. In 2009, Turkey's GDP amounted to 443.76 Mrd Euros compared to 245.9 for Greece, 118.39 for Romania and 35 for Bulgaria, which already are EU member states.

COUNTRY	Table 1: Gross Domestic Product at current market prices UNIT: Bn Euros			
	2006	2007	2008	2009
TURKEY	351.8	391.2	440.84	443.76
GREECE	213.2	228.2	242.9	245.9
ROMANIA	78.65	97	118.44	118.39
BULGARIA	25.24	28.87	34	35
FYROM	4.97	5.66	6.37	6.66
<i>1 RO LEI=0.235 Euro, 1 MKD=0.016 Euro, 1 BU LEVA=0.511 Euro, 1 TYL=0.464 Euro</i>				
<i>Source: EU AMECO, own calculations</i>				

According to Table 2, Turkey's population is certainly not the poorest in terms of GDP per head of population: measured in Euros per head of population, it stood at 6.16 in 2009. Only one country in its immediate neighborhood has much higher GDP per head of population: Greece 21.79 in 2009. Bulgaria and Romania which are already EU member states are more or less in the same category.

Table 2				
COUNTRY	Gross domestic product per head of population at current market prices UNIT: Euros per head of population			
	2006	2007	2008	2009
Turkey	4.88	5.43	6.12	6.16
Greece	18.89	20.22	21.52	21.79
Bulgaria	3.66	4.52	5.519	5.51
Romania	3.32	3.807	4.48	4.61
FYROM	2.41	2.75	3.099	3.24

1 RO LEI=0.235 Euro, 1 MKD=0.016 Euro, 1 BU LEVA=0.511 Euro, 1 TYL=0.464 Euro
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Source: EU AMECO own calculations

2.1.2 Macro economic growth

Although Turkey is believed to be highly unstable, possesses many dynamic factors. Dynamic factors exist in the real sector of the economy such as real growth of GDP and define the potential of its economy. Lack of stability has been caused because of the internal political turmoil and extreme fluctuations, Turkey has experienced especially after World War II.

According to the UNDP human development index (UNDP, 2002), there has been a significant reduction in poverty and living conditions over the past decades. A great difference in the incomes between the richest and the poorest part of population also exists. Its ratio is 8 in Turkey, 5.5 in Austria and 4.7 in Germany.

Additionally Turkey experienced a high growth between 1981 and 1987 and a remarkable development during the period 1990-1993. Between 1995 and 1997 growth was also positive while in 2001 there has been noted a sharp decline in GDP. The results for the years 2002 and 2003 were also positive and the year 2004 prepared the country for the opening of the negotiations.

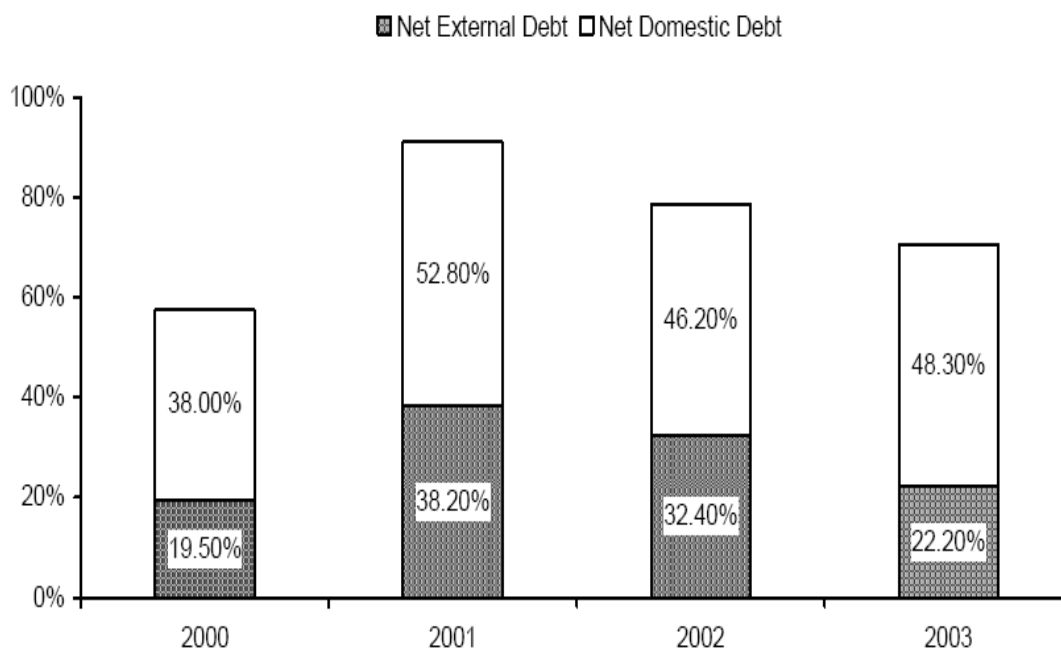
The so-called instability is mainly connected with price and exchange rate instability due to high inflation. Although in some cases the danger of a hyperinflation was existing in 1994 and 1997, it finally never took place. The inflation after 1997 started to recede steadily. The main reason that brought about the inflation was the nominal depreciation which in turn increased the amount of imports and caused inflationary results. Another reason which increased the inflation was the fact that protectionism (up to Customs Union entry) caused significant barriers to specific segments of economy. On the other hand (Kibritçioğlu A., 2002) a deterioration in public governance might cause increasing inflation.

2.1.3 Public debt and 2001 economic crisis

In 1999 a reform programme was set up in cooperation with the IMF but it lacked sufficient currency reserves (Alper A., 2001). For further success an unremitting flow of good news was essential. The bad news according to which the current account deficit increased in the late 2000 and problems in the banking sector, prevented the success of the reform programme. In 2001 the Turkish currency devaluated sharply and the public increased.

As we can see in the Graph 1 below in 2001 the net external debt amounted to 38,20% and in 2003 decreased to 22,2 % while the net domestic debt amounted to 52,80% in 2001 and decreased to 48,3% in 2003.

Graph 1: Public sector net debt in % of GDP, 2000 to 2003



Source: SIS.

2.1.4 Fiscal and monetary policy

The main target of the Turkish government has been taking actions against public debt. This could be achieved either by cutting expenditures or by increasing revenues mainly through taxation. According to some experts the first is more popular than the latter. But how can a government be popular if it decides to decrease the amount of money it spends for pension, health, farming subsidies disappointing in that way its electoral base? This is a reasonable problem that can arise but can be faced through firm political stability matched with economic stability. Another solution could be the improvement of tax collection mechanisms without necessarily meaning that the tax scale must be increased. But this presupposes that no corruption exists, something that it is extremely difficult.

On the other hand, firm prices are the target of Turkish monetary policy. For the time being the exchange rate is stable but the generic situation is fragile. This can attract external investors and the capital inflows can very easily fuel appreciation tendencies. Consequently the whole situation could damage Turkey's international competitiveness.

2.1.5 The structure of the current account

According to Table 3 as we move to 2008 the deficit follows an increasing course and culminates by the end of 2008. Therefore, even under conditions of liberalized financial flows, it seems advisable to keep current account developments under close scrutiny.

Within the current account, the trade balance has always been negative, with the deficit fluctuating considerably in a band between -22736

MD in 2004 and -62844 MD in 2008. The balance on goods and services has always been negative from 2004 to 2009. A clear trend is also visible with regard to transfer figures: the balance has always been positive moving from 1117 MD in 2004 to 2006 MD in 2008.

Additionally, not only have the goods exports improved over time, but the proportion of imports covered by export revenues have also increased upwards.

		2004	2005	2006	2007	2008
A	CURRENT ACCOUNT	-14431	-22088	-32051	-38219	-41289
A-1	Goods exports	68535	78365	93611.	115364	140999
A-2	Goods imports	-91271	-111366	-134573	-162041	-193843
A-a	Balance on Goods	-22736	-33001	-40962	-46677	-52844
A-3	Services credit	22941	26757	25407	28615	34807
A-4	Services debt	-10144	-11423	-11713	-15292	-17294
A-b	Balance on Goods and Services	-9939	-17667	-27268	-33354	-35331
A-5	Income credit	2651	3608	4383	6420	6880
A-6	Income debt	-8260	-9483	-11074	-13528	-14844
A-c	Balance on Goods Services and Income	-15548	-23542	-33959.	-40462	-43295
A-7	Current transfers	1117	1454	1908	2243	2006

Source.: CBRT (Central Bank of Republic of Turkey)

2.1.6 Wages

The table 4 shows the wage share as percentage of GDP at current market prices, which depicts in a better way the potential of Turkey concerning the wage level, compared to other neighboring EU member or EU pre-accession countries. Turkey owns the last position among countries such Greece, Bulgaria, Romania and FYROM and the percentage falls below 40% (39.1%) in the year 2009.

COUNTRY	Wage share as percentage of GDP at current market prices (Compensation per employee as percentage of GDP at market prices per person employed.)					
	2004	2005	2006	2007	2008	2009
Turkey	43.7	42.7	41.7	42.7	40.6	39.1
Greece	54	53.8	51.4	53.1	54.2	55.3
Hungary	53.5	54	52.7	52.3	53.5	53.7
Bulgaria	46.8	46.1	44.4	47	49.1	49.5

Romania	54.3	58.8	55.8	57.3	57.4	57.8
Poland	49.4	48.2	47	45.8	47.5	47.8
FYROM	49.2	45	47.8	41.6	42	40.5
<i>Source: EU AMECO</i>						

2.1.7 Fiscal discipline concerning Growth and Stability Pact

As it is known, fiscal discipline is preserved within the Growth and Stability Pact in the EU by the following indicators:

- (Public debt /GDP) x 100% < 60 %
- (Public deficit/GDP)x 100% < 3 %

The tables 5a, 5b below demonstrate the consolidated Gross Public Debt and the public deficit as % percentage of GDP among Turkey and other EU and pre-accession countries. As we can see, even if Turkey is not an EU member state, is in a better position than Greece and Cyprus in the 2009 concerning the public debt (42.7% versus 103.8 % for Greece and 47.5 % for Cyprus). Additionally Turkey has less public deficit (4.6 %) in 2009 than Greece (5.1%) and Romania (5.1%) which are already EU member states.

COUNTRY	Consolidated Gross Public Government Debt UNIT: % percentage of GDP			
	2006	2007	2008	2009
Turkey	46.1	39.4	39.5	42.7
Greece	95.9	94.8	97.6	103.8
Cyprus	64.6	59.4	49.1	47.5
Bulgaria	22.7	18.2	14.1	16
Romania	12.4	12.7	13.6	18.2
Croatia	35.7	33.1	33.5	34.6
FYROM	31.4	23.4	21.4	25.2
<i>Source: EU AMECO</i>				

COUNTRY	Public deficit-surplus UNIT: % percentage of GDP			
	2006	2007	2008	2009
Turkey	2 deficit	4.3 surplus	1 deficit	4.6 deficit
Greece	2.9 deficit	3.6 deficit	5 deficit	5.1 deficit
Cyprus	1.2 deficit	3.5 surplus	0.8 surplus	1.9 deficit
Bulgaria	3 surplus	0.1 deficit	1.6 surplus	0.5 deficit
Romania	2.2 deficit	2.6 deficit	5.4 deficit	5.1 deficit
Croatia	3 deficit	0.5 surplus	1.3 deficit	1.6 deficit
FYROM	0.6 deficit	1 deficit	0.9 deficit	3 deficit
<i>Source: EU Commission</i>				

2.2 Major inequalities in Turkey

2.2.1 Income inequalities

Turkey has a problem according to which there is a great difference in development between two geographic regions of the country. Specifically the western region is far more developed than the eastern one. As a result there is a great accumulation of capital in western region which influences in turn the per capita income of the population. Domestic migration is very well spread. Marmara region should have been more developed if so many people from the eastern poor regions of Turkey wouldn't have been migrated to the western ones.

The domestic armed conflicts with Kurds in the eastern regions of Turkey diminish dramatically the prospect of development, creating a situation of panic and insecurity for the population who live there. Annual expenditures for the military amount to 5% of GDP, a figure which is extremely huge compared to the equivalent expenditures of Greece and USA.

Nevertheless the government has put into action a plan to help and support the population who live in these underdeveloped areas. Most of the people working there receive financial bonus apart from their regular salary. A late study (Ögüt and Barbaros, 2003) though, concluded that such a plan brings about the opposite outcome: the developed regions of Turkey become even more developed.

2.2.2 Labour market inequalities

According to formal sources (Turkstat, 2009) employment rate in the Black Sea region is much higher than the national average. The main reason for this is that that specific region employs more than 60% of the total workforce in agricultural works. East Anatolia and the Marmara region come next with rates close to the country average.

There is also a great difference in unemployment rates from region to region. Southern Anatolia demonstrates the highest rate of unemployment all over the country, mainly because of the reasons explained above. On the other hand eastern regions have low rates of unemployment, because of the high development and investments in these regions.

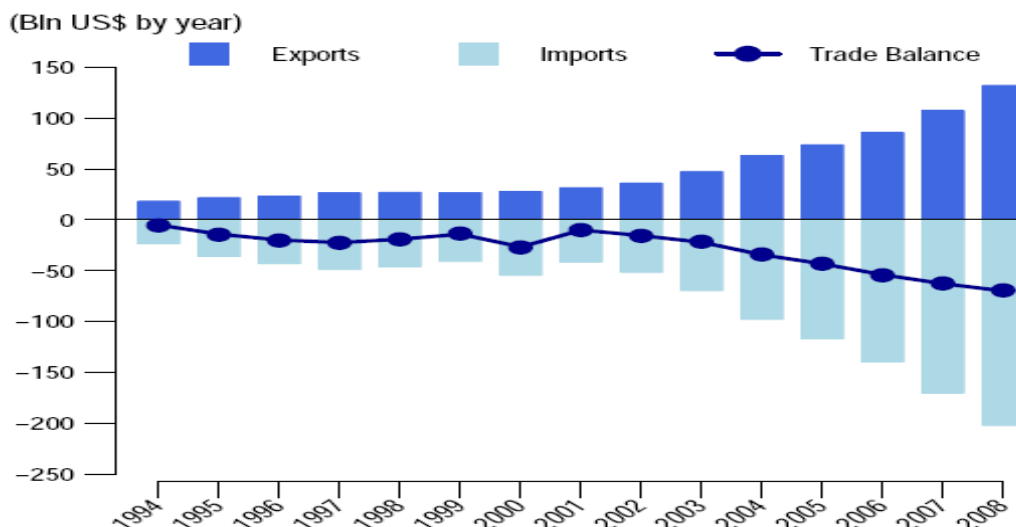
Furthermore educated people, especially the young ones, face high rates of unemployment in Southern Anatolia, compared to all other regions of the country. Agricultural employment rate is higher in the Black Sea than in Marmara region. The lowest rate of employment in services owns the Black Sea region.

2.3 Turkey's foreign trade

2.3.1 Imports exports and trade balance

The graph 2 below presents the evolution of imports, exports and trade balance over the last fifteen years. As we can see the trade deficit is very low in 1994, 1991 and 2001 and then year by year becomes higher. In 2008 Turkey has the highest trade deficit all over the past 14 years.

Graph 2: Total imports exports and trade balance



Source: UN COMTRADE

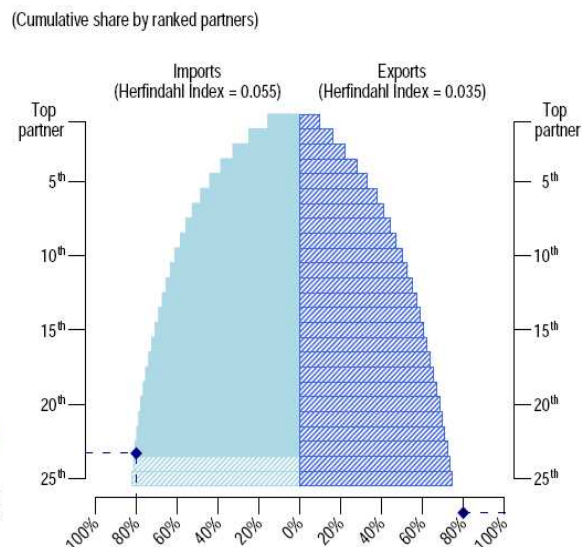
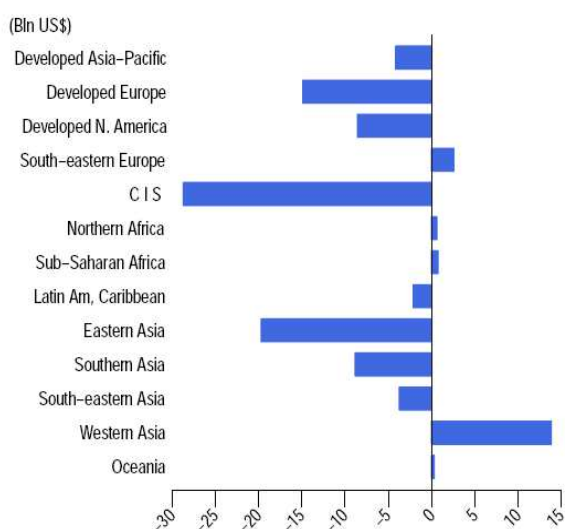
2.3.2 Trade balance by MDG regions.

The Graph 3 below presents for 2008 the trade balance by regions according to the regions used in the Millennium Development Goal (MDG) Indicator Database. We can very easily notice that trade is positive for regions such as Western Asia, Northern Africa, Sub-Saharan Africa and South Eastern Europe and negative for the rest of the regions mentioned.

2.3.3 Partner concentration of trade.

The Graph 4 below (UN, COMTRADE, 2009) shows the partner concentration of imports and exports of Turkey for 2008.

Graph 3: Trade Balance by MDG Regions in 2008	Graph 4: Partner concentration of trade in 2008
---	---



Source: UN COMTRADE

2.3.4 Imports, exports of goods and services and trade deficit in relation to EU and EU pre-accession neighboring countries

In terms of imports, exports of goods and services and trade deficit, Turkey economy is in the best position in comparison to its close or more remote Balkan neighbours: Greece, Romania, Bulgaria and FYROM. Table 6 compares those countries' figures for the years 2006 to 2009. In 2008, Turkey presented a surplus to its trade which amounted to 9.05 Mrd Euros compared to 21.5 Mrd Euros trade deficit for Greece, 14.98 for Romania and 7.77 for Bulgaria.

A more representative situation is depicted in the Table 7 which shows the trade deficit as % of GDP, among the above mentioned countries. Turkey presents a 2% of GDP surplus trade in the year 2008, compared to 8.85 % for Greece, 12.64 % for Romania, 22.8 % for Bulgaria (which are all already EU member states) and 26 5% for FYROM which is an EU pre-accession country.

COUNTRY	Table 6: Imports, exports of goods and services, trade deficit											
	UNIT: Bn Euros											
	2006			2007			2008			2009		
	Imp	Exp	Trade Deficit	Imp	Exp	Trade Deficit	Imp	Exp	Trade Deficit-Surplus	Imp	Exp	Trade Deficit
TURKEY	97.06	79.76	17.3	107.5	87.32	20.18	96.46	105.51	9.05 (surplus)	109	106.34	2.66
GREECE	69.6	49.8	19.8	76.4	52.5	23.9	77.6	56.1	21.5	70.7	52.9	17.8
ROMANIA	36.01	26.25	9.76	42.38	28.75	13.63	51.72	36.74	14.98	44.36	34.1	10.26
BULGARIA	21	16.3	4.7	24.68	18.29	6.39	28.41	20.64	7.77	23.6	17.42	6.18
FYROM	3.32	2.39	0.93	4.09	3.02	1.07	5.01	3.35	1.66	4.4	2.92	1.48
<i>1 RO LEI=0.235 Euro, 1 MKD=0.016 Euro, 1 BU LEVA=0.511 Euro, 1 TYL=0.464 Euro</i>												
<i>Source: EU AMECO, own calculations</i>												

COUNTRY	Table 7: Trade deficit as % of GDP			
	2006	2007	2008	2009
TURKEY	4.91	5.1	2 surplus	0.5
GREECE	9.28	10.4	8.85	7.2
ROMANIA	12.4	14.05	12.64	8.6
BULGARIA	18.62	22.13	22.8	17.65
FYROM	18.71	18.9	26	22.22
<i>Source: EU AMECO</i>				

2.4 Labour Market

2.4.1 Population and internal migration

As we can see in Graph 5, there has been noted a considerable decrease in population growth and birth rate during the last 10 ten years.

There is also a great difference in growth between the less (eastern) and more (western) developed regions in Turkey due to continuous domestic migration. The chance to find a job in eastern region is very small. As a result people are forced to migrate to the western regions of Turkey. In addition huge income inequalities are the main cause of migration from eastern to western regions.

Furthermore, the armed conflicts with Kurds, have forced a considerable amount of Kurdish population to migrate from western to huge urban centres. Only a very small percentage of them have returned back to their homes or villages due to the prevailing insecurity and instability in the eastern areas.

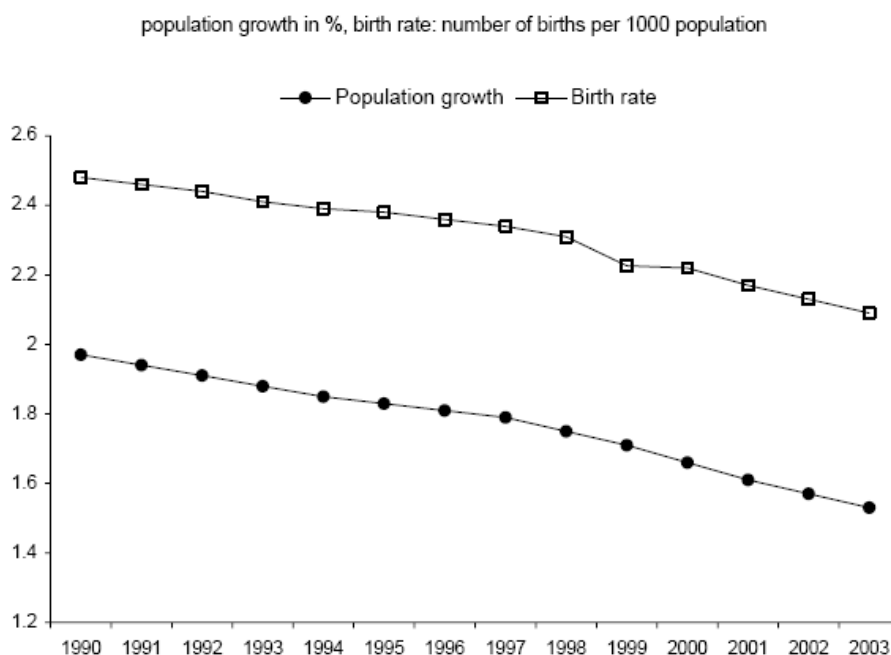
“Other reasons for the rural exodus are the standard push-and-pull factors (de Santis, 2003). The most important *push factors* are:

- the large proportion of the population living in villages.
- the relatively limited amount of arable land.
- low agricultural productivity (the value added per worker in agriculture was one fifth of that generated in manufacturing in 1995).
- poor quality of life and little expectation of future improvement (viz. the high infant mortality rate: 7-8% in the eastern regions as against 5% in the western regions).

Among the most important *pull factors* are:

- the high demand for labour in manufacturing, particularly in Istanbul and Izmir (about 1.3 million jobs were created by manufacturing and services over the period 1988-1994, and a further 1 million jobs over the period 1995-2000).
- higher wages in manufacturing than in agriculture.
- job security offering a continuous source of income and social security together with hopes of permanent, formally regulated employment.
- the better quality of life in urban areas.
- better access to subsidized public services (schools, health care). Yet another motivation for migrating to urban areas might be the further cuts in farming subsidies, given the need to keep public finances under control after the economic crisis in 2001”.

Graph 5: Turkey: population growth and birth rate

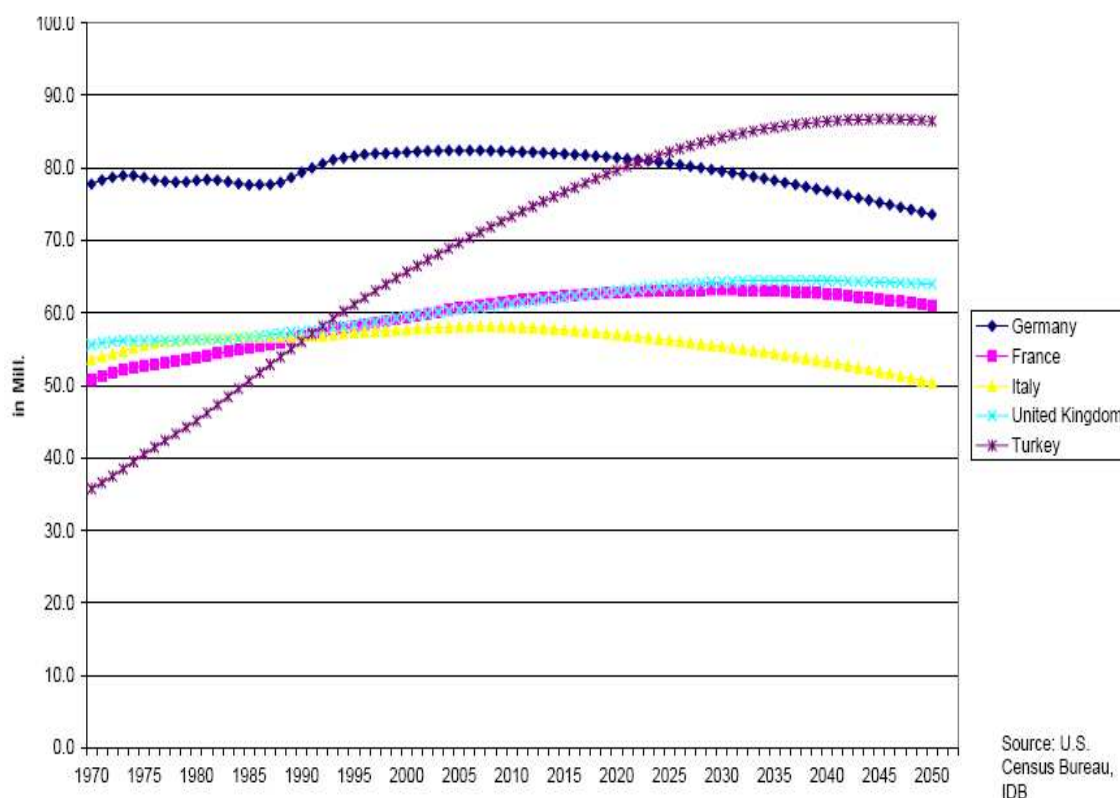


Source: State Institute of Statistics.

There is also a significant difference in demographic structure (Gros D., 2005) between Turkey and EU especially in the ages before 14 and after 65 years, although there are similarities in the age between 15 and 65. People more than 65 years old amount to the 6% of Turkish population while the percentage in Europe is 17 %, due to the latter's continuously ageing population.

Additionally, contrary to the fact that (Gros D., 2005) Turkish population is always increasing the rate of this increase is always slowing down little by little. According to Graph 6 European population shows a considerably slow growth, while Turkish population has almost doubled in the last 30 years. The forecast for the next decades is that Turkish population will increase by 30%, something that proves that the population's growth rate is slowing down. The fact is that Turkey will be in the future the most dynamic country concerning population in Europe.

Graph 6: Demographic relations between Turkey and Europe



Source: OECD, EUROSTAT

Furthermore, population (Gros D., 2005) is highly connected with economic growth if the unemployment rate is low. This means that if the population between 15 and 65 years old grows significantly and this specific part of population is employed, then the per capita GDP and economic development also increases. In that terms Turkey is considerably privileged against EU member countries which don't have the same dynamic.

As we can see in Table 8 Turkey has the lower ratio of total employment to total population even if the amount of employed people is the

highest, because of the lowest ratio in the 15-64 Age Group. Similar disparities can also be found in Europe and Sweden or Norway. One possible explanation for Turkey's low rates is the small participation of women in the labour market.

In conclusion, while the working age population has increased considerably, unemployment is high. What needs to be done in that case is a connection between working age population and high employment which will grant Turkey a demographic benefit against other countries and will have as result an economic development.

Table 8: Employment concerning specific age groups, 2002

	Employment (thousands)	(15-64) Age Group/ Total Pop	Total Emp./ (15-64) Age Group	Total Employment/ Total Pop
	(1)	(2)	(3)	(4)**
Bulgaria	2998	0.68	0.55	0.37
Czech Rep.	4760	0.70	0.67	0.46
Hungary	3855	0.68	0.55	0.37
Poland	13782	0.67	0.52	0.35
Romania	7745	0.68	0.52	0.35
Turkey *	20836	0.64	0.44	0.28

Source: Calculated from EUROSTAT, SY, SIS.

* Year 2000.

** (4)=(2)x(3).

2.4.2 Employment

Table 9 shows employment by branch of activity in Turkey.

BRANCH OF ACTIVITY	Table 9: Employment by branch of activity UNIT: 1000				
	JAN 09	FEB 09	MAR 09	APR 09	MAY 09
Agriculture fo- resting hunting and fishing	4.342	4.391	4.572	4.965	5.422
Mining and quarrying	81	85	85	88	94
Manufacturing	3.950	3.880	3.827	3.814	3.829
Electricity gas and water	80	87	82	79	74
Construction	990	976	1.062	1.157	1.296
Wholesale and retail trade	4.444	4359	4.374	4.372	4.503

Transportation communication and storage	1.033	1.040	1.052	1.074	1.116
Finance insurance and real estate	1.215	1.265	1304	1.336	1.343
Social and personal services	3.737	3.697	3.790	3.812	3779
<i>Source: CBRT</i>					

The branches with the highest rate of employment of Turkish population are agriculture, forestry, hunting and fishing, manufacturing and wholesale and retail trade. All branches present an increase in the number of employees except from the branch of electricity gas and water which presents a minor decrease in May 2009.

The table 10 shows the total labour force as percentage of population among countries which are already EU or EU pre-accession countries in the close vicinity of Turkey.

COUNTRY	Table 10: Total labour force as percentage of population					
	2004	2005	2006	2007	2008	2009
TURKEY	33.23	33.6	33.74	34.17	35.10	35.48
GREECE	44.38	44.52	45	45.27	45.52	45.68
ROMANIA	47.57	46.46	46.87	46.65	46.46	46.51
BULGARIA	50.15	50.49	51.65	52.14	53.21	52.9
FYROM	38.12	38.58	39.31	40.24	40.68	41.16
<i>Source: EU AMECO own calculations</i>						

In this case, Turkey is behind countries such as Greece, Romania, Bulgaria even FYROM, contrary to the fact that Turkey is the biggest country concerning population .

2.4.3 Informal employment

Many Turkish workers are hired in the informal sector. (OECD, 2008).Although their exact number cannot be identified the SIS has included an informal sector survey in its regular workforce.

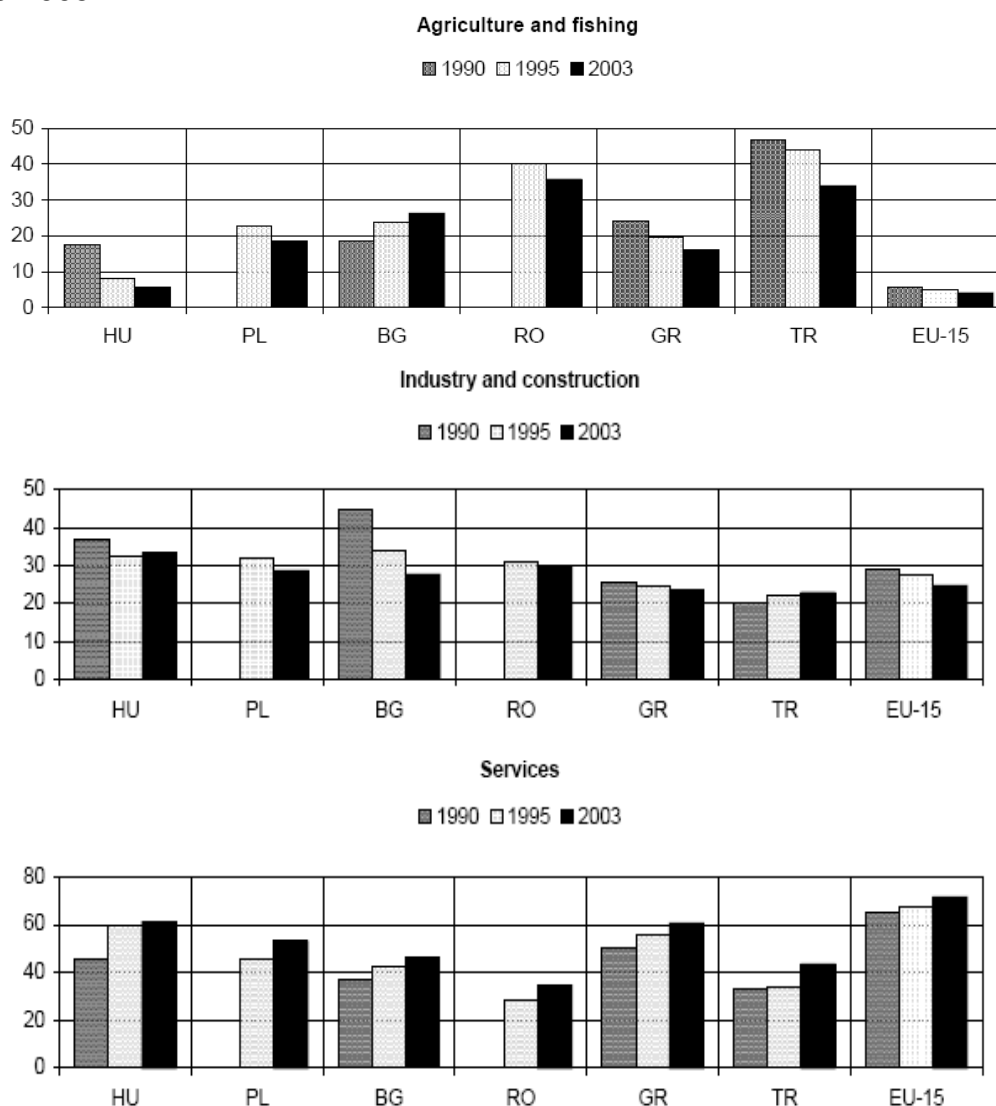
The declaration and integration of workers in the informal sector influences the rate of employment and unemployment in the country. There is a great doubt whether this has to be done or not. For example, (SIS, 2008) informal workers amount up to about 15% of total workforce. If somebody wants to include agriculture the percentage is higher. Informal workers (OECD, 2008) amount up to 50% of total employment including agriculture and about 40% excluding agriculture. In the aforementioned rates have been included workers who have no security at all, but again there are many doubts about their exact number because there is no official registration of them. The final number can very easily change if we take into account the foreign undeclared workers.

2.4.4 Part-time work

The part-time work (SIS, 2008) in Turkey amount up to 10% of total workforce, while in European countries the same percentage is almost double.

Additionally part time workers in Turkey outnumber part time workers in its immediate vicinity such as Bulgaria and Greece, but they are less in Romania. This happens mainly due to the small participation of women in the total workforce and labour market, and because of the fact that services sector in Turkey are not so much developed as in Europe. It is also a common policy for all countries that countries with developed services sector have high number of part time workers.

Table 11: Employment patterns in selected EU countries and Turkey 1990-2003



Sources: wiw Database incorporating national statistics; wiw calculations using AMECO; State Institute of Statistics.

As we can see in Table 11, agriculture and fishing amounts up to 32 % of total employment as against 3% for EU-15 in 2003. Turkey's rate in this section is about similar to Romania's rate. Industry and construction amounts up to about 21% of total employment for Turkey and EU-15. Furthermore, in 2003 services section in Turkey amounted to about 40% of total employment as against 63% in EU-15. Turkey's rate concerning services sector is about the same with Bulgaria in 2003.

2.4.5 Unemployment

Overall unemployment stood at an average rate of 10.3% in 2004 that is less than Greece, Bulgaria and Poland, falling to 8.5% in 2007 (less than Poland- EU member state) and increasing steadily thereafter, reaching 13,1% in 2009 which is the biggest rate among the countries listed in the table 12, mainly due to the recent economic crisis.

COUNTRY	Table 12: Unemployment as percentage of civilian labour force among selected EU countries					
	2004	2005	2006	2007	2008	2009
TURKEY	10.3	10.2	9.9	8.5	9.4	13.1
GREECE	10.5	9.9	8.9	8.3	7.7	9.1
ROMANIA	8.1	7.2	7.3	6.4	5.8	8
BULGARIA	12.1	10.1	9	6.9	5.6	7.3
POLAND	19	17.8	13.9	9.6	7.1	9.9
HUNGARY	6.1	7.2	7.5	7.4	7.8	9.5
EU 16	9	9	8.3	7.5	7.5	9.9
EU 27	9	8.9	8.2	7.1	7	9.4

Source: EU AMECO,, SIS

2.4.6 Labor market flexibility

As we can see in Table 13 Turkey is a country with very small margins of flexibility (3.8), compared to countries such as France (3) and Italy (0.5). According to the table 13 the higher the flexibility indicator is the smaller the flexibility margin. Rich countries have usually more restrictive legislation which limits dramatically the implementation of flexibility. Turkey and UK seem to be an exception to this rule while Poland's indicator (1.6) seems to confirm it.

Table 13: Labour market flexibility

France	3.0
Germany	2.5
UK	0.5
Italy	3.3
Poland	1.6
Turkey	3.8

*A higher value signifies more restrictive labour market relations.

Source: OECD.

Limited implementation of flexibility establishes a significant barrier to a country's economic development, because it is very possible for the companies to lose huge amount of revenues due to low wages. Formal legislation concerning flexibility in the labour market is mainly implemented in the formal sector. On the other hand, it can't be implemented in the informal sector because nobody can really track and register the real number of its workers.

2.4.7 Child labour

The table 14 shows basic indicators of child labour force in Turkey. As we can see the employed children in 1999 between 6 and 17 years amounted to 1630000, less than it was in 1994. The ratio of employment for this league of workers was 10,3% in 1999 and 15,2% Most of them work in rural regions, where there is less development and formal employment compared to the urban areas. There is also a significant decrease in the above figures in 2006 with the ratio of employment between 6 and 17 years to drop to 5,9 %. This drop took place (Turkstat, 2006) because Turkey signed in 1998 the ILO Convention 138 according to which the minimum age of child labour was established to 15 years. A further drop took place in 2006 because of the ratification of ILO Convention 182, signed in 2001. Another reason for this decrease in the reported rates is that in 1990's there was a dramatic decline in the agricultural sector.

Table 14: Indicators of the child labour force
Unit 1000

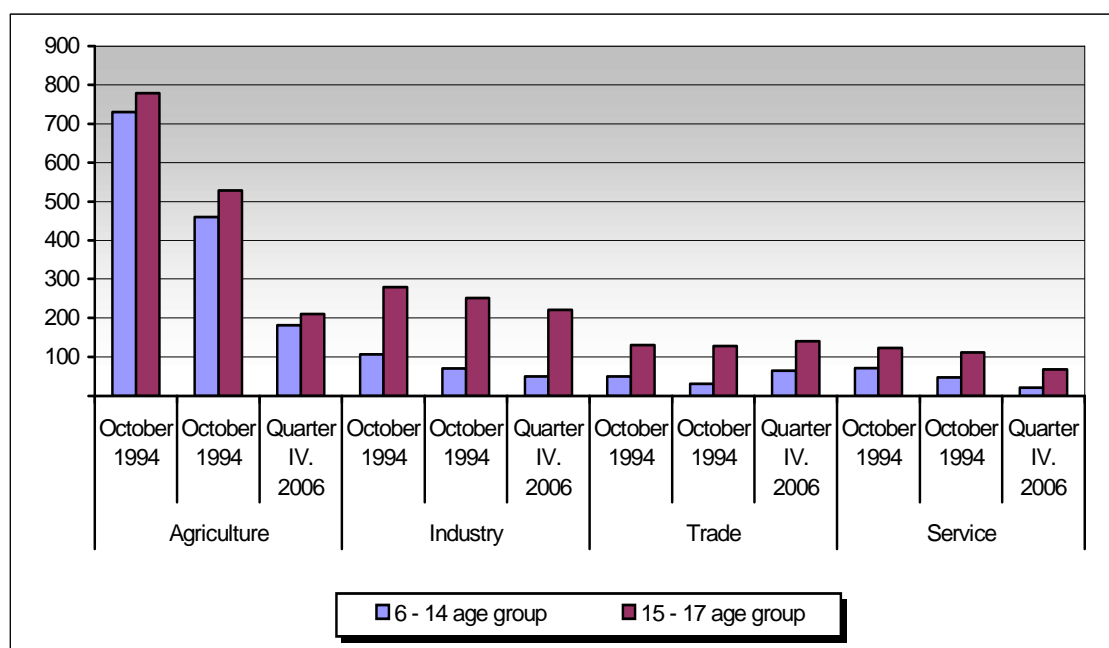
	October 1994	October 1999	2006 October-November- December
Non-institutional civilian population	59.736	65.422	72.957
Population between 0-5 age group	8.469	7.930	8.479
Population between 6-17 age group	14.968	15.821	16.264
Employed (6 years old and over)	20.984	22.124	22.963
Employed (6-17 age group)	2.269	1.630	958
The ratio of employment (6-17 age group)	15.2	10.3	5.9
Urban	611	478	457
Rural	1.659	1.151	502
Male	1.372	955	632
Female	898	975	326
Agriculture	1.510	990	392
Non-agriculture	759	640	566
Regular or casual employee	648	617	513
Self employed or employer	52	28	26
Unpaid family worker	1.570	985	420

Source: Turkstat,2006

The main reasons that fuel child labour can be poverty, education, region they live, family tradition, culture, and population growth (Bulutay T., 1995), (Tunali I., 1996). On the other hand children dealing with household chores (laundry, dishwashing, cleaning) come from poor families and contribute to the increase of the family income (ETF, 2004).

Graph 7 depicts the amount of employed children by sector. We can very easily notice that the number of employed children belonging to 6-14 age group decreases after 1994 due the relative legislation mentioned above.

Graph 7: Employed children by sector



Source: Turkstat, 2006

2.4.8 Migration

From 1961 to 1973 Turkey signed many agreements concerning migration with countries such as Germany, France and Scandinavian countries. After the oil crisis that took place in 1973 the migration wave came to an end. Turkish migration was fuelled again after 1980, due to Kurdish refugees and refugees from Afghanistan Iran and Iraq seeking political asylum (OECD, 2004).

Nowadays, most of the population tend to immigrate to Germany, Bulgaria and Turkish Republic of Northern Cyprus. Most of them come from rural areas. Nevertheless, over the last decade there has been an increase of immigrants with high education in European countries and the US (Kirişçi K. , 2003 and 2004). There is also a yearly migration of about 1000 high educated people from Turkey to other countries (OECD, 2008).

Over the two last decades, Turkey has also faced the problem of migration from neighbouring countries. Most of them work without any kind of

security and its number is estimated up to 1000000 workers (Kirişçi K., 2003). They are usually employed to agricultural works and household chores.

It is also clear that most of the Turkish people migrate due to financial problems and this indicates that the strong immigration takes place due to low incomes, poverty and low development. What Turkey has to do in this case is to continue its reform process and achieve an EU-membership accession period without problems. Nevertheless, when and how EU membership can be reached is rather doubtful.

Tables 15 and 16 show the amount of immigration for male and female population by countries and by provinces

COUNTRY	MALE	FEMALE	TOTAL
Germany	40670	33066	73736
Bulgaria	12994	14476	27470
Turkish Republic of Northern Cyprus	8805	5039	13844
Azerbaijan	4554	4573	9127
Russian Federation	5606	3020	8626

Source: Turkstat, 2009

PROVINCE	MALE	FEMALE	TOTAL
Ankara	10055	7605	17660
Antalya	5269	4733	4733
Bursa	9134	8814	8814
Istanbul	24409	25235	25235
Izmir	9440	8585	8585

Source: Turkstat, 2009

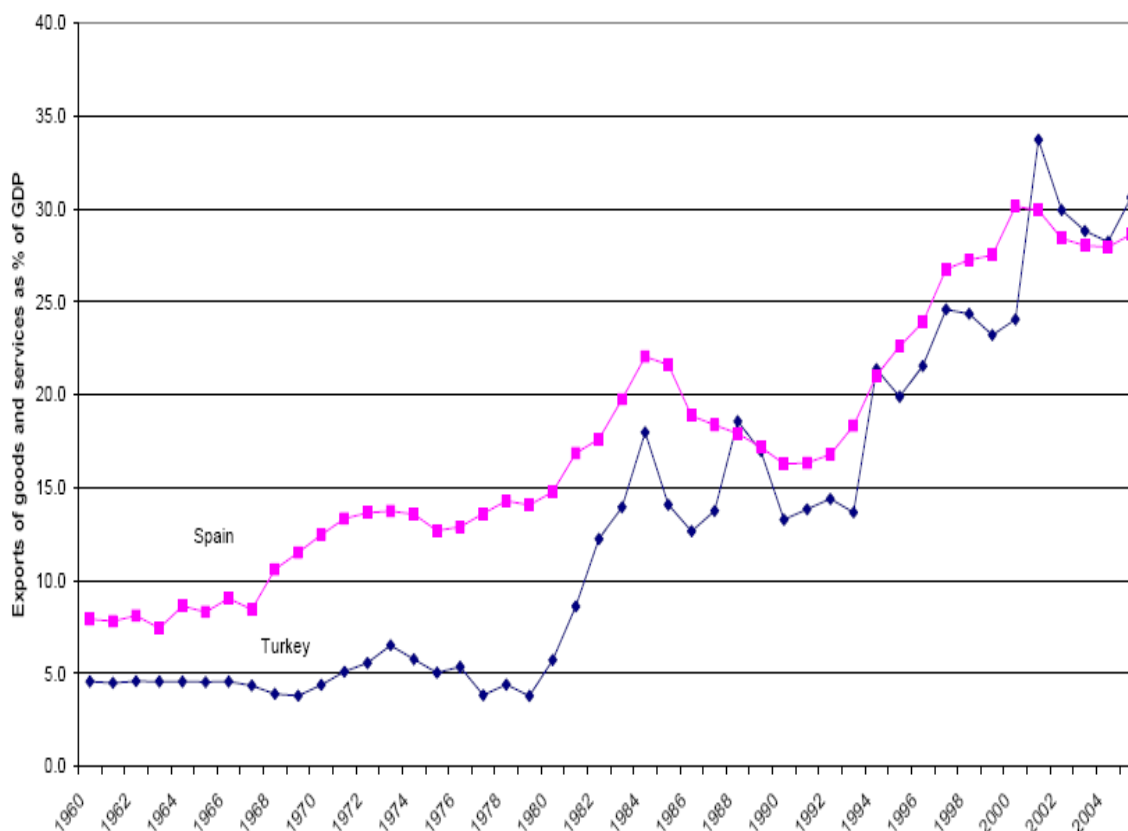
2.5 Trade Integration and human capital accumulation

2.5.1 Trade integration and the EU-Turkey customs union

Many experts (Gros D., 2005) hold the opinion that Turkey has been granted a “specific financial treatment”, mainly because of the Customs Union Agenda, described in Chapter 1, which later on had the possibility to lead Turkey to EU membership.

Graph 8 below, delineates Turkish economy openness compared to Spain which is already a member state. As we can see, before 1980 Turkey had a closed economy. Exports of goods and services were no more than 5% of GDP. Thereafter its economy started to open because of its reform and the percentage climbed to 17% in 1984, 18% in 1988 and 22% in 1995. It seems that Customs Union in that case functioned really favourably for Turkey, because after 1995 the percentage boosted to 33% in 2001.

Graph 8: Openness in Economy for Spain and Turkey



Source: Eurostat.

COUNTRY	Table 17: Exports UNIT: % GDP
	2009
TURKEY	23,97
GREECE	21,5
ROMANIA	28,6
BULGARIA	51,2
FYROM	43,84

Source: EU AMECO, own calculations

Table 17 presents the exports of Turkey in relation to the exports of other countries in its close vicinity for 2009. Turkey is behind countries such as Romania and Bulgaria, which are relatively new EU member states, even behind FYROM which is EU pre-accession member state. Many believe that the low performance of Turkey occurs because of its geographical position and this is a quite wise explanation.

2.5.2 Human capital

The quality of labour workforce plays a significant role to the development of an economy (Gros D., 2005), because it is well connected with the so-called “human capital”. Table 18 show the total expenditure on education as percentage of GDP and the percentage of population with upper secondary education. In the first case Turkey (3,91%) is behind Portugal (5,69%) which is EU member state and behind even Poland (5,31%) and Hungary (5,15%) which are relatively new members

Table 18: Total expenditure on education and adult population with upper secondary education

	Total expenditure on education as % of GDP	% of adult population with upper secondary education
Turkey	3.91	24.3
Poland	5.31	45.9
Portugal	5.69	19.8
Greece	3.86	51.4
Hungary	5.15	70.2

Source: OECD.

In the second case Turkey (24,3%) is again behind Poland (45,9%) and Hungary (70,2%).

Table 19, on the other hand, shows the percentage of the population that has attained at least upper secondary education, by age group. The situation is about the same. Turkey is again behind countries such as Poland and Greece, which seem to emphasize on the upper secondary education, especially for the ages between 25 and 34 years old.

Table 19: Percentage of the population that has attained at least upper secondary education, by age group

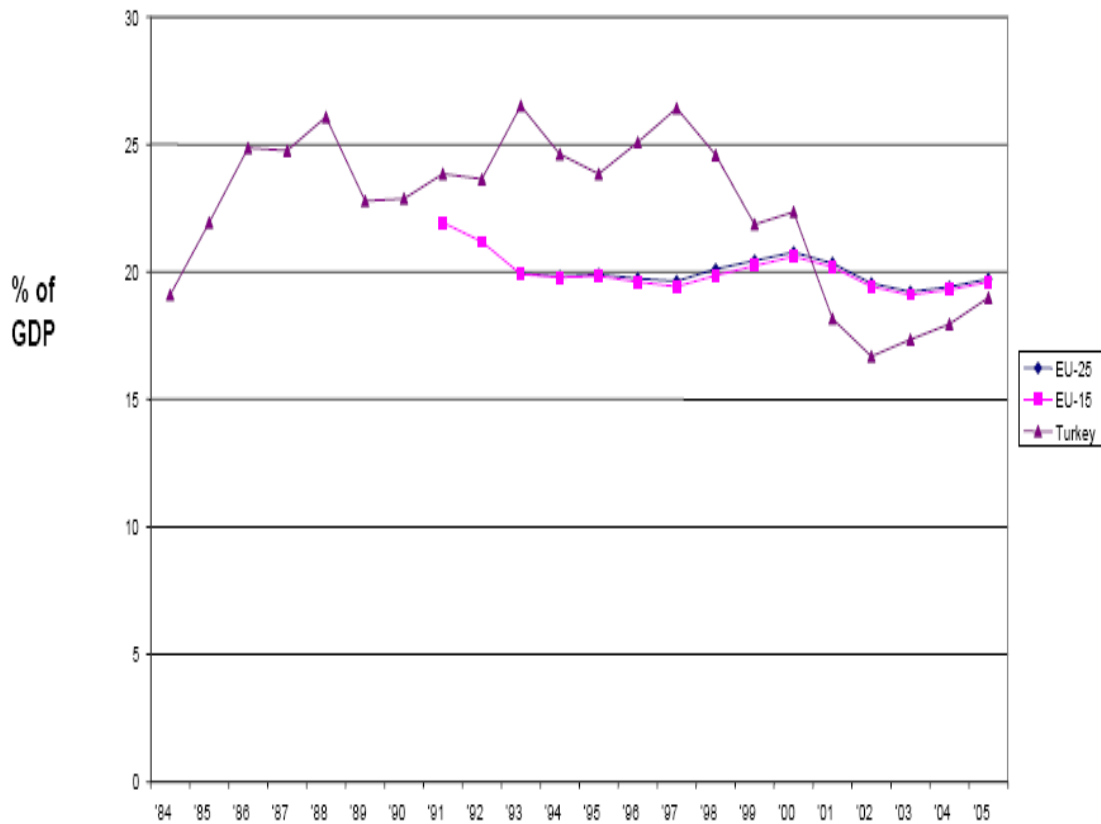
	Age group				
	25-64	25-34	35-44	45-54	55-64
Poland	45.9	51.7	47.5	44.5	36.4
Portugal	19.9	32.5	19.9	13.6	8.5
Greece	51.4	72.6	60.3	43.1	27.6
Turkey	24.3	30.2	23.5	19.2	13.3

Source: OECD.

2.5.3 Physical capital

Turkey's investment in physical capital reached the rate of 27% of GDP in 1997, whereas at the same date countries of the EU had much lower rate (19%), according to the Graph 9. Unfortunately, Turkey did not take advantage of this high rate in order to achieve even higher economic development, mainly because (Kirişçi K., 2005) of the fact that politicians interfered with the above mentioned investment in such a point, so as to cause its distortion. As a result, those who kept their connections with the political system enjoyed the advantage of deriving cheap capitals in contrast to the others who didn't.

Graph 9: Investment as percentage of GDP



Source: OECD

As a consequence the investments didn't have the expected performance and a significant crisis followed. Summarizing, the right solution for Turkey to combat this kind of crisis is to find a mechanism to eliminate the corruption in governmental circles.

2.5.4 Institutions

Competitive indicators shown in Table 20 show us in simple words how the Institutions function within a financial system. As we can see below, even if Turkey is not an EU member state is ahead in competitiveness with a score of 4.16 and a rank of 61 compared to the score and rank of its immediate neighbours such as Romania, Greece, and Bulgaria. Nevertheless, Turkey has a lot of work to do concerning the transformation of Institutions in order to reach the European average. Transforming the Institutions presupposes the establishment of a healthy plan that might take many years. Some others support (Rodrik D., 2004) that if the reform of the Institutions begins, then the first indication of economic development will arise soon.

Table 20: Competitive indicators

Table 20: Global Competitive Index			
COUNTRY	2009-2010		2008-2009
	RANK	SCORE	RANK
Switzerland	1	5.6	2
Germany	7	5.37	7
Spain	33	4.59	29
Cyprus	34	4.57	40
Hungary	58	4.22	62
Turkey	61	4.16	65
Romania	64	4.11	68
Greece	71	4.04	67
Bulgaria	76	4.02	76

Source: World Economic Forum

2.6 Foreign direct investment (FDI)

2.6.1 Introduction

Although Turkey is a country in which foreign investors can increase their profits because of cheap workforce, updated communications and infrastructure, easy access to the most advanced labour markets, is not as attractive as somebody would expect concerning foreign direct investment.

2.6.2 The Critical Role of Foreign Direct Investment

The main problem (Uppenbergs & Reiss, 2004) of Turkey is that there is not enough generation of interior funds in order to finance the necessary investments so as to keep development rates in the appropriate levels according to EU standards. The problem for all EU member states is how they will finance new investments from national funds. The problem can be solved by feeding deficits of current account from funds emanating from FDI. These funds bear no similarity to other kind of funds (for example

domestic funds) and consequently Turkey cannot take advantage of them in short term basis.

Furthermore FDI have a stronger potential than other investment a country might decide to finance. In case there is a lack of interior funds and infrastructure the acquisition of FDI is then crucial. Turkey has made over the last 30 years a remarkable effort to establish an integration plan with the economy of the rest of the world.

The main barrier preventing foreign investors from investing in Turkey is an ongoing existing political and financial instability. Additionally the high degree of bureaucracy in Institutions and the inflexible legislation has kept FDI in low levels.

When AKP took over (Uppenberg & Reiss, 2004) the administration decided to take the appropriate measures in order to facilitate FDI growth. In that sense a new legislation came into action according to which a brand new market was generated, according to the global needs and free of corruption. International standards were adopted in order to take into account their legal rights avoiding bureaucracy making the whole system more flexible.

Additionally a Committee was set up in order to eliminate the barriers against FDI. This Committee was composed of the relative ministries representatives in order to accomplish its mission. The final result was remarkable. Turkey has now one of the simplest mechanisms for somebody who wants to create a business from scratch.

Table 21 shows the foreign direct investment rate as percentage of GDP among countries such as Turkey, Greece, Romania, Bulgaria, Slovakia, Slovenia and Cyprus. Turkey's rate is between 0.2 and 0.3% from 2003 to 2007, while Cyprus seems to have the highest rate among those countries.

COUNTRY	Table 21: Foreign direct investment as percentage of GDP					
	2003	2004	2005	2006	2007	2008
TURKEY	0.2	0.2	0.2	0.2	0.3	-
GREECE	-	0.4	0.6	1.6	1.7	0.7
ROMANIA	-	-	-	-	0.3	-0.1
BULGARIA	0.1	-0.8	1.1	0.5	0.7	1.4
SLOVAKIA	0.7	-0.1	0.3	0.9	0.5	0.3
SLOVENIA	1.8	1.4	1.9	2.4	4	2.6
CYPRUS	4.3	4.4	3.3	4.8	5.6	5.9

Source: Eurostat

Turkey could quite well take advantage of the opening of the negotiations for full EU membership in order to improve the investment climate and increase FDI. The results could also have been extraordinary if the EU membership prospect would have been coordinated with the flexible legislation described above and updated technology infrastructure (Uppenberg & Reiss, 2004). Unfortunately, according to Table 21 the presented rates of Turkey are rather disappointing.

A significant factor which influences positively the FDI is how effectively governance is exerted. Rule of law, external liberalization and bureaucracy influence in turn the amount of foreign investments a country

retains (Kinoshita & Campos, 2004). The performance of Turkey concerning external liberalization and bureaucracy is rather disappointing (Dervis, 2004).

2.6.3 FDI environment

Domestic funds are attracted by a healthy FDI environment (UNCAD, 1999). It usually facilitates the domestic investments to become active and has some useful assets such as FDI laws, motives and investment development.

In order to attract more investors, Turkey announced a plan in 1995, according to which the investors would be granted a number of privileges. Although FDI legislation in Turkey is favourable to the alleged investors, is very poor concerning privatisation and infrastructure, which in turn prevented huge investments (Euromoney, 2000; Middle East Economic Digest, 1999; Institutional Investor Americas, 1999).

Table 22 shows the FDI environment for selected countries, such as Ireland, Hungary, Greece, Turkey, Czech Republic, Poland and Russia. The higher the indicator is the worst the country's performance. The worst countries are Poland and Russia. Ireland is the best performing country. Turkey is close to the average performance of the selected countries.

FACTOR	Table 22: FDI environment (ranking out of 47 countries)						
	COUNTRY						
	IRELAND	HUNGARY	GREECE	TURKEY	CZECH REPUBLIC	POLAND	RUSSIA
Protectionism does not prevent import of foreign products	5	24	14	14	18	38	46
Foreign investors are free to acquire control in a domestic company	2	14	15	17	20	38	46
Foreign companies are treated equally to domestic	6	34	15	14	36	45	47
Public sector contracts are open to foreign bidders	2	18	22	15	27	34	47
Cross border ventures can be negotiated with foreign partners	3	12	15	24	27	43	45

FACTOR	Table 22: FDI environment (ranking out of 47 countries)						
	COUNTRY						
	IRELAND	HUNGARY	GREECE	TURKEY	CZECH REPUBLIC	POLAND	RUSSIA
without government							
Investment protection schemes are available for foreign partner countries	14	1	12	18	24	34	47
Investment incentives are attractive to foreign investors	1	5	29	19	36	15	47
National culture is open to foreign influence	9	20	19	28	42	29	30
Immigration laws do not prevent employment of foreign labour	28	11	12	15	22	41	44
Total	70	139	153	164	252	317	399
Score	7.8	15.4	17	18.2	28	35.2	44.3

Source: IMD 2005

2.6.4 Political-institutional environment

It is widely accepted that a healthy economic and political system facilitate FDI growth (Michalet C., 1997). As also mentioned above flexible FDI laws and the elimination of bureaucracy facilitate FDI. Additionally, there is a great amount of people in Turkey who have a lack of trust against FDI.

Additionally, Turkey has low performance concerning institutions. When political instability is mixed with monetary instability and steady rise of prices then the final outcome is negative for FDI (Loewendahl, 1998). Continuous inflation tantalizes Turkey over the past 20 years and undermines competitiveness, FDI and finally Turkey's financial dynamic.

CHAPTER 3: POLITICAL BARRIERS AGAINST EU MEMBERSHIP AND THE REFORM REVOLUTION

3.1 Nationalism

3.1.1 Introduction

History has proved that nationalism has always been inherent in Turkey. The presence of this trend has been grown over the past centuries by political and military circles. This presence was further boosted when Armenian Journalist Hrant Dink was murdered in 2007. This paved the way for many articles in the public press and escalated the whole situation (The Economist, 2007). When after some time everybody was about to forget this specific event some other articles emerged to offer food for thought to the public opinion (Taspmar O., 2008). Because of this fact the European support for Turkey's EU membership started to decrease once again.

3.1.2 Nationalism in the 1990s

Many experts wonder how the rise of nationalism in Turkey can be proved. Apart from the fact that Turkish public opinion is reserved about Turkey's EU prospect there is also a common sentiment against United States of America. According to a recent exit poll half of the respondents said that they had the feeling that nationalism was rising and less than 40% that they had nowadays more nationalistic sentiments than in the past (Associated Press, 2007).

Evidence that prove the rise of Nationalism can also be considered the killing of ethnic minorities. Apart from the murder of the Armenian Journalist, violent actions and murders took place against Christians and Catholics in 2006. Another factor that boosted nationalism was the election of National Movement Party (MHP) in Turkish Parliament.

Furthermore there are four parties in Turkish Parliament three of which have nationalistic ideas, one of which is Party Kankaren Kurdistan (PKK). The ruling party Justice and Development Party is willing to find a solution to the problem having the vision of the EU prospect (Taspmar O., 2008). The opposition Party (Republican People's Party) is increasingly opposed to the ruling Party, resulting in the rise of Nationalism. Armed conflicts between Turkish and Kurdish people also strengthen nationalism.

The phenomenon of Nationalism is not new in Turkey and thrived in the 1990s. It is very important to examine the period after 1995 when military circles stressed the fact that Turkish Nation could be well threatened by Islamist and Kurdish nationalism (Ebru B., 2006). This is based on the fact that Turkish-Kurdish relation was escalated that specific period and the Islamist Party was elected in the Turkish Parliament. In addition to that, the sense mainly created by military circles, that the government had decided a political route in order to cope with the global opportunities and challenges, could very well render Turkey substitute to international organisations and Nationalism, grew as an antidote to that trend.

On the other hand (Ebru B., 2006) it is widely known that political Islam is not compatible with Nationalism. This trend represents the Refah Party (Islamist Party) in Turkish Parliament. Furthermore Kemalism is closely connected with Nationalism and any kind of threat to Kemalism is perceived as a general threat against the Turkish Nation. Additionally, there is a common practice in Turkish political parties to bear nationalistic sentiments to form their political actions. Any form of political disagreement can very easily lead to a political recourse to nationalism. This is a very wise explanation why political turmoil can pave the way for a sharp increase in Nationalism.

There are some major events that took place in the past and have Nationalism as a resort. The Economic Crisis and hyperinflation that took place in 2001 had as their successors Kurdish and Islamist trends, which could undermine severely the Turkish Nation (Ebru, B., 2006). The sentiment of a Kurdish threat disappeared after the political decline of the PKK which led to the capture of Abdullah Ocalan. As a result, armed conflicts came to an end and peace prevailed for about five years.

Furthermore, the ruling Justice and Development Party seemed to renounce Islamism and try mechanisms to avoid political conflicts and escalations. Of course, we can't ignore the fact that when the Izmit earthquake took place in 1999, the voluntary help to Turkey from other countries, especially neighbouring Greece, was a strong blow against nationalism, contrary to what political circles in Turkey supported.

3.1.3 Nationalism during 2004-2008 period.

After the recovery of the 2001 economic crisis (Ebru, B., 2006) some major incidents leading to the decline of nationalism were very quickly forgotten. The Turkish economy started to develop continuously and after 2004 the PKK decided to restart armed conflicts and escalate tension with Turkey. The whole atmosphere looked alike the events of the 1990s. Armed conflicts were culminated in 2007 with Kurdish demonstration protests and the creation of a new terrorist group named Freedom Falcons of Liberation Hawks. They were supposed to be a PKK branch. This group assumed the responsibility for a bombing action that took place in 2005 and 2006, causing violence, terror and political instability.

The US invasion in Iraq in 2003 and the fact that the US denied to help Turkey to destroy PKK installations in northern Iraq, was partly a reason for the escalation of the tension. This situation strengthened the hostile sentiments against the West and reinforced nationalism. Furthermore, that specific period had already started a legislative European pressure against Turkey for the global recognition of the Armenian genocide during the First World War. The timing of all those events was a significant determinant, which caused political turmoil, instability and insecurity for the Turkish population which considered nationalism as a defence mechanism.

3.1.4 Nationalism and the EU

There are many people wondering why the rise of nationalism could undermine Turkey's EU prospect. If we trace back the political experience of the past two decades, nationalism is not in favour of Turkey's

European prospect. Nationalist Movement Party (MHP) and Republican People's Party (CHP) are bearers of strong nationalist sentiments. Nevertheless, according to an exit poll which took place in 2003, people favourably attached to these parties were in favour of Turkey's EU membership, although the two parties are widely against European prospect of Turkey. (Negriz C., Tamr B., 2005). The strange thing is that the supporters of these two parties are more fervent supporters of Turkey's European prospect than the Justice and Development Party (AKP) (Carcoglou A., 2003). Nevertheless, increasing nationalism undermines Turkey's EU membership.

Additionally, the idea of EU membership is a matter of pride for Kemalists because according to their beliefs, Turkey's integration in Europe will automatically cause its westernization (Bardakci M., 2007). Apart from these beliefs the European dream of Turkey still seem to be remote, mainly because opposed European partners seem to underestimate Turkey's potential (Visier C., 2006). This hostile attitude of some European partner has been considered from Turkish people, social and political circles as an open opposition of Europe against EU membership of Turkey. In other words many believe that Europe does not want Turkey to be integrated EU and that in some cases they are treated in a different way than other EU pre-accession countries (Akcapar B., 2007).

The fact that Turkey rejected to open the Turkish Cypriot borders in 2006 slowed down the opening of negotiations and this was a strong blow for Turkey. The blow became even stronger when Cyprus was accepted as a full member by the EU, despite the fact that Annan's plan was rejected by Cypriots. Many also hold the opinion that Turkey's EU prospect fuel nationalism in Turkey. According to a recent exit poll, most of Turkish people believe that one of the main reasons for the rising nationalism is the negative attitude of other EU member states against their country.

The rise of Nationalism because of the European prospect is a significant barrier against huge efforts of the ruling party to achieve the reform in the financial and political system of Turkey, despite that some of its members bear anti-European sentiments. The transformation the government operated had a remarkable effect (Taspinar O., 2008) on Turkish population, because its main goal was to support and secure the interests of Turkish citizens.

As the AKP became during the next years stronger and stronger it seemed that EU support was not so necessary for the government because it had already strengthened its electoral base. Interesting Turkish national issues emanating from its culture and tradition such, as the "headscarf issue", (Bardakci M., 2007) has always been treated with scepticism in European circles. The opening of some chapters concerning the negotiations criteria did not necessarily mean a favourable treatment concerning EU integration. The road is long and there still a lot of things to be done.

3.2 The Kurdish question

3.2.1 EU objectives

The European Union is interested in Kurdish problem mainly because of Turkey's geographical and strategic position. Many issues tantalizing Turkey for many years and is of great concern to European partners have to do mainly with financial and political instability fuelled by Kurdish issue. This in turn could cause unpleasant developments in the immigration wave and the Turkish Iraqi borders.

The European Commission proposed the two opposite sides a peaceful solution to the problem which included generalities and without reinforcing violence by the formal recognition of the Kurdish identity. (European Commission, 1998). Later Turkey's EU progress reports suggested that the conflict could be solved by taking further measures to support human rights of Kurdish people such as freedom of expression or the return of the internally displaced persons (IDPs) (European Commission, 2004).

Since then Turkey's progress reports have become even more concrete and are mainly focused on human rights. European Union Committee puts a particular emphasis on the elimination of race discrimination, the freedom to express, associate and have religious beliefs.

The protection of minority rights is also a priority for EU. They have also suggested the elimination of corruption in order to ensure healthy governance. They have proposed active political Kurdish representation in Turkish Parliament, which will advocate democracy. (European Commission, 2007).

3.2.2 The evolution of the Kurdish issue

There is a great interest to examine how and to what extent Turkey implemented EU's suggestions. In the late 1990's many measures were taken in order to solve the problem, with a view to the protection of human rights according to EU directives. "This solution included the following measures (Joseph J., 2006):

- The freedom to publish and broadcast in Kurdish
- Private and public education in Kurdish
- The freedom to establish and operate Kurdish civil society associations, freedom of assembly and freedom of expressing non-violent political opinions
- Freedom of torture and access to fair trial. The abolition of state security courts. The abolition of the death penalty.
- Compensation and IDP return.
- Leading the state of emergency in law and practice and abolishing the village guard system.
- A general amnesty for all militants.
- Freedom to establish and operate political parties and a reduction 10 percent electoral threshold.
- The reduction of regional disparities and promotion of socioeconomic development in the southeast including through local autonomy".

The aforementioned proposal found its fervent supporters to PKK as an antidote to the fact that the specific period PKK was in decline especially after the capture of its leader. In the late 1990's the People's Democratic Party (HADEP) emphasized to the fact that Turkish government had to deal deeply not only with the human rights of Kurdish people but the human rights of other ethnic minorities. Additionally the party stressed the need to examine thoroughly the existence of multicultural entities in the Turkish nation. The same party supported full separation from Turkey, despite the fact that all this situation had nothing to do with PKK. There was a great opposition of Turkish people against these beliefs, while most of them considered that only the Kurdish problem could be solved on human rights basis approach. If the Kurdish problem had been faced on a collective basis referring also to other minorities, this would have put Turkish ethnic identity at stake.

Turgut Ozal had set up (Joseph J., 2006) a plan in the early 1990's based on fundamental human rights. The plan bore fruits because armed conflicts were eliminated, private property of Kurds was protected, torments and terror came to an end. This plan was established through radical transformation in the legislation and constitution of Turkey.

The right to speak and write in languages other than Turkish was allowed. Significant reforms also took place in the judicial system according to the international standards. Nevertheless, some parts of the legislation remained intact in order to prevent the separation of the state. Of course there have been some cases concerning the judicial system, according to which the reformed law was implemented partially or there had been much of misinterpretation. These cases brought about the strong protests of Kurdish side, who felt that there was a huge violation of their rights.

Furthermore the new judicial system foresaw the existence of translators in the Courts and the re-examination of cases that had been judged in contrary to the International Standards and International law. Death penalty was also abolished. There are many Kurdish people that were benefited from the new legislation and achieved the re-examination of their cases in the European Court of Human Rights.

According to the new measures the creation of an association serving Kurdish interests was also allowed. A supplementary legislation came into action in 2005, putting a ban on associations that advocate identities attached to culture or religion. Later on, the teacher's association stopped to function because they didn't teach in Turkish language.

As far as political parties are concerned, the new legislation was more flexible concerning its creation by receiving financial help of the state. Nevertheless, the virtual legal basis for constituting a political party and the language (Turkish) used in political meetings, Parliament or political debates in the media remained unchanged. Furthermore, the Turkish National Court decided to abolish HADEP on the grounds that this political party undermines severely the Turkish national cohesion and identity, causing political turmoil.

Notable reforms had been made in the area of the cultural rights. The parents had the right to name their children according to their wish. Nevertheless they had the obligation to use letters of the Turkish alphabet. Letters of the Kurdish alphabet were restricted. Art creations were also limited. Concerts and festivals by Kurdish were prohibited. The legal argument

supporting these actions was that art works especially Kurdish could very well undermine the integrity of Turkish Nation.

Furthermore, it is important to stress the importance of the reform process concerning the rights of other ethnic minorities. And it did not happen because of the immediate benefits it offered to Kurds. Nowadays, Turkish is the only language formally recognized in schools and universities. The question about human rights of all minorities is relatively fresh. However, if we try to isolate this event, it really shows the extent of reforms that nowadays take place in Turkey. (Sub committee on Minority Rights and Cultural Rights, 2004).

The reform process also allowed the media to broadcast in foreign languages. The legislation concerning the broadcasting was restricted later on by another supplementary law, according to which broadcasting was allowed under specific terms, for example the content of the broadcasting had to be approved first by the Turkish state.

Another provision for the Kurds the new law included was the fact that Kurdish language was only allowed in private lessons. This language was forbidden to be taught formally in schools and universities of Turkey. The reform created multiple problems that had to do with the overall function of the schools and universities. Finally the little amount of private school was forced to close down because of economical barriers.

Concerning the situation in Turkish Iraqi borders in 2003, the emergency state had been established and the escalation was huge, mainly because of the US attack in Iraq and fervent return of PKK. This caused the Turkish army to deploy after five years of ceasefire. The legislation in this case facilitated the return of the internally displaced persons and provided for their compensations. As far as compensations were concerned though, the criteria were thoroughly examined and the height of compensation was low. The facilitation of the IDP return on the other hand, was highly deterred from its initial goal it was planned in the first place by significant barriers such as poor infrastructure.

A significant effort was also made to achieve a reliable reform in the public administration area. This reform started in 2004 and stopped some months later because of president's veto. Nevertheless, a number of laws were voted to diminish corruption and promote accountability. The government decide to proceed to the establishment of twenty six new provinces according to the implementation of a new development plan (Ertugal E., 2005). Despite the fact that these efforts were made, the Turkish state has still a centralised administration and there are still a lot to be done for further improvement.

3.2.3 Things to be done

The most practical EU's suggestions towards the commonly accepted solution has to do with the creation of mechanisms that will facilitate the exercise of the above mentioned human rights and a strict ban on various misinterpretations and distortions of the amended legislation.

3.2.4 EU-Turkey relations

The fact that the Turkish question has widely been spread in Europe and to what extent it has been achieved is based on the motives that exist between EU-Turkey relationships.

The Kurdish issue drew little or no attention of Europe (Joseph J., 2006) in comparison with other ethnic minorities in European countries and became widely known only when the problem became sharp. Despite the fact that minority issues in Central and Eastern Countries are highly connected with security breaches in Europe, the Kurdish question was not treated in the same way by Europeans. When PKK was reactivated after the five years ceasefire while the September 2001 events had already taken place, Europe was less sensitive to the Kurdish question.

Many doubts about the political influence Europe exerted on Turkey were widely spread among the Turkish political circles because Europe was unwilling to integrate Turkey as a full member. These doubts were common secret and were never published openly and were fuelled by significant events (in 1997 the European Commission rejected Turkey from the opening of negotiations for EU membership and accepted negotiations with other Central and Eastern Countries)

Although Turkey made hard efforts to achieve its reform in political and financial system according to Copenhagen criteria, new criteria seemed to show up. These new criteria stemmed from the fact the ongoing turmoil in Turkey could bring about a relocation of European population to Turkish provinces and a security breach in Europe.

There was not a secret disagreement of Europe against integration. A formal procedure was established, the EU membership talks started in 2005 and since then a yearly report about Turkey's progress is issued (EU Commission, 2005). This had a twofold result. Firstly the directives stemmed from the implementation of the Copenhagen Criteria have forced Turkey to proceed to radical reforms in order to catch the EU dream. Secondly, the EU-suspicion phenomenon described above was a food for thought for nationalists, which posed the argument that although Turkish government is trying hard to achieve full membership there is also a strong possibility of Europe to reject Turkey in the near future.

3.3 The Armenian Question

3.3.1 Introduction

Although the Armenian question is not closely connected with international standards and chapters Europe has imposed on Turkey to implement, the whole issue gains more publicity and draws the attention of the global media.

3.3.2 The dilemma of the Armenian genocide

According to Turkish side about three hundred thousand Armenians died during the First World War, whereas Armenian side supports that the number comes up to 1.5 million. The question is whether the loss of

the Armenian population during the Turkish Armenian armed conflicts was genocide or not. If genocide has been committed, Turkey will be obliged to give out high compensations to Armenia. Turkey refuses the whole story contrary to Armenia which fervently supports it (European Stability Initiative, 2006).

Turkish beliefs about the whole issue became widely known to European circles mainly in 2000 due to the growth of Turkish confidence to Europe on the road to full EU membership. Many conferences took place to extensively examine the issue, many writers spoke about the Armenian question. Anyway, Turkey does not accept the term genocide and Kemal Atatürk is alleged to be against genocides according to *Hürriyet*.

The events in the Turkish Iraqi borders due to the US invasion in Iraq drew again the attention of European public opinion in Turkey, while Turkey's EU prospect crashed on Cyprus issue. Additionally Armenian issue came again to the forefront via some writer's comments in the media (such as Orhan Pamuk and Elif Shafak) talking about Armenian's genocide. These declarations caused their prosecution from the Turkish state for "insulting Turkey".

Turkey was the receiver of much political international pressure to admit the Armenian genocide. Nevertheless, this kind of pressure leads to extremely opposite results than expected, because although Erdoğan's Party used to generally be willing and re-examine issues of the past, showed rising reluctance to do it. Prominent Armenian people said that distorting the history via political interference could prevent Turkey from European integration.

Nobody knows what the political consequences will be in the future because of the unresolved Armenian issue. In Europe nobody supports Turkey's points of view concerning the issue. Additionally, the issue is treated with rising reluctance in diplomatic circles. In that way, it is obvious that Armenia has won the combat of public opinion. Consequently, according to what Turkey believes, there is further need to promote the issue.

Bridging the gap between the two sides is a long-lasting procedure. This effort will probably need the mediation and support of EU actors in view of Turkey's EU prospect and Armenian confirmation that territorial or other claims are their main target. Trying to put an end to the problem without any solution is not the issue. What Turkey has to do is treating fairly to its history, increasing its reliability to its European partners and improving in that way other sections of political and financial life. Turkey's potential concerning advanced ideas is huge, but has to be careful so as not to cause history distortion.

3.3.3 The way Turks face the issue

Many countries hold the firm opinion that the Turkish acceptance of the Armenian genocide will open the gates of the European dream. Even if the Turks have killed less than 1.5 million people the fact is that they showed a great deal of misbehaviour. "Killing between 600.000 and 900.000 Armenians remains a horrible thing (McCarthy J.,1995)". The Armenian American lobby will probably find it very easy to track down the events and prove that genocide has been committed.

On the other hand, even the EU prospect gives Turkey many political and financial benefits. The more these benefits support Turkey's position on the issue the better for Turkey. What would be the best outcome for Turkey is the deletion of the issue, something that would alleviate Turkey's position.

3.3.4 Turkey-Armenia relations

Armenia was recognised by Turkey in 1992, but in 1993 closed its borders because Armenian troops entered the Azerbaijan borders. Turkey put a pressure to Armenia to withdraw its troops and the borders are closed since then (Crisis Group Europe Report 166,167, Sep, Oct 2005).. Only in October 2009 after long-lasting negotiations between the two sides did the two sides reach an agreement to open the borders, under the auspices and mediation of the US.

3.3.5 Potential Solution

A proposal was brought (Emerson M., Tocci N., 2004) to the negotiation table, generated from the Turkish side, according to which Armenian and Turkish sides would decide whether the events of that periods were genocide or not. The proposal was not welcome by the Armenian side, who in turn believed that there is no room for negotiations in historian facts, because otherwise they can very well be easily distorted. The other problem was that no archive referring to the events could be available. As a result, it is undoubted on what extent the proposal could be successful.

On the other hand, the fact is that the Armenian problem exists and is an unpleasant stain to Turkey's European future. What Turkey needs is flexibility in its political will to reach a commonly acceptable agreement with Armenia. Turkish politicians' beliefs "genocide is out of the question" does not help the whole situation.

Opening the Turkish Armenian borders in October 2009 was a very sensitive issue because it is closely connected with the Nagorno-Karabakh conflict. This conflict resulted in many people leaving their homes in Nagorno-Karabakh, heading for territories which were occupied by Armenian army. The fact that Armenia did not recognise Turkey's eastern borders and the Armenian genocide issue made Turkey to close the borders with Armenia. Consequently, what has been achieved recently is of high importance, because for so many years this territory has been in decline and underdevelopment. Now a new prospect has shown up, which will help the two countries improve their relationships, their trade and their economy.

In any case, what Turkey definitely wants to avoid is the word "genocide" because according to the International Law this kind of recognition will fuel the Armenian requirements for re-examination of the Turkish Armenian borders and financial compensations to the assassinated families. Turkey is also willing to establish a ceremony honouring the Armenian dead people. All these thoughts are surely not enough to succeed and satisfy the Armenian side. Copenhagen criteria will probably serve its purpose by helping or making Turkey to restore good neighbouring relations with Armenia, on the road to the EU (European Stability Initiative, 2006).

Nowadays, most of European countries are negative against the European prospect of Turkey. This negative European attitude can be very well eliminated if for example a fifteen or twenty year time table towards Turkey's European integration is set up. Turkey has done well with the sensitive issue of Cyprus. If Turkey continues to proceed with its economic and political reform and improves the relations with the Armenians and the Kurds, then the European prospect will be much easier.

This political and economic reform has to continue either with or without the European prospect. Some others believe that Turkey will gain the EU membership only with its geographic and strategic position. Apart from that what Turkish population has to realise is that no country is accepted to the EU, without first having restored friendly relations with its neighbouring countries. All three aforementioned factors are very critical for Turkey's European course and have to be very well understood by the Turkish citizens.

3.4 The Cyprus Problem

3.4.1 Historical Background-Cyprus's EU membership

After the Turkish invasion in the northern Cyprus and the island's division in 1974 Turkey supported the Turkish Cypriot position. As a result of the Turkish occupation in the island Turkish Cypriot entity was created in the northern part of the island. The Turkish reinforced military presence in the island and the establishment of the Turkish Republic of Northern Cyprus (TRNC) gave the impression to everybody that Turkey had the first say to the whole issue, something that was taken advantage by Cypriots in a diplomatic way (Bahcheli T., 2006).

On the other hand the Republic of Cyprus was the only internationally recognised entity. This was a great advantage of Greek Cypriots to put pressure on Turkey through international organisations and other diplomatic channels to achieve Turkish troops' withdrawal. The presence of Turkish troops in northern Cyprus does not honour Turkey and damages Turkey's image to the European public opinion. Nevertheless, Turkey decided to keep its military presence, which resulted in the closure of the Greek Cypriot-Turkish Cypriot borders. The northern part of the island faced significant economical problems and Turkey decided to provide economic support in order to keep it alive.

What followed next was a UN presence in the island in a peacekeeping mission. Turkey definitely rejected a European involvement in the island because Greece could negatively influence EU against Turkey as a European partner.

The first application of Republic of Cyprus for EU membership took place in 1990 and was rejected because it was crashed against fervent objections of Turkish Cypriot side mainly triggered by Turkey, which took legal actions against the Republic of Cyprus's EU membership. Furthermore, if Cyprus was to become a member of EU, Greece would enjoy more privileges than Turkey (Mendelson M.H., 1999). EU did not agree with Turkey's objections, but anyway, EU had no intention of inaugurating a new EU member without a commonly accepted resolution.

EU actors found a great difficulty in finding a commonly acceptable solution. Finally the EU decision to proceed with the examination of Cyprus' EU membership was a result of productive Greek diplomacy and the pressure Greece posed to the EU. Additionally, the fact that Greece raised its veto against Turkey's Customs Union was regarded by many diplomatic circles the main reason for the beginning of the European course of Cyprus. The next European blows to Turkey were the rejection of the opening of the negotiations and the acceptance of the opening of negotiations with Cyprus.

Although the process of the European integration of Cyprus was ongoing, Turkish political circles kept alive the hope that Cyprus would have been rejected from the European prospect because of the division of the island and the unsettled differences between the Cypriot and Turkish side. Apart from that, the resolution of the conflict was considered crucial for the European process of both Turkey and Cyprus (Nugent N., 2000). Turkey also firmly believed that Cyprus' EU membership would also mean the recognition of the Turkish Republic of the Northern Cyprus by the Greek Cypriot side, which would also trigger TRNC's EU accession process. Nevertheless, this hope was eliminated by the decision taken in the Helsinki Summit, according to which Cyprus' resolution conflict would alleviate Cyprus' road to the EU membership. However, if no agreement could be reached, the resolution of Cyprus' problem wouldn't be prerequisite for full EU membership (Helsinki European Council, 1999).

Finally the Copenhagen Summit validated Cyprus' accession on December 2002. Many efforts that had later been made in order to change what had been decided in Copenhagen on behalf of Turkey or other mediating countries did not bear fruits. What EU actors always used to stress to Turkey was that an unresolved conflict between the two sides would severely undermine Turkey's EU membership.

3.4.2 Turkish policy on Cyprus issue.

In November 2002 the new Erdogan's government assumed the administration of the country and the debate about the policy followed concerning Cyprus' issue was still fresh. Some days later Anan's plan providing for a resolution to the problem showed up on the negotiating table. Additionally, US invasion to Iraq was in process and the new inexperienced government was really burdened with many decisions that had to be made in quite short period.

The new government set EU membership as its main goal. We have to bear in mind that AKP, the new political party, came into power after a period of deep economic crisis, which caused economic instability all over the country. Most of the majority of Turkish people was in favour of Turkey's EU prospect at that specific period (Carkoglou A., Krinski K., 2002). AKP stressed that political and economic reforms were necessary to improve people's living standards and well-being. Ethnic minorities also were in favour of Turkey's European prospect because their human rights would further be secured.

Additionally, we have to mention that the AKP was in favor of the Turkey's EU membership, despite the fact that many leading members were against EU integration in the past. Some years ago its former leader considered EU as a Christian club and the main belief of the party was that

Turkey's principles have to stay away from EU threat (Robins Ph., 2003). Thereafter, the AKP's policy changed, the dream of EU membership became the main axis of its decisions and reacted positively to European requests to decrease the military authority in Turkey. The Turkish army, on the other hand, was also in favor of Turkey's EU prospect on the understanding that EU membership could facilitate and secure Turkey's territorial rights. The Turkish military also helped the government to implement its reform policy (Phillips D., 2004).

AKP tried to gather parliamentary unanimity (Milliyet, 2002) on its policy concerning EU membership, something in what governments of the past definitely failed. The previous government was in favor of a settlement based on the reunification of the country. Erdogan fervently believed that he couldn't achieve an effective resolution of the conflict without the help of the UN. He also believed that he was not in favor of the policy followed in the last years by Turkey and that he would do its best to achieve a viable solution to the interest of his country.

The Anan's plan proposed in November 2002 was accepted by AKP as a starting point for negotiations. The opposition party (CHP), the Turkish armed forces and Turkish president Sezer were against this political decision. In order to support and justify its political movement, AKP stressed the large autonomy TRNC population would have in the new federation and the sustainment of the Turkish rights. The group opposed to the Anan's plan, on the other hand, stressed that after the implementation of the plan no TRNC will exist and that security problems for the Turkish Cypriot people will arise emanating from the absence of the Turkish army in the area.

The opposition the Turkish government (Milliyet, 2002) faced was well coordinated and gave enough space to those who were against the plan. Many explain this weakness of the government as a lack of experience. Accepting the plan meant that many objectives that had to with Cyprus had to be abandoned. The previous governments followed a TRNC supportive policy. TRNC's leader, Denktash, was in favor of a two-state policy in the island. Within Turkey some politicians were in favor of that policy and some others believed that supporting inflexible Denktash's policy could further undermine Turkey's EU prospect.

Erdogan's government was in a very difficult position. Firstly because Cyprus' EU membership was nearly sure. Secondly, because it had to confront with the public opinion's accusations concerning undermining TRNC's population interests. Thirdly, it was a receiver of strong pressure on behalf of the international mediators pushing the government to convince Denktash to approve the proposed plan.

Fortunately the above accusations failed to survive and discredit the reliability of the government, because the media and other important social groups in Turkey were in favor of the Anan's plan. As a result, the efforts of the opposition groups to act against the AKP were ineffective. Many newspapers wrote the Anan' plan would highlight Turkey's victory (Milliyet, 2002).

Many political circles were of the opinion that Cyprus problem's cost was too high for Turkey to pay because it was closely connected with Turkey's EU membership. They also doubted the value of Turkey's commitment to Denktash's choices, which in many cases did not necessarily

mean that they were to keep pace with Turkey's interests and visions. In fact, Denktash did not receive the wide acceptance of all political circles in Turkey. The fact that he rejected the Anan's plan proved his rigidity and that he didn't care much about Turkey's EU prospect. It also damaged his image, because his political decisions were against the common political will in Turkey. As a result he started losing publicity and the support of his fans.

Although the fact Denktash's fame seemed to (Milliyet, 2002).decrease in Turkey, he received strong support from the military, at the same time when the AKP put a pressure on him to accept the plan. Despite the strenuous efforts of UN Secretary General for commonly accepted and viable solution, no agreement was reached. What Anan tried to do was to achieve individual terms for each side and support Cyprus' EU membership. Additionally, if the full majority of the Turkish Cypriot population was in favor of the plan, it would be a very good reason for Denktash to compromise. Nevertheless, Denktash didn't live up to Anan's expectations and finally rejected the plan.

The fact the Anan's plan was rejected by the Turkish Cypriot side, paved the way for Cyprus' EU membership without its northern Turkish occupied part. The final result was also welcomed by Greek Cypriot side, which was also reluctant to adopt the plan.

The failure of the Turkish government (Bahcheli T., 2006) to achieve an agreement is attributed my many politicians to the government's inexperience to deal effectively with the issue. Some months later the government tried to convince Denktash to re-examine the negotiations with Greek Cypriot side, based on the Anan plan, and to achieve UN Secretary mediation in case the whole effort proved to be ineffective.

The failure of another agreement to the Cyprus problem followed the proposal of another amendment plan by the Secretary General. The vast majority of the Greek Cypriot side voted against the amended plan, highly influenced by the Greek Cypriot President. They had nothing to lose because Cyprus' EU membership without including the northern part of the island had already been guaranteed. On the other hand, the vast majority of the Turkish Cypriot side voted in favor the plan, despite the opposition of Denktash who was fervently against it. Finally the Republic of Cyprus was accepted as a full EU member on 1 May 2004. Turkish Cypriots were rejected, despite the fact that they were in favor of the Anan plan.

3.4.3 The Cyprus issue in relation to Turkey's EU prospects

Despite the difference in the overview of the Anan's plan between Erdogan and Denktash, the first achieved via his political movements to gain the political yes of the Cypriot Turkish regarding the plan. On the other hand, the rejection of the plan on behalf of the Greek Cypriot side, promoted the Cyprus' unresolved issue to a major obstacle towards Turkey's European course. Additionally, the Republic of Cyprus as a new EU member state had the advantage and the power to use the available legislation and influence against Turkey's EU membership and towards further isolation of the northern part of the island.

The President Papadopoulos' decision to impose (Bahcheli T., 2006) an economic embargo upon the Turkish occupied part of the country

sharpened the above situation. He also had the power to raise his veto against Turkey's EU membership to extract future compromises of Turkey, regarding a new settlement of the issue. He also demanded from Turkey to recognise that the Republic of Cyprus was the only legal administration in the island.

The case of the Turkish recognition of the Cyprus Republic was out of the question because it would surely damage severely Turkish Cypriot interests in the island. On the other hand, a bilateral resolution of the conflict bore no resemblance to the long-lasting and strenuous efforts of the United Nations, striving for a viable resolution of the conflict. This recognition could bring about a sharp opposition in Turkey because of its sensitivity.

The Greek Cypriot President Papadopoulos showed increasing reluctance to re-examine the Anan plan or a similar settlement of the kind. The fact that Cyprus was an EU member functioned in favour of Cyprus, which was in favour of an EU political resolution rather than a UN resolution. The comparative advantage was in favour of Cyprus and against Turkey and the TRNC. The only proposals to which Papadopoulos proceeded were those that he was sure they would have raised huge Turkish political objection.

Greek Cypriot side could as a new EU member state prevent Turkey's EU membership by negatively influencing EU partners for reasons that had nothing to do with Cyprus issue. As a result, mass opposition of the European public opinion and some European countries were raised against Turkey's EU prospect. The French and the German prime ministers were openly against Turkey's European future. They also proposed a special relationship between Turkey and the EU which was not accepted by Turkey (Bahcheli T., 2006).

The AKP was and is determined to pursue a full EU membership, despite the opposition raised by some European countries. Nevertheless, it doesn't mean that Turkish public opinion will remain in favour of Turkey's EU prospect in the near future, because Turkey has been requested by EU actors to proceed to compromises, which have not been requested by other EU pre accession countries. Turkish people believes that there is a without precedent discrimination against Turkey. A representative example is considered by Turkish people the EU demand, concerning the recognition of Armenian victims during the First World War as genocide.

What Turkey cannot come to terms with is the fact that although Turkish Cypriot side were in favour of the Anan's plan was left out of the EU and became later a significant barrier against Turkey's EU membership, that is, although Turkish Cypriots showed good political will towards the conflict resolution they were rejected.

Nevertheless, Turkish government is determined to achieve full EU membership. Although this concept is not nowadays as popular as it was a decade ago because of the rising Euro-sceptism and the rising suspicion against Europe, the Turkish government is willing to find a commonly accepted and viable solution towards the conflict resolution of the Cyprus' issue. Its resolution will definitely pave the way for the fulfilment of the European dream, sponsored by radical political and economic reforms.

3.5 The reform revolution

3.5.1 Introduction

The fact that Turkey gained its EU candidacy in 1999 triggered the political will of the government towards legal reform (Keyder V., 2002). The fact that the *acquis communautaire* chapters were established as main principles and prerequisites towards EU membership intensified Turkey's effort to continue and adopt the European International Standards in its own domestic legal system. Everything in the interior room of ministries reminded of European influence and all employees seemed to be accustomed with the European prospect of Turkey. A representative change has been done in the sensitive area of the National Security Council. There has been achieved a significant change in its ruling law and its structure, something that was a long-lasting effort.

3.5.2 Legal reforms

According to some of the most important reforms, the Kurdish language was allowed, rights of the prisoners and people in trial were recognised and legal reforms were promoted to improve the relationship between husband and wife. Furthermore the death penalty was aborted in accordance with European standards. Some more amendments of the legal system dealt with cultural and minority rights, freedom of expression, prison conditions and torments taking place in the prisons and during capture. All these reforms were put into action from 2001 to 2006 and highlighted an enormous progress in Turkey's EU accession.

Many reforms also referred to the recognition of specific rights of women within the family, such as easier divorces, equal fortune claim and the withdrawal of the recognition that the husband had necessarily to be the head of the family (Crisis Group Interview, 2007)

A new penal code was promoted in compliance with EU regulations. This came as a shock to everybody because it reinforced the group of women and received a unanimous acceptance. An effort made by the prime minister to sustain the legal regulations about juvenile crimes did not finally succeed, because of a vivid reaction of the Turkish public opinion. (European Stability Initiative, 2007).

The legal amendments concerning broadcasting were including severe restrictions concerning published websites, which had the intention of undermining the national identity and integrity of Turkey. The reforms did not give any more space to non-Muslim and orthodox entities. The legalisation of the Alevi and Bektaci union was a further step towards legal reform, but it was considered rather reserved.

The following table shows some major events as a result of the progress made concerning legal reforms in many domains of Turkish social life between 2001 and 2006. Additionally about 9000 cases concerning human rights' violations were against Turkey, because many people had recourse to the European Court of Human Rights as a result of the legal reform.

EVENTS	YEAR	
	2001	2006
Association closure	145	6
Police raids against associations	216	48
Seizures of publications	341	21
Freedom of expression cases	3473	1013

Source: EU Commission, 2005

3.5.3 Women's rights

Ataturk's vision for a modernized Turkish state allowed women to vote and reinforced the disappearance of the female headscarf. Nevertheless, often were the cases according to which second and third marriages were reported and honour killings of women were committed. Trying to check equality between men and women Turkey is far behind the European standards, meaning that there is a lot of work to do towards this direction (World Economic Forum, 2006). The implementation of the legal reform started in 2001, paved the way for women's in rights in education, marriage, property and divorces. This policy was fervently supported by AKP and is still ongoing.

Although AKP's policy to openly express its opposition to the headscarf, Gul's wife used to wear it and this sharpened the debate about the headscarf. The truth is that according to a 2006 research the amount of Turkish women without a headscarf has increased in the last fifteen years (Binnaz Toprak and Ali Çarkoğlu, 2006).

3.5.4 Education reforms

The Copenhagen Criteria include no Chapters concerning education; nevertheless, Turkey's effort was focused on this specific area in order to keep up with European standards, although Turkey is far behind them (Ministry of National Education, 2002). Serving the purpose of reaching EU standards, the Turkish government initiated an effort to change the existing situation of the educational system

There has been made a remarkable effort involved the National Ministry of Education and the UN, according to which many children especially girls coming from the eastern underdeveloped regions of Turkey were induced to attend the educational programmes at schools. The "let's go to school" motto that had been made up finally succeeded in its mission. More and more Turkish people tended to believe that education is one of the most important areas that will boost the European course of Turkey.

The EU recognises that "better education of Turkey's young population develops workers who may offset the ageing of EU societies

(European Commission, 2004)”. Educational programmes such as Erasmus influence positively the young students and help them acquire EU driven mentalities and points of view, having as a prerequisite the close cooperation between EU and Turkey.

CHAPTER 4: CURRENT SITUATION CONCERNING TURKEY'S EU MEMBERSHIP PROGRESS

The following table summarizes in the best way the latest progress concerning Turkey's EU Membership in main areas of economic and political criteria:

Table 24 : Latest Progress concerning Turkey's EU Membership	
ECONOMIC AREA	OUTCOME
Existence of a functioning market economy.	Economic policy has been agreed and coordination has improved.
Macroeconomic stability.	Macroeconomic stability is sensitive to shocks, because of the huge external instability.
Interplay of market forces.	There has been made significant progress in privatisation.
Market entry and exit.	Some progress has been made.
Financial sector development.	Remarkable Progress has been made.
Sectoral and enterprise structure.	The structural transformation of the economy has proceeded relatively well, especially in the area of privatisation.
State influence on competitiveness.	There is a considerable influence of state in competitiveness.
Economic intergration with the EU.	Turkey is connected with huge trading and investment partnerships with the EU.
POLITICAL AREA	OUTCOME
Public administration	Needs modernization.
Civilian Oversight of the security forces.	No progress has been made.
International human rights' law.	No significant progress has been made.
Torture and ill-treatment	Limited efforts have been made.
Prison conditions.	Need further improvement.
Freedom of assembly.	Is compatible with EU directives but some problems remain to exist concerning its implementation
Freedom of association.	Some improvements have been made but there are some difficulties because of judicial barriers.
Domestic violence and forced marriages.	Remains a problem because of women's reluctance to have recourse to the police.
Children's rights.	Significant progress has been made. Further improvement needs to be done concerning the juvenile system.
Property rights	Initial progress has been made. There are still barriers

	in its implementation.
Minority rights	No progress has been made
Cultural rights	Initial progress has been made. There is still room for further improvement.
<i>Source: EU Commission, 2005</i>	

CHAPTER 5: CONCLUSIONS

5.1 Economic Costs and Benefits for Turkey

The cheap workforce, the proximity to the Eastern European market and Turkey's geostrategic position will boost internal investments and foreign direct investments into Turkish industry. Sponsored by the proper technological infrastructure, foreign direct investments will become really effective for the development of the Turkish economy. Furthermore, the free movement of labour closely working together with low labour costs are expected to bring about a massive outflow of workers abroad and a huge inflow of foreign investments. Additionally, the great amount of industries need restructuring, which will increase competitiveness, comparing to other EU economies.

5.2. Costs and Benefits for the EU

Inherent traits of Turkey are high birth rates, low productivity, unemployment, inflation and gross public debt. Turkey's EU membership would make EU deal with all these problems, something that could influence negatively the economies of the other EU partners. All these problems need enough money to be resolved something that entails the outflow of money from the European Funds to Turkey. The extremely high birth rates are bound to create problems to the European institutions.

Additionally, Turkey's EU accession will also cause a dramatic increase in migration rate towards EU countries, especially Germany where the vast majority of Turkish immigrants exist. This could also increase the delinquency rates in Germany caused by extremist groups against Turkish immigrants. The EU could well react against it, by prohibiting migration until Turkish and EU wages reach the same level, but this is a long-lasting effort.

Furthermore, Turkey's EU membership will make the decision making process more complicated within the EU Parliament. This will take place because each member state will have less power and influence concerning this process, because the EU Parliament will have more members.

On the other hand, the big size of Turkish population, the great potential and dynamic of Turkish economy, the low labour costs and technical infrastructure are significant factors EU actors can take advantage to achieve further economic development, via enterprise activities and the creation of new businesses.

It is also undoubted that Turkey's position is of great geostrategic importance. Firstly it can bridge the gap between the Eastern Asia and Europe and contribute to the establishment of security and stability in the area against the threat of terror and Islamic fundamentalism. The recent war broken out in Iraq was a vivid example of its geostrategic position. Secondly, it controls the gas pipelines from the East to the West, rendering Turkey an important factor concerning energy resources.

5.3 Economic domain

Despite the fact that the Turkish economy is of great potential compared to other countries' economies, as shown in Chapter 2, the stabilization of its development will be caused only when it will be connected with EU membership. Turkey has made great strides concerning the implementation of economic reform, especially after the 2001 economic crisis and the healthy targets and visions the AKP has set since then. This effort has in some cases been stained by events, which have delayed the reform process because the government didn't manage to isolate them. The interference of politicians in the economic system of the country makes the corruption thrive and that is what Turkey needs to get rid of in order to achieve full EU membership.

What Turkey has achieved by now, is based on the above mentioned economic reform imposed by EU actors. In that way, prosperity, high wages and incomes and elimination of poverty can prevail in Turkey. The outcomes of the economic development seem to be visible and can be more visible in the near future in case the government is not distracted from its main goal, especially by domestic factors.

Additionally, a sustainment of FDI between 3% and 4% of GDP could be significant factor towards EU membership, via private investments and perhaps some help from EU. As a result, growth rate could be multiplied because more capital inflows can be imported to the country. A decrease in the FDI inflows surely has to do with wrong policy credited to the government.

Furthermore, what Turkey needs to achieve the goals of the Growth and Stability Pact is a virtual reform in its fiscal system and policy, which is mainly dictated and coordinated by a centralized common fiscal policy for all EU countries. EU requirements are important towards viable public finances, but they have to be adjusted to the national needs and interests.

The implementation of a tight fiscal policy and the reform of the fiscal legacy according to the European standards, will pave the way for the investments to increase in Turkey. Keeping the inflation rates in low levels will ensure monetary stability emanating from the stability in the real exchange rates. Coordinating the fiscal policy with a healthy monetary policy is the key answer to the question how growth and economic development can be sustained in the long run.

5.4 Political domain

It is undoubted that Turkey's EU membership crashes against its political system, culture and tradition of its government institutions. The government institutions are many times unwilling to reform and cooperate towards EU course. Regional interests are put high in the agenda against the interests of the Turkish state. Lack of transparency prevails, which prevents the governmental mechanisms from implementing the reform.

The Cyprus conflict is also a major barrier towards EU membership, mainly because of the military occupation of the northern part of the island. EU will definitely not accept a new member that sustains troops in the territory of another EU member state, unless a Turkish army withdrawal from the

country is achieved. Furthermore, Greek Cypriot side has the power of veto against Turkey's EU membership as an EU member state, each time rules of good neighboring are violated between the countries.

On the other hand the relatively recently emerged Armenian issue has cast a dark shadow on Turkish history and functions negatively towards EU membership. What is still pending is whether the events in 1915 will be characterized as genocide, which entails terrible economic and political cost for Turkey.

The Nationalism phenomenon arises each time there is mistrust against EU and when EU puts pressure on Turkey to implement reforms and accept regulations that have not been applied to other EU pre accession countries. This kind of the alleged prejudice against Turkey spreads nationalism in Turkish society.

Nationalism is closely connected with the Kurdish issue, which is a prime example of violation of human rights, minority and cultural rights. The fear of separation of Turkish national integrity by ethnic minority groups hampers the ongoing reforms, provokes terror and atrocities and influences negatively the EU public opinion about Turkey's European future.

5.5 Closing remarks

While Euroscepticism is inherent phenomenon in Turkish society as explained above, in the same way Turcoscepticism is well spread in Europe and the debate about Turkey's EU membership is heating up. Many prominent EU politicians believe that Turkey's EU membership will highlight the end of Europe. Whether this point of view is extreme or not, the fact is that nobody can be sure about the consequences after Turkey's integration. The main reason is political, macroeconomic and monetary instability of the Turkish state, which prevent European countries from supporting full EU membership. While economic reforms have effectively been implemented despite emerging barriers, there are still a lot to be done in the political domain of the country, mainly because of the barriers discussed in Chapter 3.

The opening of negotiations period is a very good opportunity for European and Turkish states to reconcile the two different worlds and cultures. During this period they can find out what they expect from each other. They can also learn from each other but it is undoubted how long this period will last. This synthesis will definitely be productive some time in the future. When this will happen mainly depends on how quickly political and economic reforms can keep up with the European standards and to what extent the social, political and economic mechanisms are prepared to come to terms with the European concept. The compatibility of Turkish standards with the European ones will bring the two worlds closer and will facilitate Turkey's EU prospect. But the final outcome of these reforms will be judged not only by the resemblance they bear to the European standards, but also by how effective they can be concerning the well-being of ordinary Turkish people.

But, on the other hand, instead of searching the economic figures and the political system of Turkey to assess Turkey's progress towards EU membership everybody has to wonder: Shouldn't we search how economies and political systems are structured in Islamic countries, on which traditions

and peculiarities they are based, the regional banking and trading rules and how mature enough they are to undergo a radical transformation? The years to come will prove whether this is feasible or not.

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LIST OF ABBREVIATIONS

AI	Amnesty International
AKP	Justice and Development Party
CBA	Collective Bargaining Agreement
CEEC	Central Eastern European Countries
CHP	Republic People's Party
CIS	Commonwealth of Independent States
CPI	Consumer Price Index
DTH	Democratic Society Movement
DTP	Domestic Society Party
DSP	Democratic Left Party
EBRD	European Bank for Reconstruction and Development
ECHR	European Court of Human Rights
EEC	European Economic Community
EP	European Parliament
ESI	European Stability Initiative
ETF	European Training Foundation
EU	European union
EUSG	Secretariat General for EU Affairs
FDI	Foreign Direct Investment
FYROM	Former Yugoslavian Republic of Macedonia
GDFI	Gross Domestic Fixed Investment
GDP	Gross Domestic Product
HADEP	People's Democratic Party
HCNM	High Commissioner on National Minorities
IAMSAR	International Aeronautical Maritime Search and Rescue
IANC	International Air Navigation Committee
ICAO	International Civil aviation Organization
ICCPR	International Convention for Civil and Political Rights
ICESCR	Economic Social and Cultural Rights
IDP	Internally Displaced Persons
ILO	International Labor Organization
IMD	Institute for Management Development
IMF	International Monetary Fund
IMO	International Maritime Organization
IMD	Institute for Management and Development
ISKUR	Turkish Labour Organization
JMPR	Judicial Modernization and Penal Reform
LGBTT	Lesbian, Gay, Bisexual, Transgender/Transexual
MDG	Millennium Development Goal
MEP	Member of European Parliament
MHP	National Movement Party
MTFF	Medium /term Fiscal Framework
NGO	Non- Governmental Organization
NOTAM	Notification to Aircraft
OECD	Organization for Economic Cooperation and Development
OPCAT	Optional Protocol Convention Against Torture
PACE	Parliamentary Assembly of the Council of Europe
PKK	Kurdistan Workers' Party

RIA	Regulatory Impact Assessment
RTUK	Television Supreme Council
SEE	State Economic Enterprises
SME	Small and Medium Enterprise
SHCEK	Social Services and Child Protection Agencies
SIS	State Institute of Statistics
SITC	Standard International Trade Classification
SSDF	Defense Industry Support Fund
TAK	Liberation Hawks
TRNC	Turkish Republic of Northern Cyprus
TUSIAD	Turkish Industrialists' and Businessmen's Association
UN	United Nations
UNDP	United Nations Development Program
WTO	World Trade Organization