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The European Union Enlargement Process and Turkey

Edited by

Muzaffer Darlan

Çiğdem Nas

MARMARA ÜNİVERSİTESİ YAYINEVİ

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Marmara University
European Community Institute

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Edited by Muzaffer Dartan and Çiğdem Nas

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FOREWORD

Muzaffer Dartan*
Çiğdem Nas**

The European Union (EU) is a unique endeavor involving economic and political integration in the world today. Initially six countries of the European continent, the cradle of the nation state and national sovereignty, came together to place their coal and steel sectors under a common authority. Later they also took the first steps establishing a common market and an atomic energy community. Although the European integration project was mostly economic in focus at the beginning, it gradually expanded to involve political and social aspects. One of its most important effects concerns the idea of national sovereignty. The EC and later on the EU established a new legal order with the principles of direct effect and supremacy of EU law. Several important decisions are being taken at the EU level as a result of a complex decision-making process involving the EU institutions and the member states. Most decisions are taken by qualified majority voting. Areas where the member states have the right to use their national veto are decreasing with each amendment of the founding Treaties. The EU involves a transfer of sovereignty from the national level to the EU level. In that sense it is unprecedented.

The EU is a community of stability and prosperity. Due to its ongoing success, it has acted as a pole of attraction for other European countries. In its history it has expanded four times with the accession of several new members. After the demise of the Soviet Union and the end of the division of Europe into two rival blocs, the ex-communist countries of Central and Eastern Europe displayed a keen interest to join the EU. The EU seized this historic opportunity to integrate the Eastern half of the continent with the liberal and democratic EU structure. These developments initiated the latest and most ambitious enlargement process of the Union. Ten Central and East European countries and three South East European countries have now

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officially been declared as candidates of the EU. Ten of these countries are set to join the EU as full members before the year 2004.

Turkey is among the candidate countries. Turkey's relationship with the EU goes back to 1959. The 1963 Ankara Agreement provided the legal basis for an association between Turkey and the European Economic Community in that period. The 1987 application for membership, the transition to the last stage of the customs union in 1996 and the proclamation of Turkey as a candidate country in the 1999 Helsinki European Council are important milestones in the development of Turkey-EU relations. Turkey has been included as the thirteenth candidate country in the current enlargement process. The readiness of a country for EU membership is judged on the basis of the Copenhagen criteria of 1993 which require candidate countries to fulfill the following conditions:

> Stability of institutions guaranteeing democracy, the rule of law, human rights, and respect for and protection of minorities; the existence of a functioning market economy, capacity to cope with competitive pressure and market forces within the Union; ability to take on the obligations of membership including adherence to the aims of political, economic and monetary union.

The start of membership negotiations is conditional upon the fulfillment of the political aspect of the Copenhagen criteria. Turkey is the only candidate country with which membership negotiations have not started yet since it has been unable to meet the political criteria. In accordance with the pre-accession strategy the EU has announced the Accession Partnership document in November 2000 that includes guidelines for the steps that have to be taken to meet the aforementioned criteria. Turkey also prepared a *National Program for the Adoption of the Acquis* (NPAA) consistent with her own priorities in March 2001. These two documents stipulate the framework of Turkey-EU relations for the near future.

Turkey is at a critical stage of its integration process with the EU. It is now time that every section of the Turkish society and political establishment should gather around a common objective which is based on preparing Turkey for eventual EU membership. The route of EU membership necessitates a national mobilization around the NP. For this reason, the Government and the Parliament must assume a great responsibility. Furthermore, the social support of all professional associations, non-governmental organizations, universities and media

organizations are necessary for the success of the NP, which is essentially a social project.

The critical developments in Europe concern both the current member states and candidate countries including Turkey. The current enlargement process will alter the structure of the EU. It will also mean a great transformation for the candidate countries. At this critical juncture of world history we believe that this is a timely conference on the twin themes of EU enlargement and Turkey-EU relations. The current process is of the utmost importance for Turkey. The Turkish public especially universities, and elements of civil society should increase their knowledge and awareness on the issue. The Marmara University European Community Institute, having in mind that one of the most important functions of a university is education of the public took up the opportunity to organize this conference which is expected to contribute much to that aim. We would like to express our deep appreciation for the support given to this endeavor by the Delegation of the European Commission to Turkey, the Austrian Consulate General in Istanbul and the Austrian Cultural Institute. We believe that Turkey will successfully proceed on the road of membership to the EU by making the necessary reforms. We also hope that Turkey's efforts in the road to meeting the Copenhagen criteria will be taken into consideration and recognized by the EU.

The Editors
Istanbul, 2002

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OPENING SPEECHES

Hüsamettin Kavi

Prof. Dr. K. Turay Yardımcı

Mag. Franz Wechner

Dr. Nihat Akyol

Dr. Adrian van der Meer

Dr. Akkan Suver

Gürbüz Kaya

Ali Eliş

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OPENING SPEECH

Hüsamettin Kavi*

The European Union wants to enlarge. The Europe of 15 wants to become a Europe of 28 with the accession of 13 candidate countries. Why would the EU want to enlarge? What does the EU expect from the candidate countries; what do the candidate countries expect from the EU? In fact, the EU is looking to create a Europe of higher welfare standards. The fact that the above goal can only be realized through an expansion in both the EU and the world economic system is considered as a starting point. Therefore, the EU is seeking new countries, partners, actors who possess the same values. This is as necessary for the candidate countries and the people living in these countries as it is for the EU and the world.

In the recent Summit Meetings of EU leaders, a positive environment has evolved regarding Turkey if one considers the Cyprus issue which has been a source of stalemate for years. The issue was considered within the ESDP framework and was handled at the Laeken Summit that took place last week during the Belgian presidency of the EU. There are highly important realities behind this positive environment. These developments have various underlying reasons; one of them is much more different than the others: Turkey was mostly considered as a part of the huge Islamic society and was sometimes ignored by the rest of the world. After the tragedy of September 11, which was a considerable shock for the entire world, the U.S. and the EU felt the necessity of reevaluating the Turkish reality. We think that the world is now looking at Turkey from a different perspective, appreciates her secular, democratic structure and the social potential of her society, which is composed of a qualified and well-educated labor force committed to the market economy. Having sought economic and political stability for a long time and having experienced serious economic and political crises, Turkey and Turkish society want to see change now. Turkey is determined to realize this change. Her determination has manifested itself in the various moves and steps which she is now making.

* Board Director of the Istanbul Chamber of Industry.

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We are sure that the EU is aware of this fact. The negotiation process for full-membership has not started yet, although there are extremely positive signs that the screening process can begin in 2002. The structural arrangements of the stand-by agreement concluded with the IMF are difficult for Turkey to implement. They are difficult to realize, even though they are slowly bringing about the desired level of change. Turkey is trying to look at the future from a different perspective now. Once the criticisms made by the EU and the present shortcomings used to disturb Turkey, and provoked negative reactions on Turkey's part. However, it is evident that Turkey perceives her realities and is open to criticism in a more rational and suitable manner now after two years involvement with the IMF.

The European Union should take more concrete steps and provide Turkey with a more specific timetable in terms of aims and strategies. Turkey's participation in industrial education programs and R&D projects should be ensured in order to increase the competitive power of Turkish industry. The timetable for a road map to full-membership should be prepared by Turkey and the European Union together. We, as industrialists, perceived this Turkey-EU reality as long ago as 1965. The Istanbul Chamber of Industry, together with the Istanbul Chamber of Commerce has founded the Economic Development Foundation to further the relationship between Turkey and the European Union and we have been working in this foundation since then to pursue the desired goal.

Within the framework of the Customs Union, Turkish industrialists have been trying to cope with open competition, especially in industrial products, since 1996. What we want is the removal of the heavy burden imposed on us by the government that hinders our capacity to compete with other countries. Therefore, we expect the government to remove various elements of unfair competition and match EU levels in energy costs and real interest rates in the financial markets.

Today, the Euro has been in circulation for one year and its banknotes and coins will enter into circulation by 2002. 12 countries have accepted this: These twelve EU member states have lost their freedom of manoeuvre. They will no longer be able to print their own national currencies. They will set their expenditures strictly according to their revenues.

The aim of maintaining a government budget deficit at a 3% level is essential for Turkey and Turkish society apart from just being necessary for EU integration and membership. The reality is: Turkey should pursue her structural, economic and political reform goals in 2002 within the prospect

of EU membership. The year 2002 will be a year of critical importance regarding Turkey's EU candidacy. We hope that Turkey will implement these rational and cooperative reforms without repeating the mistakes made in previous years. We will work hard to accomplish this goal.

I hope that this Conference will add new dimensions to the ongoing debate in Turkey and I respectfully greet you all.

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OPENING SPEECH

Turay Yardımcı*

I would like to welcome you to this international conference on "the Enlargement Process of the European Union and Turkey," organized by the European Community Institute of our university.

The enlargement process that has for long been at the forefront of the European Union (EU)'s agenda holds a special significance for Turkey, which has been a candidate for full EU membership since the Helsinki Summit of December 1999. Turkey remains the only country, among the thirteen candidate states, for which negotiations towards full membership have not yet commenced. Nevertheless, steps taken so far towards this objective are particularly important. As is constantly emphasized by the European Commission, the completion of the process of Turkey's accession to membership depends on a satisfactory fulfillment of the relevant political and economic criteria.

As you are aware, Turkey's relations with the European Union have followed a turbulent course involving occasional interludes since 1963. Despite these ups and downs and considering the current state of our mutual relations, it is possible to state that we have come quite a long way. As you will remember, we were not satisfied with the reply of the European Commission to Turkey following Turkey's application for full membership in 1987. This reply had suggested that Turkey's political and economic situation were likely to lead to problems of adaptation in the event of her membership in the medium term. However, the first step towards economic integration between the two parties was taken with the implementation of the Ankara Treaty and the accomplishment of the Customs Union.

Obviously, the facilitation of this integration process could only be possible by keeping the objective of full membership alive. In this context, the rejection of Turkey's status for candidacy at the Luxembourg Summit of

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1997 negatively affected relations with the European Union. This resulted in the suspension of political relations for some time. Against this background, the onset of the membership process after the Helsinki Summit has been a very positive development. This was made possible only by intensive efforts and initiatives on the Turkish side and the contributions of various parties, above all that of the European Commission. This was followed by the Accession Partnership Document which stated the expectations of the European Union, and the National Programme in which Turkey confirmed how it would meet these expectations. As a result, bilateral relations were put on a much more stable course than had previously been the case.

It is obvious to all of us that the stability of bilateral relations and the membership process depend on Turkey's determination to implement the political and economic criteria as well as on the sincerity and openness of the European Union regarding the issue. The Laeken Summit of December 2001 is a powerful indication of the seriousness of the EU's approach towards Turkey. The Summit resulted in four crucial developments as far as relations between Turkey and the European Union are concerned:

- The first and the most important of these developments is the European Union's approach to the initiation of the negotiations for membership, an issue which has long been regarded as possessing the utmost importance in Turkey. In the Presidency Conclusions issued after the Laeken Summit, the European Union recognized the progress made by Turkey towards the fulfillment of the political criteria. Accordingly, it declared that "negotiations for membership" were imminent. At this point, we have to emphasize the fact that recent constitutional amendments played a very important role in this development. However, the timing of a start to negotiations again depends on how far Turkey meets these expectations. "Imminence" is a relative term. In this context, the progress to be made on the areas specified in the Progress Report of 2001 issued by the Commission last November could be one measure. According to the Report, Turkey is still far from fulfilling the Copenhagen political criteria; it needs to accelerate the reform process regarding human rights and the protection of the fundamental freedoms as specified by law and their implementation in practice. Furthermore, it is essential that these progressive constitutional amendments are supported by the enactment of "harmonization laws" that will amend relevant legislation in accordance with the Constitution.

It is possible to say that the European Union has been seriously following the flow of these developments in Turkey. At the same time, the European Union also needs to do things concerning the initiation of the membership negotiations. While, on the one hand it has encouraged Turkey's membership, on the other hand it has insisted on another candidate state's membership –namely Cyprus represented by the Greek Administration-- as a political condition for Turkey's full membership. This has undoubtedly impacted on bilateral relations in a negative way. Moreover, it is important that the Union starts the" screening" mechanism as soon as possible, which would make it easier to comprehend the *acquis communautaire* and facilitate the adaptation process. This would also accelerate the process of accession by identifying problems that could come up during the course of negotiations. Overall, the operation of this mechanism would also encourage other steps to be taken in Turkey and neutralize those who doubt the sincerity of the European Union towards Turkey.

- The other significant development for Turkey stemming from the Laeken Summit is her invitation to the Convention on the future of Europe along with the other candidate states. The Convention will take up suggestions on the new roles of the institutions of an enlarging Union, the separation of powers, the process of decision making, the re-organization of the EU founding treaties, the creation of a new constitution, the formation of a more democratic and transparent Union, and how best to meet the expectations of citizens regarding EU institutions and policies. As such, this Convention is about what shape the new European Union -in which Turkey will be a participant in the future- will take. However, Turkey's participation in the Convention is not enough. Obviously, we also need to contribute to intellectual efforts on the future of Europe. It is essential that Turkey puts forward its own views on what kind of Europe it wants instead of taking part in a Europe dominated by the views of others. Turkey's ability to have a say on the future of an organization in which it is not a member could be made possible through its active participation in the "white paper" prepared by the Commission and the recently created discussion platform. Otherwise, it cannot avoid remaining as a passive actor. It is for this reason that many institutions including universities and civil society organizations in Turkey need to become involved in these intellectual endeavors and contribute to this process.

- The third important result of the Summit has been the exclusion of the Aegean and Cyprus issues, which have been Turkey's legitimate

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concerns, from intervention as far as the "European Security and Defense Policy" is concerned. We regard the sensitivity of the European Union on this issue as a very important step. However, the Greek stand and its tendency to exert veto power would sabotage the European Security and Defense Policy and have the potential threat of employing NATO assets against Turkey, another NATO member. Obviously, this situation is not acceptable for Turkey.

- Lastly, on the Cyprus issue, which has long been a thorn in Turkey's relations with the EU, we have to underline the significance of the Union's support for the face- to -face meetings between the two leaders. Obviously, it is not only the responsibility of the Turkish side but also of both sides to continue this process. On this problem, the EU has to contribute to the process by approaching both sides with fairness. A one-sided approach would not only prevent the achievement of a compromise but it could also de-stabilize Turkey- European Union relations.

While the Laeken Summit did not introduce permanent and definite solutions in all areas, it is very important to sustain the positive atmosphere it created. This is, indeed, vital from Turkey's perspective. Considering the changes that have taken place in conditions since 1989 and the changing approach of the Commission over that time, we should not underestimate the position we have reached. I would like to thank those whose efforts have made these positive changes in bilateral relations possible.

It was emphasized at Laeken that candidate countries capable of successfully completing membership negotiations would join the EU as full members by the year 2004. This means that the membership of the EU will rise to twenty-five at that time provided that these ten candidate states continue negotiations and the reform process at a consistent speed.

The sessions of the first day of this Conference on the enlargement process of the European Union with the participation of outstanding Turkish and foreign social scientists, diplomats and experts will look at the enlargement process of the Union in general and discuss the progress and the problems of the Central and East European countries. Tomorrow's sessions will evaluate the current state of Turkey-EU relations, identify existing problems and discuss the role that Turkey will play in the future of Europe.

The year 2002 will be the start of a period that brings about extremely important developments for both Turkey and the other candidate countries. In this respect, this Conference is being organized at the right time. Hence, I would like to congratulate the staff of the European Community Institute who seized the initiative in organizing this Conference and whose meticulousness and hard work made it possible to hold this conference.

This Conference was also made possible with the "administrative cooperation fund" of the European Commission together with the support of the General Directorate of the European Union at the Turkish Ministry of Foreign Affairs. On this occasion, I would like to express my deepest gratitude to Mr. van den Meer at the European Commission who came here to share his invaluable views with us; the staff of the Turkish Ministry of Foreign Affairs' Turkey's Permanent Representative Ambassador to the EU, Mr. Nihat Akyol; all those institutions and individuals who supported our conference, above all, the Istanbul Chamber of Commerce and its President of the Assembly Mr. Hüsamettin Kavi; all of our foreign guests who came here to present papers despite the approaching Christmas holiday; other guests, and his Excellency the Ambassador of Austria, Dr. Marius Calligaris and his Excellency the Counsel General of Austria in Istanbul, Franz Wechner.

I also would like to express my gratitude to Mr. Süleyman Demirel, the 9th President of Turkey, who has honored us with his moral support and who will share his invaluable views with us by participating in the special session of the Conference on the "European Union-Turkey Relations."

I wish all of you a productive and successful meeting, and I once again cordially greet everyone who came here to join us on this chilly winter morning.

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OPENING SPEECH

Franz Wechner*

Firstly, I would like to thank Marmara University and its European Community Institute for all the efforts which they have made in order to make this international conference possible. I would also like to express my gratitude to the Istanbul Chamber of Industry for supporting this important event.

Ladies and gentlemen, our two countries have been historically linked for centuries.

In 1148, Duke Henry II was married to a Byzantine Princess. Since that time relations with Byzance became closer and in one document alongside the term "Ostarrichi" a new name for our country, "Austria", appears. This name is now the official term in English, Spanish, Italian and Portuguese.

Later Austrian music was influenced by Turkish military music. Prince Eugen introduced Turkish military musicians into military music bands in Austria. It became very fashionable in Austria to compose music "alla turca". Ludwig van Beethoven wrote three compositions using this "new" style – one of them is known today as the "York March". In addition the "Turkish March" composed by Wolfgang Amadeus Mozart is still one of his best known and most popular tunes.

The Emperors of Austria – Hungary paid official visits to the Ottoman Empire. Emperor Franz Joseph came in 1869 and Emperor Charles visited Istanbul in 1918.

In 1882 the Palais Yeniköy was presented to Emperor Franz Joseph I by Sultan Abdülhamit II. Originally used as the summer residence of the Austro–Hungarian Ambassadors to the Ottoman Court, the Palais Yeniköy is nowadays dedicated to representation and public service, and houses the

* Consul General of Austria in Istanbul.

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Austrian Consulate General and the Austrian Cultural Institute of Istanbul. In 1882 the Austrian Saint George's College was founded. As one of Istanbul's private schools enjoying a high reputation it is attended by many Turkish students. Graduates of this College – many of whom are also graduates from Austrian Universities – are now involved in the political, economical and cultural life of Turkey.

As part of a European medical aid programme during the dangerous cholera epidemics in the 19th century, the Austrian Hospital in Istanbul was founded in 1872. It traditionally served as a charitable organisation offering medical help to the poor. It was restored recently, and now it is a modern hospital equipped with high standard medical technology, and is helping to improve the health of Istanbul's inhabitants.

Ladies and Gentlemen! Austria is accompanying Turkey on its way towards the European Union.

This year Austria established a political and cultural programme beginning with an official visit by our Minister of Foreign Affairs, Dr.Benita Ferrero- Waldner in February, followed by official visits by Austria's Chancellor, Dr. Wolfgang Schüssel, in June and our Vice – Chancellor, Dr. Susanne Riess – Passer, a few weeks ago.

Austria's cultural presence has been intensified by the Austrian Cultural Institute in Istanbul. The Institute has organized numerous exhibitions, concerts and symposia, the highlight of which was an exhibition dedicated to Clemens Holzmeister. That famous Austrian architect was invited by Atatürk to design the architectural blueprint of Turkey's new capital Ankara. Between 1927 and 1954 he built great parts of the governmental district, many official buildings and the President's Residence. The inauguration of this exhibition took place in the Parliament building, Holzmeister's most important masterpiece among the numerous buildings in Ankara. It was held in October this year on the occasion of the opening of the Parliamentary Session. Attended by the President of the Turkish Republic, the President of Parliament, high-ranking representatives from the Turkish Army and the Diplomatic Corps, this event marked an outstanding example of Austrian – Turkish cultural cooperation. In Istanbul, where Holzmeister taught at the Technical University, this exhibition will be shown next year at the Dolmabahçe Cultural Centre. It will open on March 15, and will be followed by a symposium attended by national and

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international architects and scholars, among them a great number of Holzmeister's students from Turkey and abroad.

This international conference for the enlargement of the European Union will be followed next year by a Gala – Concert in Istanbul on Europe's Day, the 9th of May, performed by The Imperial Tiroler Kaiserjager Brass Band. This outstanding Austrian brass band gave two concerts on the occasion of Austria's EU presidency on July 1, 1998 in the inner courtyard at the European Council and at the *Grand Place* in Brussels. Both concerts ended with standing ovations.

Austria's foreign policy is focused on the enlargement of the European Union. Is Turkey also included in this process? The answer is "YES".

Let me quote from a speech by the Austrian Foreign Minister, Mrs. Ferrero – Waldner, held on the occasion of the Ambassadors' Conference on September 5, 2001 in Austria.

She said:

The milestones in relations between the European Union and Turkey are part of the progress of the European Union's foreign policy. Shortly after the outbreak of the economic crisis in Turkey I myself was visiting there and could thus emphasize to Commissioner Verheugen the value of a gesture of solidarity to Foreign Minister Cem.

Ladies and gentlemen, with these words of our Foreign Minister in mind I would like to close my speech and wish you all success for this Conference in Istanbul.

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OPENING SPEECH

Nihat Akyol*

I would like to thank you for preparing this timely meeting and inviting me to it.

Actually, I know the European Community Institute very closely. Valuable students from the Institute are making important contributions to our relationship with Europe in various ways today. Therefore, no matter how much we support this Institute, our support would be inadequate. I have personally observed another contribution provided from this Institute in Brussels. Your member and founding director Mr. Kabaalioğlu has been working there with us for the last three years and he has made an important contribution to our work.

Unfortunately, I will not be joining the academic side of the meeting, but I would like to briefly touch on the topics that will be discussed here. Indeed, I would like to answer three fundamental questions by addressing the following points:

- In which direction is the EU going? And what kind of an EU might we come across when/if we become a member?
- What point have we reached with respect to our relationship with the EU?
- What should we do during the process before us, in order to be successful?

Although not all the members employ the Euro and contribute to the defense and security dimension of the Union; the EU will surely become

* Ambassador, Permanent Representation of Turkey to the European Union

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one of the most important powers in the international arena that will contain 30 members within the next 10 years.

This power will be created through a very special effort of joint governance in many areas by the member countries which will have resolved their inter-member problems by then, and yet, which will still preserve their nation-state properties. In the 21st century, the EU will be able to speak on economic and financial issues with a single voice and will become a necessary aspect of balance in the diplomatic sense, for the protection of strategic interests brought about by the new international order. The EU will think of herself as having more power than the sum of the individual powers of the member countries concerning the new strategic picture and the vital areas of the global economy, or in other words, in the important negotiations that will shape the new international order, and therefore will like to make use of that power. Observers, who perceive the transformation of the Union into a new power axis, perceive the democratic governance order based on human rights and solidarity among members within this framework.

Another development that will shape the Union in the days ahead is the possibility of coordination by several member countries in certain or all areas in order to achieve a faster integration. There are even some who think that such tendencies might encourage some member countries to develop special integration models outside the Union. Nevertheless, this will take time. The transformation of the Union that will become too large at the end of the enlargement process, to a region-centered structure is one possible scenario. It is obvious that such a development would create tangible advantages for Turkey. The EU has manifested its arrival at the brink of a new era by the decision taken at the Laeken Summit. The Convention, that will start working in March, is to prepare the institutional reforms necessary for the better management of the Union, will shape the legal infrastructure necessary for the latest stages of enlargement and more importantly, will clarify an ongoing debate among the member countries, regarding the final and intermediate goals of integration by searching the answer to the question: "What kind of a Union the EU should be?" In my opinion, the Union, which will be reformulated as a result of these efforts, will let the member countries preserve their nation-state properties, and therefore will develop a structure that our country can more easily become a part of.

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Another important characteristic of the Union will be the claim to represent continental Europe from that time onwards. I think that the Union will start to share the fundamental missions of the organizations founded in Europe after WWII and in the long run, will replace them. If this prediction is correct, the negative developments that can emerge concerning Turkey, if we do not take place in this process, can be summarized as follows:

The developments in the international security environment are both highlighting the new developments inside and outside Europe, and weakening the central position of NATO. I think that it would be difficult for us to prevent some of the initiatives of the European Security and Defense Policy which might not be consistent with our security interests, as we are out of the ESDP, despite the guarantees we could and mostly did provide. The EU, which is continuously pulling the Balkans, Russia and Caucasus into her sphere of influence, will possibly restrict the maneuverability of our foreign policy in this geopolitical space to a certain extent. It is also possible for our country to lose some of her markets and foreign resources in the economic and commercial sense. The Customs Union model might be negatively affected from this environment. In addition, our possibilities to compensate for the effects of this situation by dealing with third countries are limited from my point of view. In the end, the member countries can neglect the integration policies that might be foreseen for our citizens living in these countries. I see a great danger here.

Under these circumstances, I would now like to answer briefly the question: "what point have we reached regarding our relationship with the EU?" The Turkey-EU relationship, which was placed on the right path at the December 1999 Helsinki Summit, has been provided with the necessary infrastructure in the context of preparations for full-membership since then. Moreover, developments such as the exclusion of Turkey from the deliberations of the Nice Summit can create doubts as to whether Turkey is being treated differently than the other candidate countries.

Another process stipulated by not starting the negotiations for full-membership yet is differentiation and this becomes dominant in our relationship with the EU from time to time.

Among certain characteristics of the above process, I can count the waiting process for the putting into effect of qualified measures such as cooperation, technical aid which constitute the fundamental elements of the pre-accession period; that lasted longer in comparison with the other

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candidate countries. Our government has begun a set of initiatives in order to rearrange the orbit of our current relations taking the aim of full-membership as its basis; and by remembering that the year 2002 is getting closer, where the enlargement negotiations with the other candidate countries for full-membership will be mostly completed.

Within this perspective, we wanted the Union to provide us a more open and clear membership perspective. With these initiatives, we aimed at furthering the process for the full-membership of our country to a point from where there would be no turning back.

In this sense, important results were obtained at the Laeken Summit that took place last weekend. One of the most important of these was the acceptance by the EU member states and heads of state and government of the fact that the time is coming for the starting of negotiations for full membership with Turkey in the process of enlargement. The mention of membership negotiations manifests the removal of an obstacle that has political and psychological characteristics for both parties. Upon this, I think that some sections of public opinion who have hesitations regarding the plausibility of this process will reevaluate this issue.

On the other hand, Article 12 of the Laeken Final Document of the Presidency will exert pressure on public opinion in the member countries, their governments, the EU Commission and the EU Parliament that would be beneficial for our final aim. In my opinion, the constitutional amendments realized by the TBMM are the preeminent issues for the heads of states or governments to mention negotiations for Turkey's full membership. On the other hand, I think that the pursuit of our foreign policy on the issues directly concerning the EU without giving any concessions has also helped this process.

The second important development that took place at the Laeken Summit with respect to our country was the decision taken concerning the participation of Turkey in the Convention within the framework of the same conditions and rights as the other candidates. Within this framework, our country will be able to participate actively in discussions concerning the future of Europe.

The flexibility that Turkey demonstrated on the issue of European Security and Defense Policy has been appreciated by the member countries. Even though the anticipated progress was not achieved on the ESDP issue,

this time because of the Greek attitude, the political support given by the member countries to our full-membership process was striking. These results of the Laeken Summit produced the right evaluations both in our country and in the member countries expressing that our relationship has made an important step in the right direction. I agree with these evaluations.

Taking this positive development as a starting point, I would like to briefly mention some of our ideas about what we can do in the period before us in order to further our relationship with the EU. The environment produced by the Laeken Summit has opened the way to carrying our relationship to its final goal. Consequently, our Prime Minister emphasized the determination of our Government in taking the necessary steps towards full-membership after he came back from Brussels. Accordingly, the signs of an uninterrupted continuation of the reform process in the political and economic fields have been given.

I really think that the additional reforms that will be realized in the first 3 months of next year might create an important possibility in terms of speeding up our full-membership process. Based on progress in this field, obtaining this time a new and stronger support from our EU counterparts in the meeting of the Association Council that is foreseen to take place at the end of April, will have great importance. The views of the Spanish Presidency regarding the necessity to strengthen the present dynamic in Turkey's relationship with the EU demonstrates that the possibility to succeed is big on this issue.

The task that we will perform with the EU Commission from the beginning of the following year onwards will also be highly important. We will start the new year by making an evaluation of the ongoing pre-accession strategy in the Partnership Committee. We will have to make special efforts concerning some of the aspects of the aforementioned strategy that have not been adequately applied yet. The first application year of our Accession Partnership and National Program for the Adoption of the *acquis* will be completed in April. It seems necessary to continue the reform process and carry out the necessary legal and constitutional amendments in the first months of the year in order to prepare the conjuncture for the European Commission to recommend the start of negotiations with the EU in the 2002 Progress Report that will be written in the autumn. This seems necessary to keep the process alive.

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At this point it would be beneficial for Turkey if the European Commission made an announcement regarding the date for the start of negotiations and specific conditions as it formerly did for the other candidate countries. In fact, the Commission has already informed that a new phase will start in the application of the pre-accession strategy in the Progress Report that was issued last November.

It is obvious that we will continue our efforts in a way that will help this promise to be kept in the following months. The issue of synchronizing the progress that we can achieve in our full-membership process and a resolution for Cyprus will naturally gain in importance through 2002. The 1960 Agreements include clear laws on this issue. A formula that protects our rights and legitimate interests and does not obstruct our full-membership goal should be found with respect to Cyprus.

Particularly after September 11, our country has manifested her reform capacity and strong determination towards full membership goal on the one hand, and the policy alternatives regarding the fundamental issues of our foreign policy without giving any harm to our national interests on the other; and helped a very important decision to be taken at Laeken. Now, we should give priority to EU integration within the framework of a clear calendar/timetable and actions. And our goal should be determining the date for the start of negotiations for full-membership. I believe that we can achieve this.

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OPENING SPEECH

Adriaan van der Meer*

The State of the Enlargement Process

On 13 November 2001, the Commission issued a Strategy Paper on the enlargement process, 13 Regular Reports and a report on the state of the preparation of process of the analytical examination of the *acquis* with Turkey.

The Strategy Paper was built on the decisions of the European Councils of Nice and Göteborg. The Nice European Council established a road map and timetable for the accession negotiations with the 12 negotiating candidate countries. This road map has been implemented in 2001 and will continue to be implemented under the future Spanish Presidency. This means that important subjects such as agriculture, regional policy and budget will be addressed in the first half of 2002. The Commission will formulate negotiation proposals based on the existing *acquis* and budgetary framework (Berlin European Council). The Commission considers the latter as financially sufficient to accommodate up to 10 new member states.

The Göteborg European Council of June 2001 set the objective that those candidate countries, which are ready, should participate as EU members in the European Parliament elections in 2004 and should be able to conclude accession negotiations by the end of 2002. This means that the year 2002 will be a crucial year for the current enlargement process. In October 2002, the Commission will make its recommendations as to the candidate countries with which it will be possible to conclude the negotiations that year (up to 10). At that moment, the Commission will also give its recommendations on a revised road map for these countries for

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which the current pre-accession should continue including a revised pre-accession strategy. At the moment, Cyprus is the frontrunner in the accession negotiations. During next year, work will start on the accession treaties. It is expected that the ratification process of the accession treaties can start in early 2003.

Negotiations with Turkey have not been opened since it does not comply with the political criteria of Copenhagen.

In the Strategy Paper, an action plan has been proposed to stimulate further administrative reforms and to increase the judicial capacities in the candidate countries (250 Mio. under the Phare programme).

The Commission's overall approach of 13 November 2001 has been endorsed by the General Affairs Council of 10 December 2001 and the Laeken European Council of 14-15 December 2001. The European Council explicitly agreed with the report of the Commission that, 'if the present rate of progress of negotiations and reforms in candidate states is maintained, Cyprus, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, the Slovak Republic, the Czech Republic and Slovenia could be ready'.

The candidate countries must continue their efforts energetically, in particular to bring their administrative and judicial capabilities up to the required level. The Commission will submit a report on the implementation of the plan of action for strengthening institutions to the Seville European Council in June 2002.

On the same occasion, at the Laeken European Council, it welcomed the recent meetings between the leaders of the Greek and Turkish Cypriot communities and it encourages them to continue their discussions with a view to reaching an overall solution under the auspices of the United Nations consistent with the relevant resolution of the United Nations Security Council.

Turkey as a Candidate Country

The relationship between the EU and Turkey dates back to 1963 (the Association Agreement). An important development was the conclusion of a Customs Union in 1995. Overall, the Customs Union has worked well, but a number of transitional arrangements expired by the end of December 2000. This has lead to a number of obstacles to trade in industrial goods,

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which need to be solved urgently. Further legislation to allow free movement of goods should be introduced, while the commitment to adapt State Monopolies by 1998 should be implemented (TEKEL). Moreover, there are important questions with respect to the enforcement of Intellectual Property Rights.

In 1998, a decision was taken on trade between the EU and Turkey in agricultural goods. A special regime was agreed but has hardly been applied. Current negotiations to overcome these problems seem to be at a stand still.

The decisions taken at the Helsinki European Council were an important turning point in mutual relations. Turkey was designated as a candidate country for accession and subsequently the implementation of the pre-accession strategy for Turkey began. To date, almost all elements of the pre-accession strategy are in place i.e. an Accession Partnership for Turkey, a NPAA, the preparation of the process of the analytical examination of the *acquis*, a new financial regulation, TAIEX assistance and an enhanced political dialogue covering issues such as Cyprus, human rights and border disputes.

The Laeken European Council conclusions inter alia indicated that "the pre-accession strategy for Turkey should mark a new stage in analyzing its preparedness for alignment". The GAC conclusions recognized the progress made in the implementation of the pre-accession strategy for Turkey and adopted the recommendations proposed by the Commission with respect to the new stage of this strategy. The new phase of the pre-accession strategy consists of the following elements:

Full use of the enhanced political dialogue to further stimulate progress on key issues, which are priorities of the Accession Partnership, such as human rights, Cyprus and a peaceful settlement of border disputes.

Concrete steps by Turkey to facilitate a solution of the Cyprus problem and to further establish a number of confidence building measures in the context of Greek-Turkish relations. This should create a climate conducive to the peaceful settlement of border disputes in line with the Helsinki European Council conclusions.

Turkey's process of political and economic reforms in line with the Accession Partnership priorities should accelerate. This entails further

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constitutional, legislative, administrative and judicial reforms aimed at bringing Turkey closer to EU standards. The constitutional reform package and the implementation of the new economic plan are relevant developments in this respect.

Concerning the start of a process of detailed scrutiny of Turkey's legislation and its timetable for alignment with the *acquis*, particular attention should also be given to the capacity of the Turkish administration and judiciary to implement and enforce the *acquis* effectively.

Turkey's participation in Community programmes becomes effective on the basis of the framework agreement signed between the EU and Turkey. Turkey should put into place effective structures for the management of these programmes, in particular in the field of education.

The provision of financial assistance to assist Turkey to meet the Accession Partnership priorities. Turkey should strengthen its administrative capacity for project design and management in keeping with the de-centralized approach followed with all other candidate countries.

Acceleration of the negotiations on the extension of the Customs Union in the area of public procurement and services.

Moreover, Turkey will participate in the Convention of the Future of the European Union on the same footing as all other candidate countries.

Furthermore, the Laeken European Council recognized Turkish progress towards complying with the political criteria established for accession, in particular through the amendment of its constitution. This has brought forward the prospect of the opening of accession negotiations with Turkey. Turkey is encouraged to continue its progress with both the economic and political criteria, notably with regard to human rights.

Hence, attention should now turn to implementation in particular of the pre-accession strategy, which will lead to an intensification of the process whereby a new process of legislative scrutiny will be the key. In the framework of EU-Turkey subcommittees, different areas of the *acquis* will be discussed in more detail. This could mean further transfer of know-how of the *acquis*; discussion of draft legislation and an examination of the existing Turkish legislation with the *acquis*. The so-called Feira report has identified the need for such a process because Turkey should have a more

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strategic approach in its transposition process and take into account not only the content of the EU *acquis* but also the priorities of the Accession Partnership.

Turkey is requested to accelerate its alignment with the accession criteria, also in areas falling outside of those covered by the Customs Union. An approach more targeted on the fulfillment of the Accession Partnership priorities (short term) is needed. A number of organizational measures are urgently needed in order to allow that the new financial co-operation management system and the opening up of Community programmes can become operational.

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OPENING SPEECH

Akkan Suver*

I would like to welcome everyone to this Conference on the Enlargement Process of the European Union and Turkey, organized by the European Community Institute of Marmara University. Speaking as a representative of a Turkish non-governmental organization, a country committed to the European Union accession process, I would like to thank distinguished academicians, scientists and politicians from Austria, Germany, Britain, Hungary and Greece who have honoured this Conference by their attendance. I respectfully greet everyone.

Turkey-EU relations have made a considerable progress after the confirmation of Turkey's candidacy for European Union membership at the Helsinki Summit in 1999 and reached an even further stage after the recent Laeken Summit.

At the Laeken Summit, the European Union member states signed a document which stated that "the time for starting the accession negotiations with Turkey has approached." This development should be evaluated within the framework of both the enlargement process of the European Union and Turkey's efforts to satisfy all the necessary conditions to become a full-member of the European Union. These positive signs will surely shed a new light to Turkey's efforts from now on. The European Union has for the first time included such a concrete expression in its documents with respect to Turkey's accession. We view it as highly significant.

Turkey has adopted the text concerning the European Security and Defence Policy, which is still waiting for EU ratification. On this occasion, I would like to emphasize that the responsibility on this matter, as everyone would appreciate, no longer belongs to Turkey, it rather belongs to the European Union which is liable to ensure its harmony.

* Dr., Marmara Strategic and Social Research Foundation, President.

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Furthermore, Turkey is invited to take part in the preparation process of the Convention on the future of Europe, which is to be commenced in March 2002, together with the other candidate countries. It is an important and pleasing development that Turkey is being considered as a part of the European Continent, without being subject to any discriminatory practice.

In addition to the positive atmosphere created by the European Union concerning Turkey's accession, Turkey is also directing all her efforts to meeting the requirements set by the European Union. Turkey has recently passed two Harmonization Law Packages in order to fulfill the Copenhagen criteria. Despite the positive developments, there are still various deficiencies that Turkey has to eliminate. I believe that these problems will be resolved in a short period of time as well.

Turkey is an important country both in the European and the Eurasian geography. Turkey, as a country which is both European and Asian, would contribute more to the European Union than the European Union would contribute to Turkey. We are aware of the fact that the European Union membership is highly important for Turkey. However, one should also ask the question; what would the European Union mean in the future without Turkey?

Turkey is trying to meet the standards set by the European Union, however, not just because the European Union and the Copenhagen criteria force her to do so, but also to become an important actor in the modern international society. Turkey has pursued the goal to become more civilized, more modern, more democratic and more educated in the 21st century. Therefore, Turkey aims at ensuring an advanced Turkey for the coming generations.

We hope that the European Union perceives Turkey's solution proposals to the Cyprus problem and Turkey's stance concerning the European Army within these dimensions.

The shock of September 11 terrorist attacks on the United States demonstrated the need for closer cooperation among all the countries in the world. Under these circumstances and after the positive atmosphere created at the Laeken Summit, a more peaceful and cooperative world is trying to be formed. I believe that Turkey will make progress on the road to the

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European Union membership with the collaborative attitude she has adopted.

Finally, I would like to congratulate the President of Marmara University Prof. Dr. Turay Yardımcı and also the Director of the European Community Institute Ass. Prof. Muzaffer Dartan who has organized such a Conference. I respectfully greet everyone.

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OPENING SPEECH

Gürbüz Kaya*

I feel great pleasure at being able to participate in another Conference organized by Marmara University's EC Institute in cooperation with the Turkish Democracy Foundation (TDF), the European Commission, the Marmara Group Foundation for Strategic and Social Studies; and the Istanbul Chamber of Industry.

This Conference does not only provide a good forum for the discussion of the EU enlargement process but is also one of the first opportunities in Turkey for a debate on the future of Europe in the aftermath of the Laeken Summit where the idea of a Convention was agreed.

This is the third joint action initiated between Marmara University's EC Institute and our Foundation and follows two previous successful conferences concerning the European Union. The first of these two conferences was held in April 2001 and dealt with the Implications of Relations with Germany on Turkey's Candidacy to the EU and the second conference was organized in October 2001 and concerned Human Rights Education and Practice in Turkey in the Process of Candidacy to the EU.

It is an inevitable and essential aspect of the Turkish Democracy Foundation's mission to organize and participate in joint programs with all democratic institutions and bodies including universities.

Our Foundation was established in 1987 when Turkey applied for full membership in the EC. Today it is one of the most active organizations involved in promoting democracy, human rights and European Union issues.

* Turkish Democracy Foundation, Istanbul Director.

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The TDF is aware of its auxiliary role in creating a stable democratic atmosphere in which the individual merits and abilities of humans can prosper freely and in which basic rights and liberties are secured.

Democracy and human rights are two intertwined concepts. We have to overcome the difficulties so far as the human rights are concerned if we believe in the dignity of our nation and wish to uphold its honor in the international arena. This is also an essential part of Turkey's candidacy process to the EU.

It is clearly not our aim to suggest that Turkey possesses no significant problems regarding democratization and human rights but rather to facilitate objective discussions taking into consideration all the circumstances in Turkey. Those individuals who believe that reforms are being carried out solely to prepare for accession to the EU should remember that the EU is a means and not an end in itself. The process is designed to increase the prosperity of the Turkish people who will be its ultimate beneficiaries. Therefore, all efforts to fulfill the criteria for EU accession should take this reality as a starting point.

The EU process should not be viewed dogmatically as integration with a Christian Union, but should be understood as a unique legal environment of civilized nations where transparency, respect for human rights and democracy exist and where the state exists for the benefit of the individual and not vice-versa..

Informed by this perspective, the Istanbul Directorate of the Turkish Democracy Foundation has organized several activities including:

- Conferences concerning adaptation to the changing conditions of labor relations in the EU process, in cooperation with TUSIAD - the Turkish Industrialists and Businessmen Association, several trade unions and other non-governmental organizations under the chairmanship of Mr. Yasar Okuyan, the Minister of Labor and Social Security.

- Workshops at Bogaziçi and Bilgi Universities concerning relations between Turkey and Sweden and the European Parliament in cooperation with the Swedish Democracy Foundation and Swedish EP members,

- Info-right project informing EU member states on the facts about Turkey.

Let me re-emphasize the fact that the priorities stipulated in the National Program can only be achieved in the shortest possible time frame by means of the widest possible cooperation among institutions.

The true value of a society lies in the individuals from which it is comprised. This value can only be appreciated if democratic culture is institutionalized. No one should refrain from legitimate struggle for democracy and human rights. A mature democracy provides a future for all of us.

In this respect, I would like to express my gratitude and appreciation to Mr. Süleyman Demirel, the former President of Turkey; Prof. Turay Yardımcı, the Rector of Marmara University; Mr. Hüsamettin Kavi, the Chairman of the Istanbul Chamber of Industry; his Excellency, the Consul General of Austria Mr. Franz Wechner; and distinguished lecturers for their valuable support. My deepest appreciation also goes to Dr. Muzaffer Dartan, the Director of the EC Institute who worked so hard in the organization of this activity.

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OPENING SPEECH

Ali Eliş*

As we all know, relations between the European Union and Turkey date from the early sixties, and these relations have followed a tortuous path of twists and turns, ups and downs ever since. During this 40-year period, the year 1999 marks a special place in the relationship between the EU and Turkey. The Helsinki Summit of 1999 concluded with Turkey's candidacy to the EU. We can call this development a "turning point" in the history of the relationship between Turkey and the EU. The candidacy offered to Turkey has imposed responsibilities on both sides that are to be adhered to. It is expected that both sides are aware of their historical responsibilities and will act accordingly. This is not an unfair expectation. After all, every step that is taken will have direct effects on the lives of millions of people. Mistakes made in this period will make life difficult for millions of people and the people responsible for these mistakes will never be forgiven. So, what are these responsibilities to which I refer? I would like to try and answer this question in my speech today.

First of all, what is the nature of the EU and where is the EU heading? After all, if we have no idea about the nature of this union, we will not be able to reach a rational decision about whether we should be a member or not. The EU is the greatest and most assertive integrative force Europe has ever experienced. The EU has transcended the concept of "nation" which was the product of modern times; it possesses the quality of being something more than a nation. Nations have realized that they don't carry much weight alone on their own, in the civilized world order of today and have begun acting in accordance with the principle of "union creates power". It wouldn't be wrong to claim that this principle is the central principle that shapes the mental nature of the EU. The fact that Europe has become a holistic entity in itself and created a huge market consisting of many small nations is a big and successful step taken to offset the loss of power or authority against other world powers like the USA.

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At this point one question comes to mind: Where is this integration project heading to? Even the EU itself hasn't given a satisfactory answer to this question yet. Yes, Turkey wants to be a member of the EU. But Turkey has to decide one thing first. What kind of a European Union does Turkey want to belong to, in the future? Turkey has to give an answer to this question first. This meeting, the "Future of the EU and Turkey" was scheduled to take place on 12 September 2001 but was cancelled because of the 11th September terrorist attacks. Previously, a note had been sent to the applicants of this meeting on 4 September. This note contained some thoughts about the basis on which a discussion about the future of the EU could be held in Turkish. This note contained the following point: As a country ready to participate in the membership process, Turkey should not be on the agenda only for her problems. Turkey should make a contribution to the future of the integration process. This contribution may be conceived in line with the "work together and live together" motto. Therefore, the discussion concerning the future of Europe is very important and meaningful for us. Creating the appropriate mechanisms for discussion about the future of Europe is vital for both the aim of Turkey's EU membership and the image of Turkey in the EU. Our contribution to the discussion about the future of Europe will be an indicator of likely our contributions after becoming an EU member. I suppose that for many of the decision makers in the EU, Helsinki will have a strategic value. As mentioned in this note, Turkey has to come to a point where she can expose her own ideas about the future of the EU and make therefore her own contribution to the EU.

Now, how does the EU appear to the rest of the world nowadays?

After the 11 September terrorist attacks, some major EU countries including the United Kingdom, Germany and France have used military means as a way to project their identities to the foreground. But nonetheless the events of 11 September have played a unifying role for EU members. It can be observed that the EU is nowadays involved in internal widening and deepening. The EU is on the one hand giving a new direction to the European project, and on the other hand looking for new and dynamic members. This is the present outlook of Europe.

The year 2002 is another year that has a very important place in Turkey's membership process as this year will represent another ring in the chain of the EU enlargement project. The Copenhagen Summit that will

perhaps be Turkey's last chance for membership will take place in 2002. If a date for membership negotiations can be figured out by the end of 2002, Turkey's membership will be taken seriously. If not, Turkey's membership will be delayed for at least 10 or 15 years. In this case, Turkey's membership will be evaluated together with other east European countries which have a relatively lower chance of membership and this means that Turkey's membership process will likely be endangered. However, a great opportunity for Turkey's membership exists nowadays. If we can achieve a date for the start of negotiations, then Turkey will almost certainly accede to the EU, no matter how long the negotiations may last. We may not have an other opportunity to seize this chance. It will be much easier for us to reach our target if we can proceed with the start of the adaptation programmes in 2002. By the way, I want to emphasize one thing: Yes, gaining membership is our target; we should accelerate our efforts in applying the adaptation programmes. However, we have a greater target which is beyond the target of EU membership and that is, we want to ensure our countrymen attain the standard of living which every human being deserves. If we apply the adaptation programmes correctly, it will be much easier for us to reach this goal. As a matter of fact, what the EU expects from us in the framework of the Copenhagen Criteria is the upgrading of our country's socio-economic level to the level of the EU countries. The implementation of the Copenhagen criteria is in the interest of Turkey and the Turkish people.

Turkish membership in the EU will generate considerable economic, political and social advantages for both sides. We can understand that better when we consider the experience of other countries which have become members of the EU. The economic performance of EU entrants has developed considerably relative to the times before their memberships. For example, the GPA of Greece was 5.602 Euro before achieving membership and then increased to 11.160 Euro between 1981 (the year Greece gained membership) and 1999. And this is just one example. Countries which became members of the EU have developed socially, politically and almost in every conceivable way following EU accession. But didn't they face any difficulties at all during the membership process? Of course they did. It wasn't all that easy for any of the countries that became members to the Union. Countries such as France, Italy and Spain had to pay a price for the membership. They all had to sacrifice some things regarding their cultures and identities and they all had to live with the difficulties of this sacrifice. Nobody can deny this. But these countries foresaw the reality that the benefits gained through membership would be much greater than the losses and therefore they accepted the need to undergo this process. Yes, Turkey

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will have to face many difficulties throughout the membership process, this is for sure. She will have to pay a price, too; this is unavoidable. In the end the benefits will outweigh the losses, as was the case for the other EU members I've mentioned.

At this point the following question arises: What can Turkey actually offer to the EU after membership? One of the greatest observers of the epoch stated the following: "The characteristic of the new civilization is pluralism. Our new epoch will be an epoch of civilization of the multiple centric mentality which leaves behind ideological, religious dogmas; tribal mentality, the mentality of destroying "others". "This ideal is unfortunately very far from being realized. The events of 11 September have shown that for this ideal to be attained, humankind has to work very hard. The antidotes to the mentality that created the 11 September events are mutual understanding and communication. And at this point Turkey enters the scene. Turkey is a country, and maybe the only country, which has the opportunity to bridge western and Islamic cultures and civilizations. Turkey is the only Islamic country that has adopted secularism, democracy and republican principles. Turkey is a country of syntheses. Nowadays, when arguments about the clash of civilizations are being advanced, Turkey has attracted attention for its ability to combine western and Islamic traditions and construct a synthesis from the two. This fact was mentioned in the EU-IDO (Islamic Development Organization) Summit which was recently held in the Çırağan Palace in İstanbul. An alliance between Turkey and the EU will pull eastern and western civilizations towards each other; it will prevent the EU from being called "the Christian Club" and it will also create a positive image for the EU in the world as a tolerant Union which unites people from different societies and cultural backgrounds together under the same roof.

And what Turkey can offer to Europe is not only restricted to these factors. After all there are some facts Europe has to remember and take into consideration. I am referring to the reality of demographic trends in Europe. Europe has a population problem to resolve. EU populations are aging and getting older each year. The problem is that people in Europe are getting older and older and the birthrate is falling. This problem may create troubles in the future. 50 to 80 years later, the working population will have decreased while the retired population will have increased. The working population will not be able to shoulder the burden of the retired population any longer. The authorities have to solve this problem before it's too late. At this point, Turkey comes to mind as a solution once again. Turkey,

unlike Europe possesses a very young population. This population consists of millions of young people who are interested in improving their lifestyles and have enormous purchasing power potential. If we can make unification possible, Europe will be able to extend its markets to Turkey and sell its goods to millions of young Turkish citizens which in turn will make a positive contribution to the European economy. As a result, production will grow, more workplaces will be opened and more employees will be needed. On this level, Turkey will supply the necessary human resources. Turkey's young human resources capacity will satisfy Europe's need to increase its productive power and therefore help young Europeans in supporting the burden of ageing and retired populations.

Furthermore, Turkey is a country which can support and contribute European security. As we all know Turkey possesses one of the best armies in the world. It has become clearer to the world now how important security is, after the 11 September terrorist attacks. Being a member of NATO, young Turkey has the ability to contribute to Europe in matters concerning security. So, when we consider the membership of Turkey, our membership will also be useful for Europe.

Günther Verheugen, the EU Commissioner responsible for enlargement said that the EU and Turkey need each other after 11 September. Verheugen also said that Turkey is indispensable for Europe and that Europe is indispensable for Turkey. Verheugen also made the following comment: "If Turkey gets closer to Europe, this will make contributions to the global peace process. The cultural differences between us will turn out not to be a disadvantage but rather an advantage." We share the same opinion as Verheugen.

Turkey has to take its place in Europe. It is urgent that the necessary moves to accomplish EU accession are enacted. If we act quickly enough, membership negotiations can start very soon, namely before the year 2004. We have to do our best in the days ahead.

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SPECIAL SESSION

Turkey - EU Relations

Chair Person: Prof. Dr. K. Turay Yardımcı

Süleyman Demirel

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SPECIAL SESSION:

HISTORICAL APPRAISAL OF THE DEVELOPMENT OF TURKEY-EU RELATIONS

Süleyman Demirel*

It is a great pleasure for me to address this important conference organized by the European Community Institute of the Marmara University. This institute which is the first of its kind in Turkey, has contributed and will further contribute to our efforts at becoming integrated with the European Union.

There are important landmarks in every country's history. In Turkey's case, some of these are the proclamation of the republic, the launch of Atatürk's reforms, the adoption of new values, the transition to the multi-party political system and the introduction of market economy rules. Turkey's EU membership is a similar watershed in our historical evolution. When its sophisticated political, economic, social and global dimensions are considered, this project clearly has unprecedented potential to affect our destiny.

Turkey's EU membership bid is not a new issue. I have served my country for almost 50 years and during this time I have been involved in almost every stage of Turkey's progress towards EU membership. I was involved in the signing of the 1963 agreement and the start of the agreement's implementation in March 1964, I have been involved in every stage of this relationship and now I am here again at the final stage.

This platform is not a suitable one from which to explain all the stages of this historical evolution. However, time moves on. The issues on our agenda are shaped according to changes in the world and changes in our country. As a matter of fact, the evolution of the initial six member states of

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the common market into a European union with 15 plus 13 members, 28 members is a consequence of this evolution. What I outline today will be restricted to what I am able to explain within the allocated set time constraint.

Our EU membership effort is not a problem that has emerged recently. Turkey equates the values of civilization in being a part of Europe. The EU issue, for Turkey, is not only an issue of accession; it is an issue of concept, it is an issue of assertion.

The values adopted by Europe are universal values. These values are not limited to the monopoly of a geographical unit or a nation. The values adopted by Europe do not belong only to the European people or the European continent. That is how things should be.

Therefore, Turkey's desire to be a member of the EU stems from this notion. Turkey is making great efforts to attain that level, the level of Europe. Turkey's purpose is not to turn Europe into Turkey, but to make herself European. This is an assertion of the Republic, a republic in its 78th year.

When founding the Republic, the great Atatürk aspired to create a modern, civilized, prosperous Turkey. He located these notions in being European. As a matter of fact, after fighting the entire western world and defeating it, he didn't say "I am angry with Europe" but immediately extended his hand to Europe.

Since it emerged as a power, the Ottoman state has always been a European state. Since the 15th century, the Turkish threat has always been the factor that has unified a disunited Europe. Thus, we have played a role in Europe, in the unification of Europe.

Turkish identity has been perceived negatively, based on religious difference. Europe started to regard itself as civilized from the 18th century onwards and with the Paris agreement of 1856, the ottoman state was officially recognized as a part of Europe. The convention of 2002 is just a replication of the Paris conference.

Underlying our relations with Europe, and the problems we have encountered in connection with the common market, the European Union and the European Community is our relationship with the Europe of the

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past. Specifically the Turkish threat and Islam have always been in the subconscious thinking of Europeans. Therefore, when they occasionally say "the European Union is a Christian club" and question Turkey's interest in becoming a member, the reason for this discourse must be sought in history, not today. As a matter of fact, it is not so easy to distinguish between the past and today in the history of mankind. Nevertheless, when looking into the future, if you carry certain hostilities, certain fears and certain biases from the past into the future, you will destroy both the present and the future. Therefore, the idea that "yesterday was yesterday; today is today" is not something so bad.

The strong nationalist movements that emerged in Europe during the second half of the 19th century triggered the dissolution process of our empire and all the other empires. However, the same nationalist movement has also led to the emergence of Turkish national awareness. Yes, our empire dissolved as a result of the rise of nationalism, but the republic of Turkey, on the other hand, was founded on the same nationalist idea.

The liberation war was a struggle towards establishing a nation-state concurrent with the European model. This struggle was based on the principles that have formed the basis of modern European civilization such as freedom, nationalism, constitutionalism, secularism, humanism, democratization and industrialization.

The fact that Atatürk's nationalist concept was based on citizenship and therefore civic nationalism within the framework of national consensus in line with those in Europe, as well as peace and modern civilization, changed the nature of the traditional Ottoman-European conflict.

The longest period of peace in our history has been the republican period of the last 78 years. Previously we had on average engaged in a war once every 30 years. In other words, the nation and the state system that formed the fundamental basis of the republic of Turkey led her into a process of organic harmonization with the west.

Turkey has become a member of European-centered western institutions such as the Council of Europe, NATO, and OECD. Moreover, Turkey was among the founding members of two of these institutions.

Turkey has viewed EU membership as a natural extension and a logical consequence of being a part of the western alliance. At this point, I must say

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that soon after the foundation of the common market of 6 members, which formed the core of the European Union, the government of that time in Turkey applied for membership in 1959. I mean that Turkey is sensitive to any European-wide movement; Turkey has always wanted to be a part of such developments. However the events that occurred during that time, the military coup, deferred this issue till 1963. In September 1963, the Ankara agreement was signed.

Regarding this agreement, I will remind you of the words of the great statesman, the late İsmet İnönü: "this notion of Europe –the term common market was used at that time- is one of humanity's greatest inventions."

Why is it one of the greatest inventions of humanity? Following the ending of the Second World War, Europe was in a state of uncertainty. It was divided into two blocs. One part was democratic and the other was communist. How things would unfold was unclear. The main reason underlying the emergence of the three European Communities was to avoid a new world war at all costs. Europe should not be destroyed again as it was in the 1940s.

Therefore, in order to fully grasp the meaning of the European Union, it must be understood that the European Union possessed a political aspect targeting the promotion and maintenance of peace from the outset rather than emphasizing its economic aspect. Peace is indivisible. If a country thinks that it does not need to bother about international problems and conflict since it is free of strife and problems, it is not long before it gets into trouble, too. Therefore, you have to appreciate the interdependent nature of peace. The wider and more extensive the cooperation you ensure, the stronger peace will be.

The 1963 agreement started a process. Between the proclamation of the republic, in 1923 and the Ankara agreement of 1963, 40 years had passed. On this occasion, Turkey proved that it had not remained on the side lines during the intervening forty years, and that it was committed to acting together with the world. This agreement gave Turkey the right to full membership. I would like to highlight this point.

Three stages were required to reach this point. One of these stages was the preparatory stage. We completed this stage very quickly. In 1967, when I was prime minister of the republic of Turkey, I went to Brussels with Mr. Çağlayangil, the then foreign minister. I said to the EC Commission: "We

are ready". Subsequently, a protocol was signed to proceed to the second stage.

This took a few years. Again, years of instability in Turkey interfered with the process. The second stage could have been achieved earlier if these had not been years of instability. As a matter of fact, the protocol was signed and it took effect in 1973.

The third stage is the stage of full membership, the final stage. Of course, this is the way it was recognized and scheduled, but certain things changed in Europe in the meantime.

The conjuncture changed in Europe in the 1970s; competition increased events such as the oil crisis and cold war were experienced; bloc discipline declined; from Europe's perspective at international affairs, economic issues and democratization outweighed security concerns. This was a new stage. During this period, the priorities of Turkey and those of Europe started to exhibit differences. On Turkey's part, development and industrialization received priority. How could Turkey, which was even importing needles, become a part of an industrialized Europe which was experiencing the highest point of industrial revolution?

The economic problems and anarchy experienced in those years -the 70s- and the terrorism we faced subsequently made Turkey's adaptation to the evolution of the European Union difficult. When discussing these issues, one must look at the issues from a wider perspective and comprehend the conditions affecting states and nations.

In the 80s, issues regarding democracy and human rights were at the forefront in our relations with the European Community. Unfortunately, democracy was interrupted at the beginning of this decade.

Greece became a member of the Community and everyone in Europe was criticizing Turkey. Turkey was in big trouble. How could Turkey become a member under such circumstances? Nevertheless, Greece's membership of the EU made Turkey's membership more difficult; this is another factor. This factor still exists and recently manifested itself on the debate over the European army.

We applied for membership in 1987. The reply we received in 1989 was that Turkey was eligible", which means "you still possess your rights -the

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rights arising from the 1963 agreement- you can still become a member, but not under these conditions." One of the reasons that Turkey was rejected at that time was the high level of our agrarian population. When we look at European countries, the average number of people involved in agriculture is 10 per cent; the corresponding number in Turkey at that time was 55 per cent, and now it is 45 per cent. Rather than saying "such and such a country became a member, but we couldn't", we should consider our problems stemming from the past.

In 1989, the Berlin wall collapsed, and soon after, the Soviet Union dissolved. A new world order and new conditions emerged. Europe entered into a process of radical evolution. After the end of Soviet influence on Central and Eastern Europe, a new geography emerged.

All of the independent eastern European countries and the Balkan countries abandoned communist rule. They adopted democracy and chose to emulate and forge closer ties with the EU. All of these countries formed national policies to enhance integration with the EU, which I witnessed myself. Bulgaria did it; Romania did it; Albania did it, Croatia, Poland, Czechoslovakia, Moldova, Ukraine and all the Baltic countries did it. They all said "can we be a part of the European Union one day?" They had no idea what would happen once they became members of the European Union. They had no idea of how they could manage things once they entered the Union. But everyone who wanted to be a part of the new Europe was bored with ideological confrontation. There should no longer be any ideological conflict. They were looking for a place where there were shared interests embracing everyone. This is a very important development. I think that the current members of the EU are well aware of the opportunity ahead of them when looking at central Europe and the Balkans.

During the course of the past 100 years, Europe has never possessed such an opportunity. Everyone wants to be European, and a part of the European Union. An "integrated Europe" or "undivided Europe" –I don't mean "unified Europe"- is a great opportunity for Europe, Europeans, European peoples and European statesmen. We should make the most of this potential.

After the collapse of the Berlin wall and the dissolution of the Soviet Union, a great debate emerged on the issue of whether "deepening" or "enlargement" should be chosen. Some in the EU defined themselves as a "European fortress" and roughly said the following: "Why should we waste our time with those underdeveloped and developing countries with per

capita GNP's of around 500, 1000, 1500 dollars when the corresponding figure in the EU is on average 15,000 dollars".

It became evident after the collapse of the Berlin wall, if the west had decided to close itself into a fortress wherein GNP per capita was at a level of 25,000 dollars while it was surrounded by countries with around 1,000 dollars outside, it would have been impossible to maintain that fortress and it would have collapsed like the Berlin wall did.

The collapse of the wall was a very significant event. Why was it significant? In 1945, both parts of divided Germany had been subjected to the same level of destruction, both eastern Germany and western Germany; both had the same level of income, the same level of development and industrialization. Between 1945 and 1989, western Germany had reached a per capita income of 18,000 dollars while eastern Germany's per capita income remained at the level of 3,000 dollars. This is what caused the fall of the wall.

The collapse of the wall caused an end to the notion of the "European fortress". At that time, an internally integrated Europe, which would essentially serve the cause of peace, the notion of an undivided Europe was adopted by the whole of Europe.

Then, the idea of enlargement emerged. What would the criteria for enlargement be? Two major criteria were proposed. One of them was the Copenhagen criteria and the other was the Maastricht criteria. This meant that those countries satisfying these sets of criteria would be allowed to enter the EU. It is quite easy to understand the Maastricht criteria, which is based on economic indicators. The inflation rate is required to be below a certain degree, borrowing is to be below a given level, the budget is to meet certain criteria. But, in my opinion, understanding the Copenhagen criteria requires a wider perspective.

The Copenhagen criteria require the candidate countries to stabilize institutions which will ensure the establishment of democracy, the rule of law, the protection of human rights and minorities This is an issue open for discussion.

The "existence of a functioning market economy" is very important. I think that if a country does not have a functioning market economy in place when entering the new millennium, if the conditions of a functioning

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market economy are not well-established, it will be difficult to maintain democracy in such a country. These are fundamental elements. A functioning market economy is the most important phenomenon of our age. At the root of a functioning market economy lies free entrepreneurship, the right of individuals to engage in free enterprise, the utilization of the individuals' ability to produce and create. That is to say, the function of the state has changed. The role of the state in economic life has completely been transferred to the individuals of a country.

This is a revolution, in fact. Let me tell you in what respect it is a revolution: consider a situation where the people of a country say "the state shall do it; the state shall carry out everything; we will just sit here". The scenario where the people of a country just watch everything and are the tenants, not the landlords is not an ideal scenario. The way to establish a higher level of civilization is to say "we shall play our part too, rather than watch things going on, and everyone shall produce something in proportion to the possibilities and abilities which each individual has."

If you are saying "nobody is forcing anyone to do anything. What should we do to develop, what should we do to become prosperous, what should we do to become a developed country", the answer is "to adopt democracy, the rule of law, the protection of human rights and the market economy". There can never be a partial democracy; you should try to follow the European model. That is what we are searching for.

There can also never be a partial market economy, either. You should give up your past habits, state economy, centralized government, bureaucracy. This involves reforming the state. This is what we call reform.

Can we do it? Look, even if we have a little doubt as to whether we can achieve democracy and development as a nation, as a state, then who will accomplish this process for us? These are not things that someone else can do for us. We will do them ourselves.

If we are to become prosperous, Europe will not put any money in our pocket; nobody should think in that way. If we are to become prosperous, we will do so ourselves. How will we become prosperous? By following the path Europe has chosen. We will follow that path.

This path requires an ability to sustain existing competitive and market forces. When you enter the EU, you will have to keep up with the

competition and market forces in Europe; you have to take that risk. I mean, when you say "we shall enter this union and become a full member of this union", you must be well aware of the liabilities you are going to encounter.

Turkey became a full member of the customs union as of 1 January 1996 and almost 60 per cent of our trade is now with European countries. During the course of the past five years, Turkey has experienced this process without major problems. Although there are criticisms that we have experienced losses from our participation, I don't agree with these criticisms. Turkey's competitive power has proven itself. Turkey has proven that it has a competitive industrial sector, which is one of the greatest achievements of the republic of Turkey on entering a new millennium. From a country which was even importing needles, Turkey has transformed itself into a country which exports every kind of industrial product to Europe.

The "Agenda 2000" report published in 1997 stated that macroeconomic instability has not been overcome, that the problems of human rights and problems in southeastern Anatolia still continued, and as a result, Turkey had been excluded from the enlargement process following the Luxembourg summit held on December 12-13, 1997. I must clearly state that the exclusion of Turkey from the enlargement process was a very sad development.

The European leaders –I don't want to disclose their names here– informed me, in my position as the president of the Republic of Turkey of the following: "we are not going to stop Europe". However, for some reasons that I don't want to reveal here if you do not want to do something, you can always find some justification; but justification does not always make you right. There may be times when you are right; but in this case, their Luxembourg decision was not the right decision. Again, I do not want to hurt our neighbors, but when you say democracy, Turkey has been on your side on the issue of democracy; when you say economy, Turkey's economy is in a better shape than many of the countries you have previously accepted. But, you accept everyone into the union, except Turkey. It is not possible to assess this within the limits of good will. Nevertheless, both the EU and Turkey have acted in a mature way and suspended political dialogue, leaving things to the course of time. Then, in December 1999, Turkey became a candidate state for the EU membership at the Helsinki summit. Do you know what that means for Turkey? You became a candidate state for EU membership while you were the "sick man

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of Europe" at the beginning of the century. Now it is our turn for full membership in the EU.

Turkey has not become a candidate state out of considerations of friendship. Turkey deserved it. How did Turkey deserve it? Now I would like to address this question.

Developments in EU-Turkey relations have been mentioned by the speakers who spoke before me: the accession partnership, the national program, the progress report and the Laeken meeting of the European Council. It would have been a great shame if Turkey hadn't been invited to Laeken. The invitation of Turkey to Laeken was the opening of a new period.

Now, the next step after Laeken is the Convention on the Future of Europe.

I attach great importance to the Convention. It is not a platform where current issues are being discussed; it in fact concerns a European Union with the participation of 28 countries, 28 states. What will happen to the nation-state? How will this European Union be governed? What will happen to sovereignty rights? In an integration process encompassing so many countries efficient administration is one of the most important issues to be tackled. This system must operate efficiently. How will efficient government be ensured on a level bringing 28-30 countries together?

All the member states have a part to play in the operation of this system. Of course, there won't be a separate concept of citizenship, sovereignty, nation-state for all the countries that are included in this system. You cannot say "we do not want to sacrifice this". If you do not want to give anything up, do not enter the union. If Germany, Belgium, France, Austria, and Poland have made sacrifices in order to enter the union, then you have to make sacrifices of the same order. Therefore, there are no grounds for the concern that "we will disappear when we enter it". When we have such concerns, we will not be able to take our rightful place in the modern world. These considerations must be explained and understood.

I think that the constitutional convention which will start in March 2002 and end in June 2003 will definitely introduce a new notion of Europe. Everyone must comply with the conditions of this new notion of Europe. Nevertheless, when establishing these conditions, everyone must make an

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active contribution including Turkey. As mentioned here, our universities, our parliament, our intellectual class, our press and every kind of think tank must produce ideas in line with this new notion of Europe, because we will too be part of that new Europe.

The next ten years will present a new world order. Turkey will take its place in this world order. Turkey cannot be excluded from this order. This is a train. It stops just once at a station, and then moves on.

I must say that there is no sense in arguing "we don't have to be in Europe right now. We have other alternatives." You have exerted efforts to be a part of Europe for 150 years, since the start of the 'Tanzimat', and now the train has arrived but you say "I do not want to get on this train". Think again!

"Well, why defend being European so much?" Do you want prosperity? Do you want to be more prosperous? Do you want to become a more transparent society? Do you want to be more creative? Do you want to contribute to civilization, technology, science, arts, etc.? Do you want to look into the future with more confidence? You will find all these within this union; this is an ideal model.

Our parliament has adopted constitutional amendments, and will of course legislate for the relevant compliance laws. It will also legislate new laws and make new amendments as required.

I would like to express my pleasure at the fact that 77 per cent of our people want Turkey to be a full member of the EU. If the case for EU membership is well explained, this rate will be even higher. What I mean is, when you go to a given town in Anatolia and ask someone "Turkey wants to be a member of the EU. What do you think about this?", He cannot say "I want Turkey to be a member of the EU for this or that reason", but will give you a plain answer. That is, being European and being prosperous have become synonymous for him. But, as I said before, no European is going to put some money in your pocket. However, there is no country that has become poorer after entering this union. Portugal entered and has made strong economic progress; Spain and Greece entered and they too made strong economic progress. Other member states were already developed countries before accession.

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That leaves the Balkans and the Anatolian peninsula. I mean the Balkans and the Anatolian peninsula will enter this union and develop just like other parts of Europe have done. They will become prosperous and live in a modern way.

My people perceive this dimension. My people have always been interested in innovations. They feel the benefit of innovation even when it is not explained to them. Here, again, they have felt that this is something good through their perfect intuition.

Much has been argued against this idea. Much propaganda has been made by asking "are we going into a Christian market? Are we losing our religion?" I have been replying these questions for years. That is a different kind of world view. But that view will not lead to anything in our interest. As the Catholics, the Orthodox, and the Protestants preserved their beliefs after entering the union, the Moslems will preserve their religion, too. This is a mission to be carried out for Europe.

There are 55 countries in the world whose people are Muslim. The only country among them which has embraced republicanism, democracy, secularism and Islam is Turkey, my country. In terms of the future of the world, the inclusion of such a country in Europe will not constitute a source of weakness for Europe. This is a matter of civilization. The universal declaration of human rights states that these rights will be utilized by everyone irrespective of their religion, language, color and race. Here is a very good model that will support the realization of this aim in the future.

Our country is undergoing certain problems today. These are primarily economic and temporary problems. You cannot evaluate Turkey based on these problems. Think of an ill man in his bed. If he weren't ill, he wouldn't be in that bed. But these problems will be overcome. Many countries have undergone similar problems. Turkey has experienced them from time to time. Turkey will recover and everything will function properly. Turkey will embrace the European notion, the European organization and the European Union as an industrialized country.

Turkey has not given up on the market economy during this crisis, but has tried to respond to everything in line with the principles of the market economy. When compared with the twelve other candidate countries, it will be fair to say that Turkey's singular contribution to the union is almost equal to the contribution of half of the other candidates. When the twelve

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other candidate countries join the union, the landmass of the community will be increased by 34%, its population by 32%, and the gross domestic product by 11%, whereas Turkey's full membership single-handedly will enlarge the community's area by 24%, population by 17%, and the gross domestic product by 5%.

Turkey's membership in the union will be an important step forward in the process of European unification and integration. The EU will see a reaffirmation of its values in this process. Turkey's membership will testify to the inclusiveness of the union on the basis of the principles of an established democracy with the rule of law and respect for human rights, sustained by a functioning market economy. This will convey a strong message on the validity of European values of tolerance and respect for cultural diversity.

Turkey's full membership in the EU may have wider geo-strategic implications, in particular with respect to globalization. The European Union with Turkey as a full member will certainly have a different outlook and a global reach. What I want to say is that Turkey has acted together with Europe as a member of NATO in defending the European values during the long years of the cold war. At that time, Turkey was recognized as a "frontier" in its defense of European values.

Now, when we look 25 years ahead, Europe cannot ignore a significant phenomenon. This is the role to be played by Eurasia. Today, Eurasia is a new political formation that emerged after the dissolution of the Soviet Union and Yugoslavia, stretching from the Adriatic Sea to the Great Wall of China. Turkey is located at the center of this new geography. Turkey is not a patron of this new geography, but just located in the middle of it, in both geographical terms and in terms of influence.

Turkey will serve as a bridge in carrying European values through Turkey and Caucasia to the Altay Mountains. Turkey has already started to serve as a bridge. The Organization for Security and Cooperation in Europe (OSCE) has 54 member states. Kyrgyzstan is a member of this organization, Uzbekistan is a member of this organization and Kazakhstan is a member of this organization. All these countries will be defending European values in the future. That is why I say that these values are not the monopoly of the European people and a given geography. Nobody should ignore the role to be played by Turkey here. Turkey will provide a great service in defending

European values in the Middle East –nobody can foresee what will happen tomorrow- and here as well.

Since the beginning of the 1960s, I have defended the notion of being European, the European common market, the European community, the European Union. I have had many arguments with people opposed this notion both in my country and outside my country. Turkey's EU membership is based on mutual interests. Good relations are based on the real interests of all parties.

In my opinion EU accession negotiations must start as soon as possible. I see numerous benefits in this. Turkey has benefited from the good atmosphere generated by the Laeken meeting. The impetus provided by this atmosphere must be exploited.

We are expecting our European friends to be considerate at this point. It is the right time to embrace such a huge potential and a possible future partner. In 2004, 10 countries will become full members in the union. If Turkey's membership is suspended, this will cause disappointment on Turkey's part. Turkey must be able to see its future; this opportunity must not be missed.

Turkey will do everything necessary on its own part. Why will Turkey do that? Not for the sake of the Europeans. In whose interest is a better Turkey? It is in the interest of the Turkish people. I mean, being European, a member of the European Union, benefiting from the interests that arise from this membership is not to make the Europeans happy, but to make Turkish people happier, to make them freer, more prosperous, and secure and to make them live a better life and look into the future with confidence.

Every single step taken by Turkey in this direction is in her own interest. I must also tell you that Turkey is a democratic country and will remain so. Anything can be freely expressed in Turkey. This is the victory of our democracy. Everyone must be able to say whatever they want. Turkey has a very dynamic parliament and press. Everything must be openly discussed. Common sense will emerge as victorious from this process. A common sense will be used in carrying out everything reasonable and required to be a member of the EU. This will be done. And in return, it is our right to expect our friends to be considerate towards Turkey and not to lose patience with Turkey but rather help Turkey to settle its problems.

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I. SESSION

The Enlargement Process of the EU

Chair Person : Mag. Franz Wechner

Prof. Dr. Paul Taylor

Prof. Dr. Hagen Lichtenberg

Prof. Dr. Michael Landesmann

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THE EFFECT OF ENLARGEMENT ON THE DECISION-MAKING ARRANGEMENTS OF THE EU*

Paul Taylor**

Introduction

My brief is to discuss the institutional consequences of enlargement. There are two main arguments. One is that the formal arrangements with regard to decision-making in the European Union may sometimes disguise other sorts of informal arrangements and that the appearance can be somewhat deceptive. What you see by way of changes, proposed, say, in the Nice Treaty may not be a complete description of what happens. And the second conclusion is that the process of enlargement is likely to lead not so much to a deepening of the community but more to the reshaping of the European Union so that it becomes more like what I would describe as an ordinary international organization. In other words enlargement my set in train changes that lead the European Union to be more intensely intergovernmental, in the older International Relations sense of that word, and less supranational or federal.

Diversity and divergence

I will develop and illustrate these two points by reference to three sets of arguments. Firstly, let me talk about the increasing diversity of the European Community/Union which is likely to occur because of enlargement. It is I think sufficient to point out that there are great differences, under the broad social science headings of economics, society and polity, between the candidate states of central and eastern Europe and the existing states of the European Union. There are of course profound differences within those states in terms of GNP, in terms of the economic

* transcribed text edited by the author

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mix found among that group of states. But taken as a block there are noteworthy and considerable differences between their levels of economic performance, economic structures in the candidate states and those of the existing members of the European Community.

The variety of their differences and the difficulties in meeting the conditions of membership at the same time, in addition to the various delay of the negotiation process, means that the enlargement process - despite the fact that there are deadlines - is likely to be rather a fuzzy process. The precise nature of the agreements with the various groups of states and with the individual states is not yet clear. But there are likely, as is widely accepted, to be different kinds of arrangements for different states and a whole set of special arrangements for particular groups and for particular states. Among the consequences of this is the likelihood that the margins, the boundaries between member states and non member states are likely to become rather fuzzy. This is not my point, it is a point developed by Jan Zielonka in a recent volume of the Journal of Common Market Studies, who simply argues that boundaries to the East may become less precise, and more ambiguous, in that there will be activities carried out within those boundaries and beyond them that do not necessarily coincide.

There is the additional point that enlargement is taking place in another bigger context, namely the context of globalization, and one of the aspects of that has been particularly important with regard to Europe. That is that it has put great pressure upon states to reduce levels of government spending and in particular to introduce what have been described as reforms in their welfare systems. One of the big questions about future economic arrangements concerns the fate of welfare states. One view is that neo – liberal globalization will make it more difficult to maintain high levels of welfare spending. It is important to realise that enlargement is taking place in a particular kind of economic context: the context of globalization which has created particular pressures within the existing states of the European Community.

This pressure is however likely to meet with different response in different states and further increase the divergence between them. There is some evidence to suggest that higher levels of welfare may indeed be compatible with neo-liberal globalization but the important point here is that it raises a question about the endurance of the social democratic states in the union. How far will they seek to defend their own particular way of organizing welfare in the Union? These social democratic states are also the

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ones that have been more ambitious about integration, and this suggests the possibility that a group of states which are more inclined to higher level of integration and welfare spending could emerge.

There are various constellations of member states which are emerging in the context of enlargement and globalization, and there are grounds for supposing that there will be more pronounced differences, and increasing diversity.

The useful ambiguities of the European Institutions

It is a key part of the argument that the EU member states are increasingly varied in their economies, their societies, their level of development and their range of political and security problems. To some extent this has always been the case. But it is important to remember that the different ambitions of member states hitherto have been reconcilable within the European Institutions because of the peculiar ambiguities of the working methods of the institutions and indeed of the European Constitution as embodied in the Treaty of Rome and its amending treaties.

We have gone through two major phases in the development of the working arrangements of the institutions, and, though I do not report this with any enthusiasm or pleasure, I suspect we are beginning to enter a third phase in their development. In the first phase, there was the view, understood by federalists and anti – federalists alike, that European integration was really about the movement of powers from state governments to the Brussels' institutions – that something was happening there which would lead to a new kind of political community in which the Brussels' institutions would play the lead role. It was a zero sum game: states would lose and Brussels would prosper. That was the dominant view through until some point in the mid – 60s and was probably coincidental with the period of Walter Hallstein as President of the Commission, so that it did not seem peculiar to many when he told a group of American journalists that they could think of him as a kind of European prime minister.

The second phase was a little more complicated and in some ways more interesting. This was the phase lasting from the mid-70s through until the time of Maastricht, when the appropriate word to describe the European institutions; it seemed to me, was symbiosis. I mean by that the perception developed that there could be a reconciliation between

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intergovernmentalism and federalism, that the community could prosper, not at the expense of the states but alongside the states; that the sovereign state was not actually under threat, but that, paradoxically the arrangements of the collectivity could be further strengthened without draining its sovereignty.

States learned new ways of understanding their sovereignty. As each of the big steps was taken there was a process of adjustment to the new circumstances of sovereignty. State-governments learnt, for instance, that there could be direct elections to the European Parliament, and the setting up of a system of own resources tending to fiscal federalism, as well as a unique and powerful community legal system, without necessarily giving away a part of sovereignty, In the institutions themselves there were often happy ambiguities. It was possible to have a coexistence between two doctrines which at first sight might appear to be contradictory: the doctrine of supranationalism and the doctrine of intergovernmentalism. And there was a learning process which governments went through, so that they became less scared of supranationalism, as some had been in the early period, but rather began to think that they could prosper as separate states in the context of a stronger community. In other words more integration could shape even stronger states, rather than weaker ones.

How was that particular trick performed? It does seem to be a contradiction and I would say that it was a very considerable achievement, though perhaps unintended, of those involved in designing at various stages the institutions of Europe, and up until the community reached 15 members it was a trick that could be achieved; it is partly a straight numbers game. In the institutions the trick is reflected as I have said in ambiguities. For instance the Presidency is a very ambiguous institution. The cynical intergovernmentalist might think that it gives an opportunity for states simply to pursue their national interest. But the learning process suggested that, if they were to succeed, states, when they held the Presidency, had to pursue and concentrate upon community agendas. Simply pursuing national interest was unlikely to prove rewarding and could lead to a discrediting of the state that tried. This lesson was learned by new members, such as the Greek government: their early Presidency was not a great success, in part because their pursuit of their own interests, defined in a narrower sense, was too evident. And, of course, doing well in that context, by pursuing community agendas, was also a way of promoting the identity of the separate states. So, the Presidency became a place where this reconciliation

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of intergovernmentalism and supranationalism was first expressed, and achieving it could redound to a government's credit.

But each of the institutions has useful ambiguities of this kind. With regard to the Commission: on the one hand there was the doctrine that it was supranational, that it spoke for Europe, that it reflected the general interest and this was perfectly proper and indeed necessary, a very special contribution of those who designed the European institutions. It was a great achievement. But on the other hand, those who look at the Commission realised very soon that there were little compromises with that doctrine; it was not just that the Commission reflected the interests of the community and talked of the general interests. Member states were also very concerned to get their people into the right places in the Commission.

The Commissioners themselves have a representative quality to them. They are appointed on the recommendation of governments and often reflect the various political tendencies in their states of origin. Governments seek to get their man into the key mandates, and object if that mandate is lost. In some ways this has become a more routine aspect of Commission personnel arrangements in recent years. There is often an assertion of the rights of governments over the doctrine of supranationalism with regard to the appointment of top people in the Commission. But the point I am making is not that the Commission is constantly manipulated by the governments who control its appointments. Making this too blatant would be to risk legal censure. Rather the point I am making is that the Commission itself reflects an ambiguity, a symbiotic relationship between the ideal of intergovernmentalism, representativeness and the doctrine of supranationalism.

The Council, even after the Single European Act and the introduction of the cooperative procedure and of qualified majority voting over an increasing range of areas, still normally takes decisions on the basis of consensus. Qualified majority voting is better seen, not as a routine procedure, as in a stable democracy, but more as a mechanism for lubricating the process for consensus building so that in practice the number of occasions when issues are formally voted upon is actually relatively small. The President of the Council inherits a general sense, derived from experience, of when it is dangerous to put a matter to the vote. It is appreciated that sovereign states that are regularly outvoted, regardless of the formal procedures, are likely to become increasingly unhappy about this

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arrangement. The normal ambition is therefore to build a general sense of what should be done.

My argument here is that from the mid-70s up until the period of Maastricht the way of making decisions actually reflected the possibility of reaching a compromise between the intergovernmental view and the supranational view.

Becoming an ordinary international institution?

I have argued that the number of divisions, as Europe enlarges, are likely to increase not diminish, and that the achievement of the European Union with respect to its institutional methods was that they allowed a symbiotic relationship between states and community. This means that the level of differences between states was containable in the collectivity. But in the post Nice period it is unclear that this symbiosis can be maintained. The formal arrangements, the qualified majority voting arrangements at Nice with all their complications with regards to blocking minorities and majorities, and the three levels of approvals that are stated in Nice, are simply too complicated, and certainly fail the test of popular understanding.

We do not know yet what king of changes there will be with regard to national interests and perceptions of the need to build alliances between member states. Once enlargement has taken place and the new formal arrangements have been introduced it seems to me likely that the institutions are likely to become more of a focus for national competition and the finding of the lowest common denominator among national views, rather than a place of compromise with the collective interest. It is much more likely that you will get actual voting in a Council of thirty member governments than in a Council of 15, as simply managing a process of consensus building becomes much more difficult.

There is a problem in the arguments of those who say we need to extend qualified majority voting in order to make it possible for the expanded Council to take decisions. That is because majority voting hitherto has not been the system actually used, whereas the assumption behind the reforms is that it will actually be used - at precisely the time when the range of differences and divergences are multiplied. If the system becomes the routine the dangers greatly increase that the states that are outvoted will become increasingly dissatisfied. It is anybody's guess as to how often a state can be outvoted before it becomes seriously disaffected, but attention

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will have to be paid to this question. Will decisions be based on a calculus of disaffection - say, that France was outvoted 6 times and cannot be outvoted again, whereas Lithuania was outvoted 10 times, but, as a small state, can be safely outvoted more frequently. The problem at heart with trying to fix a problem of dissent by constructing novel forms of qualified majority voting is that sovereign states can only move forward over time on complex issues on the basis of consensus. The difficulty with enlargement is enlargement itself and no amount of tinkering with the machinery of the Council will fix this.

Hitherto majority voting has been a way of lubricating the consensus building, and not as a way of overcoming dissent. Sovereign states will not tolerate being regularly out voted about things that they think are important. That raises the question, of course, of whether the Luxembourg agreement will remain valid or not. Some people think it is already defunct, but others think it is still very much a part of the working arrangements of the community.

Another possibility is to have a development behind the Council which is rather like a development that has appeared alongside the Security Council of the United Nations. In the UN system it is called "The P-5 Arrangement". This is the arrangement whereby the veto-wielding states - the 5 permanent members- actually meet in a subcommittee of the Security Council and agree – or try to agree- their policies before the meetings of the full Security Council. In the UN system this has led to problems of transparency, and has stirred up the fears of the middle level states and small states about their role in all of this. But the point remains that if voting becomes real it becomes much more likely firstly that the big powers will try to fix it before the meetings of the Council, in the European Union as in the UN. They will form their own special arrangements to try to achieve this and if this strategy fails will become disenchanted with the whole enterprise.

In the new system in the EU another possibility is that the lead states will seek to form alliances much more carefully, much more systematically than they do at the moment, with other members of the Council to try to get their majority- voting or to achieve their blocking minority. As regards the Commission - again speculating about the effects of these changes and of enlargement. - I think that the doctrine of the Commission as a supranational agency is likely increasingly to be challenged. We can see already, as I have said, little bites being made into this. In the old arrangement – 15 members and two commissioners for the big states- it was

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easier to assume that when the Commission made its decisions, when the College produced a judgement, it was with the broad support of the big states. They could be reasonably sure, even allowing for the doctrine that decisions made by the Commission college were in secret, that their people were happy. In contrast, where the Commission is made up of a larger number of representatives from small states it would be easier for it to get about that the Commission was really dominated by those small states. The publics in the big states would also not take kindly to this.

Such an impression would cut across the happy ambiguity that the Community was one of equal and sovereign states, but in fact depended upon the leadership of a smaller core coalition. In this new situation the states would be much more likely than hitherto to extend the practice of building alliances which favoured national ambitions into the Commission itself. Hitherto the Commission could project the impression of its representing both collective and national interests. In future the chances would be much greater that the commission would become another forum merely for the pursuit of national interest. Governments would be more anxious to pursue their links with people inside the Commission so that they could in fact pursue influence as separate states in the Commission.

The impact of a more obvious and blatant intergovernmentalism upon the way the Commission works is likely I think to be serious once that historic compromise that I tried to describe in the earlier arrangements has been undermined. I could continue with these arguments, but in the interest of time - and space - I will simply say that it seems to me that they also apply to the Presidency. They also apply in many ways to the Parliament. The Parliament was always in a rather odd situation in that the more powers it obtained the greater the chances were that the governments would seek to manipulate the way that voting went in the Parliament through their particular party links. In the new situation they will be more anxious to marshall blocking majorities in the Parliament if they disapproved of a particular piece of legislation and more anxious to exert control through national party links with the groups in the Parliament.

Concluding Remarks

In conclusion, I would simply say that with regard to European institutions, regardless really of the formal voting arrangements, when there is enlargement you are going to get a situation where it becomes much more

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important, and seen to be more important, for states to build carefully alliances with other states so that they can get their way within these institutions. That will work in the Council. It will also work, perhaps more surprisingly, as regards the Commission.

An obvious criticism of what I have said is that this is how it works anyway. The big difference, though, is that the pursuit of the interest of governments, in what I fear will be called the old Europe, was always in the context of a third element; the third element of a feeling, in a number of contexts - the Commission, the Presidency, the Council- of a need to work for the collectivity, for the Community. There was always a kind of three way dynamic: state-state, but also each of the states in the context of the common interest, the community. My fear is that certain things will happen with enlargement which will seem to make it more necessary for governments to downplay the collectivity and to upgrade straightforward alliance building, straightforward pursuit of interest, less compromise and adjustment of interest to reflect the collectivity. That is why I think that this time enlargement is not going to be linked with deepening: it is going to be linked with the emergence of a more acrimonious form of intergovernmentalism as the dominant mode of decision making in the community. In this way the overall mode of decision-making in the EU will become more like that of an ordinary international institution.

The reaction of the core of social democratic states, which have traditionally been more ambitious with regard to integration, remains to be seen.

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AN ANALYSIS OF THE ENLARGEMENT PROCESS*

Hagen Lichtenberg**

May I start with a few personal remarks before I approach my topic. I was very satisfied when I read reports from the Laeken Summit about developments with respect to Turkish membership. Accordingly my life will become much easier. During these last 20 years I have been dealing with the question of Turkey's accession to the EU. People have asked behind their hand "who is this fool going around and trying to make us believe that Turkey will become a member of the European Union". Now I do not need to justify my position any longer because I have received some backing from the side of the European Union so I have been in a very good mood recently. My intention is to provide a more general view of the accession process.

Requirements for Membership and the Accession Procedure

The first question I would like to address is the following: Is it, as I have sometimes heard, unfair that the European Union / European Community has introduced new procedures regarding accession? After Turkey's first application, shouldn't the same criteria be applicable during this process. Is it unfair to change the criteria? And I reflect that the first reaction will be 'Yes of course, if you change the conditions in the middle of the game then it is always unfair'. I think it is not that easy. Changes have taken place in the European Treaty. The EEC treaty contained a relatively simple provision for accession which stated that conditions have to be negotiated between member states and the applicant state. But here you have a relatively complicated procedure involving particularly a majority vote from the European Parliament. If you look to the development of the European Union itself, then you find this is the true nature of what happened in the process of European integration because the involvement of the Parliament is one of the substantial acts or requirements which the

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European Union or the European Community now possesses. Previously European Community Law was criticized for its lack of democratic legitimacy due to the fact that the Parliament was restricted in its influence on the process of decision-making in the European Community. I think that Parliament's involvement is one of the basic requirements for democratic decision-making. Parliament's involvement in decision-making is thus a requirement of democratic legitimacy and not a development serving as a second threshold or a barrier against Turkey's application. The fact that the Parliament now has important influence in the decision-making procedure is part of the evolving reality of the EU.

Secondly, the European Community and the European Union have developed in a rather efficient way since Turkey's first application. Sometimes we may be dissatisfied by decisions or a period may be needed to settle certain problems. Nevertheless if you look at European development this is an enormous achievement in a rather short period of time. Therefore, the conditions for applicant states have changed. They have to cope with the European Union as it is at the moment when the decision has to be made about accession, about membership. If you want to catch a train you will choose the timetable of the station you can reach not of the previous station otherwise the train would depart before you could board it. The development of the European Union needs or has to be followed by a change of accession procedures. There is no guarantee that you always have the same conditions from the start of the application to the end of the procedure. Of course that makes things difficult; it makes things difficult from the legal point of view, from the political point of view, from the economic point of view. It is necessary to have a clear time schedule and plan what has to be done and in what time frame.

The Pre-accession Partnership

I think the instrument of pre-accession partnership is a great help in promoting the accession process. The pre-accession partnership implies cooperation with respect to achieving the conditions, fulfilling the conditions for membership. It means that these procedures have to be applied as a common effort by the applicant states and the Community. Now, what are the challenges laid down in the Copenhagen Criteria or in Article 6 of the Treaty of the European Union? I have already briefly referred to the nature of the criteria, so I do not need to refer to the text anymore. They involve the fulfillment of political criteria like democracy, the rule of law, the protection of human rights. Concerning the economic

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criteria there are many people here on the panel who are better able to address the economic criteria better than me. Therefore I will not talk about this issue. The crucial point is the adoption of *acquis communautaire*. If you try to render a definition of what the acquis communautaire you will find yourself in a very difficult position. I think the outcomes will be as diverse as the number of persons attending this conference. There is no clear definition of what the *acquis communautaire* comprises. Of course, it is the whole set of community law including the treaties, including the legal provisions which have been enacted by community institutions including the statements or judgments of the European Court of Justice. These are particularly important in the field of fundamental rights because the Court of Justice has determined the fundamental rights which are the common standard of the member states. Sometimes the Court has been criticized because while deciding on the application of the law it had to interpret it. This situation was at times almost equivalent to making law. The Court said: 'No we do not make the law, we just apply it', but applying it necessitated interpreting it as well. In the Court's application of Community law, general principles have developed which are akin to the concept of fundamental rights.

The political decisions of the summits are included in the *acquis communautaire*. Where is the borderline between the acquis communautaire which is the legal social property of the community and what is just a day-to-day political declaration? So, nobody really can say where that borderline is and if we discuss what the *acquis communautaire* is today, tomorrow the situation may have changed because Community law is constantly developing and the political decision-making goes on. I think this is very difficult, the most difficult point with respect to the accession procedure namely to define what the *acquis communautaire* means first, and secondly, to what extent an applicant state has to comply completely with the existing *acquis communautaire* however it may be defined?

The Importance of the Progress Reports

I will just point out some of the consequences stemming from these aspects. I have carefully read the Progress Report which was published a couple of weeks ago. Many of the statements included in this report refer to the questions of adoption of the acquis communautaire by Turkey. I know that the Progress Report has acknowledged changes in the constitutional provisions allowing the transfer of sovereignty to the European institutions. I think this is not exclusive to Turkey. Nearly all member states needed to

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adapt their constitutions to the requirements of community law; this was the case for Germany as well as for other member states. The UK was in an awkward situation since they do not have a written constitution like we have. They achieved this through enacting the European Community's Act which provides for the necessary instruments so that the requirements of Community law could also be realized with respect to national constitutions.

Secondly there remains the question of human rights in the Turkish constitution. Thirdly, I have just selected one of the points I find very convincing; the question of social security. And there is a view that Turkey has not made substantial progress toward introducing a system of social security which might be compared with the systems existing in EU member states. Remember that the member states of the European Union took decades to establish their systems of social security. And there has been an on-going political and economic social discussion in Germany over the last 10 years about the reform of social security institutions, particularly the old age pension system which is in danger of collapse due to demographic developments in Germany. So, there is no question that it takes time to adopt such a system. When did Turkey start to make the first efforts to adapt itself? In 1993 the Copenhagen Criteria were published. That is a short time ago if we compare it to the period of time member states had to establish their systems. The other point is the issue of free movement. Of course this is a very important point and not only from the European Union side but also from the Turkish side. I have long supported the rights of Turkish nationals to free movement within the Union. I have also heard complaints from the wives of Turkish nationals holding EU-citizenship and living in Turkey concerning the legal procedure they have to undergo every year to get an extension of their residence permit in Turkey for another year. Now they are entitled to receive an extension for 2 years but the time to get it surely takes 2 or 3 days. They have to be present in different offices in order to get their passport stamped. In this area there is an enormous need for change. It is also true that the member states did not establish freedom of movement in one go but gradually over a period of 12 years. With respect to Turkey and the association agreement it has taken much longer. It needed the strong support of the European Court of Justice to ensure freedom of movement.

Now I come to issues of commercial / economic law, company law and the capital market. I can see that there has been progress in Turkey with respect to company law during a relatively short period of time. I think this

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is quite a remarkable thing. I just remembered the regulation on the European Company, the 'Societas Europea'. I remember it took about 30 years for Europeans to complete discussions over the statute of the European Company. So, a couple of years for Turkey is not really such a long period of time.

And the last point I wanted to mention in this context is the regulation of intellectual property law. It is very a serious problem with respect to the opening of the market; it is already part of the Customs Union and it is needed in order to fully implement the Customs Union, the free movement of goods. There are weaknesses in this area also. However, I think this has to be seen in a relative context with respect to the enormous efforts that have to be taken in order to accomplish things completely.

Another point I would like to mention very briefly is the privatization of state holdings in industry. This is a problem for all new member states. Assoc. Prof. Dr. Muzaffer Dartan noted that better than me. He has published books on this question. And the other problem is the question of state aids and public procurement questions where Turkey is a little behind in terms of the time schedule to develop community standards.

Why did I compare developments in Turkey with the situation in the existing and present member states in the European Community itself? Not in order to discourage you from continuing the efforts of the last two years. I think the question has to be whether the complete adoption of the acquis communautaire in all these fields is or can be a condition for the opening of negotiations about membership. I think not. No country, no legal system in the world will be able to change all these things within a period of 4 or 5 years. No country will be able to do this except on the basis of a revolution but in no case on the basis of democratic development. The nature of a country's internal decision-making process has to be kept in mind.

The last point I want to mention is a very serious one. This is what is called 'the implementation deficit'. I think this is one of the hardest points for Turkey according to the impression I have acquired over the last 25 years that I have been coming to Turkey. Turkey needs to make enormous efforts to improve the education and training of public servants; of judges; of practicing lawyers with respect to the requirements of the implementation of community law and the application of community law. Of course this is not a process that can be completed within a period of 5 years.

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Summary

What is the upshot of this discussion? My conclusion is that we can not expect and it is not fair to demand an implementation of the *acquis communautaire* in all these fields by the time formal accession negotiations are due to be opened. What is necessary is to see a clear tendency, a commitment from Turkey that it will make progress and achieve implementation of the *acquis* in a serious manner and within a reasonable period of time. This is what the present member states did in the first 12 years of the European Community and this is what every new member state is able to do. Of course this will require a transitional stage in the first years of membership. But this is a transitional stage in the situation of membership not prior to accession. I strongly support the position that Turkey should have a clear time scale for the opening of negotiations and a clear time scale for the full implementation of the *acquis communautaire* when it is accepted and when Turkish accession has been decided upon.

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THE PROCESS OF EAST-WEST EUROPEAN INTEGRATION: Convergence, Differentiation and Specialization

Michael Landesmann*

Introduction

In this paper we analyse structural developments and the evolution of competitiveness in the countries of Central and Eastern Europe (CEECs) in the context of East-West European integration. Since the beginning of the transition in 1989 the CEECs have gone through a dramatic process of systemic change and structural adjustment in which their integration into trade and production links with Western Europe has played a major role. This paper describes the processes of structural adjustment which have taken place and we shall take a particular stance with regard to the patterns of production and trade specialization which have emerged in this process of East-West European integration. EU enlargement will of course be a major step in this process towards full integration, but the basic outlines of the division of labour which is emerging in this 'enlarged Europe' have already become visible prior to that.

Underlying our analysis is a theoretical model (see Landesmann and Stehrer, 2000) which attempts to combine a model of catching-up with international trade specialization and thus falls into the category of the dynamic modelling of trade and growth (for other approaches, see Krugman, 1986, Grossman and Helpman, 1991, Taylor, 1991). The basic outlines of the model are simple and have been guided by the 'stylized facts' observed in growth patterns of successful and less successful catching-up economies. Such economies start off with substantial

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productivity (and product quality) gaps and such gaps are not the same across all industrial branches. Typically, the gaps are greater in the technologically more advanced branches and less in the technologically less demanding ones. This has the following implications: full catching-up has a longer way to go in the technologically more advanced branches and this can be interpreted in two ways. On the one hand, it is 'more difficult' to catch up fully in such branches as it requires a much greater effort in learning, skill acquisition and often a big jump in organizational and managerial capacities; on the other hand, it means that the scope for differential productivity growth (and for product quality upgrading) between the 'technology leader' and the catching-up economy ('the laggard') is higher where the initial gap is larger.

This is a simple application of the Gerschenkron hypothesis ('advantage of backwardness') which states that the 'potential' for growth is highest where the 'initial gap' is the highest (Gerschenkron, 1962). This principle has, of course, been widely applied at the aggregate level and is the background for the much tested 'convergence' hypothesis in the many recent aggregate growth studies (for a survey of such studies see Temple, 1999). What is special in our model is that we apply this principle at the industrial level with the implication that those industries have the greatest potential for productivity growth and product quality up-grading that start off with the biggest 'initial gaps'. Of course, as pointed out early on by Abramovitz (1986), actual growth is not necessarily equal to potential growth as countries (and in our case industries) might not be able to exploit this potential. Abramovitz emphasized here the importance of 'social capabilities', i.e. a wide range of institutional and behavioural requirements which are necessary such that actual catching-up comes as close as possible to potential catching-up. This analysis opens a wide range of possible catching-up patterns. In the case of our more disaggregated analysis it also means that the dynamics of comparative advantages which determines a country's position in the international division of labour can follow quite different patterns for catching-up economies. At a more concise level, the dynamics of specialization advantages and disadvantages is determined by the timing of 'switchovers' in the comparative cost structures across industrial branches. Here the dynamics of relative productivity growth rates and of wage rates across industrial branches plays a decisive role. We have examined these patterns of comparative advantages across the historical experiences of a wide range of catching-up economies in a number of analytical and empirical studies (see Landesmann and Stehrer, 2001) and will show in this paper that the approach gets also validated in the analysis

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of patterns of catching-up and trade specialization of CEECs after the transition.

In an extension of this approach, it is possible to show that the allocation of foreign direct investment (FDI) across industrial branches is similarly affected by the dynamics of comparative advantages although in this context we also emphasize the role which price-cost margins (Schumpeterian profits) play in determining (particularly foreign) investment activity[1]. In the present paper we shall also show that – similarly to the uneven productivity dynamics mentioned above – product quality upgrading also proceeds at different speeds across industrial branches and this also represents another important aspect of catching-up. Just as the model implies that the range of experiences with respect to catching-up patterns and hence of the positions that economies occupy in the international division of labour can be quite wide, this is borne out by the diversity of experiences we observe in Central and Eastern Europe.

We shall now give an overview of the structure of the paper: Section 2 summarizes the broad patterns of structural shifts (across the primary, secondary and tertiary sectors) which we observed since the beginning of the transition and it also reviews some aggregate developments with regard to output, employment and productivity growth. Section 3 takes a closer look at structural change within the manufacturing sector and reveals at this level some of the interesting emerging patterns of industrial specialization of CEECs. Section 4 reports on the main determinants of industrial cost competitiveness, i.e. productivity, wage rates and labour unit costs and shows in which industry groupings (lower tech, resource based, higher tech) the strongest inroads were made in relative productivity and unit cost developments. Section 5 discusses trade performance und uses various classifications guided by industrial organization and skill content criteria to show the qualitative pattern of trade specialization emerging in CEECs in relation to the European Union (EU). Section 6 gives some evidence on FDI allocation across industrial branches and section 7 looks at the educational attainment in the CEECs and at labour market developments in CEECs in particular in relation to the positions of different skill groups. The argument here is that the positions of skill groups reflect the patterns of catching-up and industrial specialization discussed in the previous sections of the paper. The concluding section provides an outlook on the impact which EU

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enlargement will have on the further integration processes between Central and Eastern and Western Europe.

Broad patterns of structural change: Deindustrialization–Tertiarization – De- (and Re-) agrarization

In this section we review shortly the patterns of structural change which took place in the CEECs at the broad sectoral level. As is well known, GDP experienced in all transition economies dramatic early declines (Janos Kornai coined these the 'transformational recessions') and most of the economies also experienced further – at times – sharp interruptions in their growth processes due to delayed corporate restructuring and banking crises (often called 'secondary transformational recessions') and/or macroeconomic imbalances, most often caused by unsustainable current account deficits. Overall employment drops since the beginning of the transition were very substantial in the CEECs. The employment reductions were concentrated in some countries (Hungary, Poland) in the early phases of the transition, 1990-93, while in other economies such as Romania and the Slovak Republic, substantial employment declines took place also in periods after 1993.

Furthermore, strong shifts took place at the broad sectoral level which can be interpreted as structural convergence with more advanced Western economies. These broad shifts can be summarized under the headings 'deindustrialization' and 'tertiarization'. It is well-known that the Communist economies emphasized industry at the cost of services and, furthermore, service activities were often supplied within big industrial combines which meant that these service activities were classified under industry. With the transition a strong move towards the expansion of the service sector took place and a scaling down of the industrial sector. With respect to agriculture a somewhat more complex picture emerged which will be discussed below.

Figures 2.1 and 2.2 demonstrate the evolution over the period 1989 to 2000 of the shares of the three classic sectors (agriculture, industry, services) in value added and employment respectively. Figure 2.3 allows a comparison of the sectoral employment structures after a decade of adjustment between the CEECs and two groups of EU countries, the 'EU North' (composed of Belgium, France, Germany, UK) and the 'EU South' (composed of Greece, Portugal, Spain). We can observe the following tendencies:

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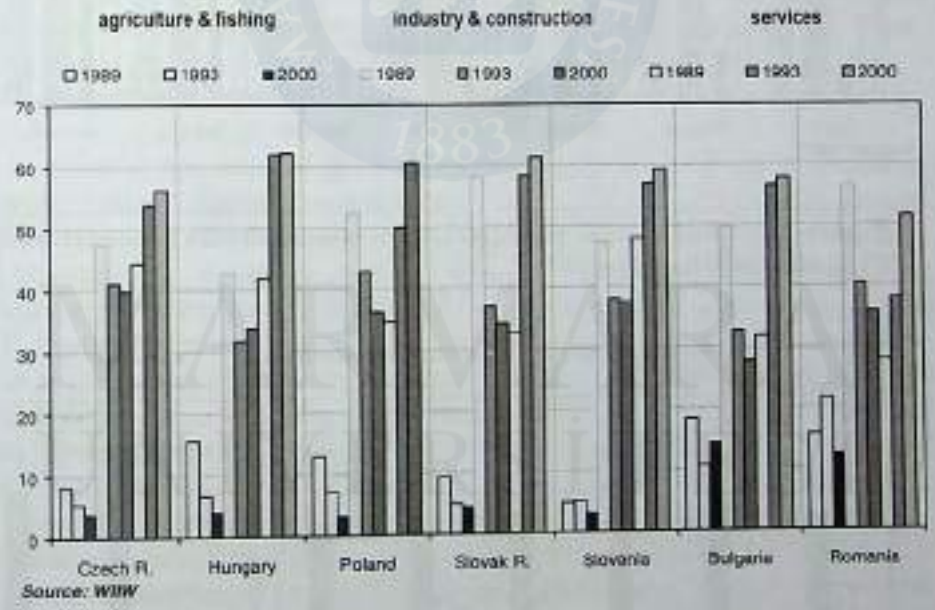
De- and re-agrarization

In general, there was a tendency in most of the CEECs to reduce the size of the agricultural sector; however, there were exceptions to this: in some economies the share of the labour force in agriculture (and in Romania even the absolute number) has actually increased! This is true for Bulgaria and Romania, while for all the other CEECs there were losses in the shares (and dramatic losses in absolute numbers) of agricultural employment.

Figure 2.1: Comparison of CEECs' value added structures in 1989, 1993 and 2000



Source: WIIW

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Figure 2.2 Comparison of CEECs' employment structures in 1989, 1993 and 2000 (based on registration data)

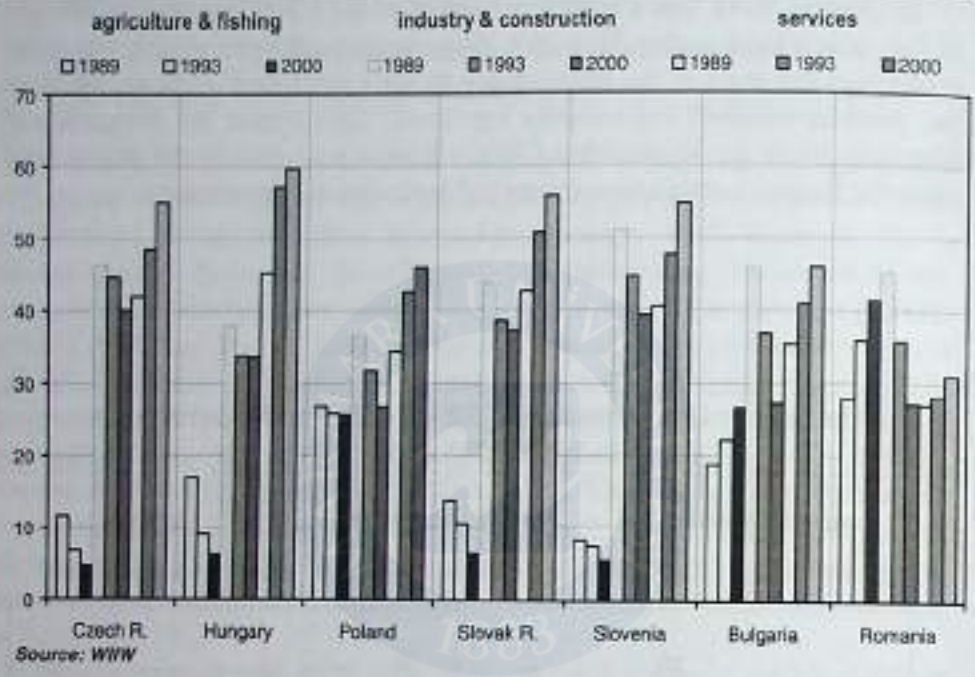
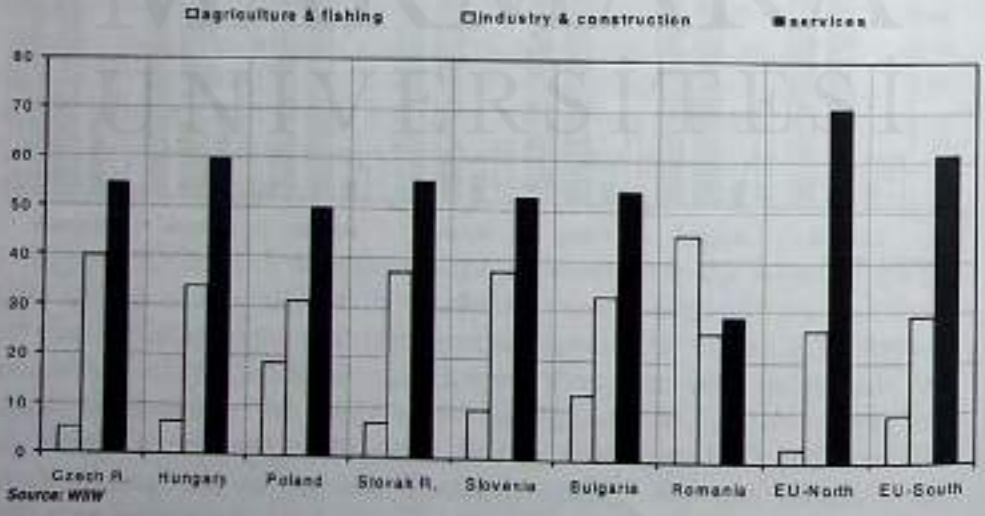


Figure 2.3: CEECs' employment structures compared with EU-North and EU-South, 2000 based on LFS



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Interestingly, the economies with the larger agricultural sectors (Poland, Bulgaria, Romania) had smaller percentage declines (or even increases) in the employment shares of this sector compared to the countries which started off with a smaller agricultural sector (Czech and Slovak Republics, Hungary, Slovenia). Hence, regarding the 'primary sector', the transition brought about processes both of 'deagrarization' as well as – in some countries – of 'reagrarization'. The second type of pattern should be considered a transitory phenomenon, resulting from the severe employment crisis in the industrial sector (especially in countries such as Bulgaria and Romania) and – so far – the limited absorption capacity in the services sector (for more details on this, see Vidovic, 2002). There are also interesting discrepancies in the movements of value added shares and employment shares in agriculture: In value added, the shares of the agricultural sectors are declining in the most recent period also in those economies in which there were previously signs of 'reagrarization' (Bulgaria and Romania); this trend supports the view that the phenomenon reflects mostly the dramatic overall jobs crisis in these countries.

Deindustrialization

Broadly, one can also speak of a general process of 'deindustrialization' with falling absolute employment levels in the industrial sectors (comprising manufacturing, mining, water and electricity supply, construction). In share terms, however, there are some interesting exceptions to the general decline of employment in the industrial sector. In Hungary the employment shares of the industrial sector have recovered after the initial drop at the beginning of the transition and value added shares have risen again in Hungary and the Czech Republic and stabilized in Slovenia. In relation to both the EU North and the EU South, some of the CEECs maintain, also at the end of the first decade of transition, a high share of industry in both value added and employment (for employment shares compared to EU-North and EU-South see Figure 2.3). There are again differences in value added and employment shares: the Czech Republic and Slovenia, followed by the Slovak Republic and Hungary are the countries with the highest employment shares in industry, while the Czech Republic, Slovenia and Romania, followed by Poland are the countries with the highest shares in value added. These differences reflect, of course, differences in relative sectoral productivity levels, e.g. the extremely low productivity level in Romanian agriculture would push up

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industry's share in value added in spite of its own low level of productivity. The levelling off of relative employment losses in manufacturing in some of the CEECs (such as Hungary and Poland) and persistence of manufacturing's relatively high value added shares could be an indication of the attractiveness of some of the CEECs as locations for some of Europe's manufacturing industries within the context of an overall European division of labour.

Tertiarization

As regards the 'tertiary sector', there are clear signs of a catching-up process of the CEECs in the relative size of this sector (although, just as in the West, the changes are partially due to statistical reclassifications and sourcing out of service activities previously undertaken within the other sectors). Again, the relative increase of the importance of the services sector in the CEECs over the last decade has not necessarily been in line with the size of the initial gap (relative to the Western European employment structure). Thus, countries such as Hungary, Slovenia, Slovakia and the Czech Republic experienced very substantial increases in the shares of the services sector, while countries such as Romania and Poland where the initial shares of the services sector in overall employment were relatively low, experienced rather modest share increases. In absolute terms, the employment gains in the services sector were however far from sufficient to compensate for the employment losses in the other two sectors.

Convergence and divergence in manufacturing structure

Let us now look more closely at the ongoing structural change within the manufacturing sector in the CEECs. We use data from the Vienna Institute for International Economic Studies (WIIW) industrial database which reports several variables at the NACE rev. 1, 2-digit level (DA-DN) for seven Central and Eastern European countries. In this paper we restrict the analysis to the period 1993-2000, i.e. after the transformational crises. The data, which are mostly collected from national sources are likely at times to be inconsistent over the years (e.g. as data sources changed or for methodological reasons, such as coverage of the small enterprise sector). To overcome these problems we tested the series for significant changes in the growth rates to check when a structural break was indicated by using dummies in the estimates on growth rates. If this procedure indicated a significant break the data series was adjusted accordingly.

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Let us first get an overview of growth processes in aggregate manufacturing over the period 1993-2000, i.e. after the immediate impact of the 'transformational recession'. Figure 3.1 shows the trend (per annum) growth rates of output, employment and labour productivity. We can see that trend employment growth over this period in manufacturing was negative in all of the transition countries. It ranged from –8.1 and –7.1% in Bulgaria and Romania to –1.4% in Poland. Output growth was even more diverse, with negative growth over that period in Bulgaria and Romania and a wide spectrum of growth rates amongst the 'more advanced' of the candidate countries. The relatively high growth rates in manufacturing output in Hungary (11.9) and Poland (9.4) are particularly striking with rather modest trend growth in the other three economies. (Labour) productivity growth results directly from the difference in output and employment growth and shows again a quite wide range of diversity, with Hungary and Poland again the forerunners driven by high output growth, followed by a range of economies with per annum average growth rates in labour productivity of 5-7%. It is clear from these figures that the relationship between output and employment growth is quite differentiated across the transition countries and, most likely (as would be seen if the time series were analysed more closely) unstable across time, reflecting major periods of restructuring and other periods when labour hoarding takes place in the wake of output declines.

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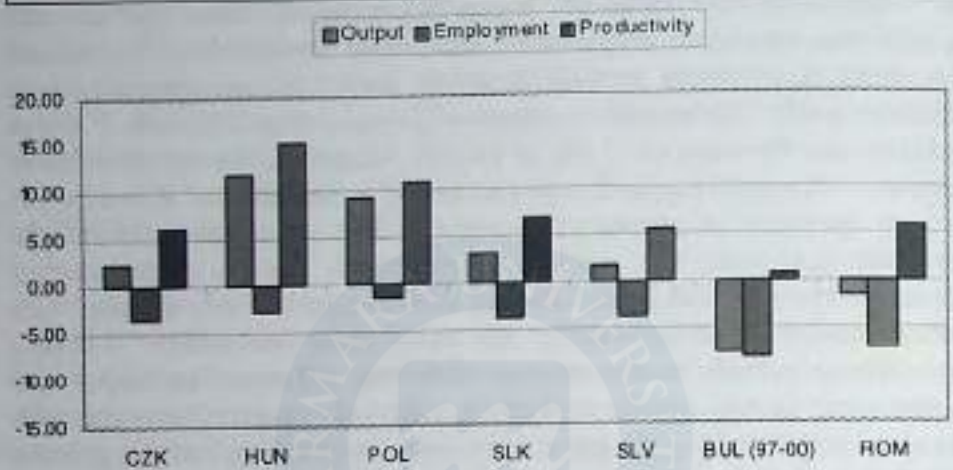
Figure 3.1: Growth rates of employment, output, and productivity (1993-2000)



Source: WIIW industrial database; own calculations.

We now move on to present a qualitative picture of the ongoing structural changes within manufacturing. For this purpose we do not report developments in all the 14 industries contained in the database but aggregated the industries into three broader categories (note that these do not cover all manufacturing industries):

low-tech, labour-intensive industries: food products, beverages and tobacco (DA), textiles and textile products (DB), and leather and leather products (DC)

- resource-intensive industries: wood and wood products (DD), coke, refined petroleum products and nuclear fuel (DF), chemicals, chemical products and man-made fibres (DG), and other non-metallic mineral products (DI)

medium-, to high-tech industries: machinery and equipment (DK), electrical and optical equipment (DL), and transport equipment (DM)

Table 3.1a reports data on employment and output shares (both at prices 1996 and at current prices) and the wage structure for the seven Central and Eastern European countries and Austria as the benchmark.[2] Further Table 3.1b shows deviations of the variables from Austria in percentage points.

One can see that all countries started in 1993 with high shares in low-tech industries relative to Austria. In employment Hungary and Poland with

more than about 20 and 16 percentage points above Austrian shares were the countries with the highest shares in low-tech industries. The lowest deviation from Austria can be observed for the Czech Republic. This corresponds to the data on output shares (either at current or constant 1996 prices). With regard to employment shares in medium-/high-tech industries only the Czech Republic and Slovakia showed initially higher employment shares than Austria reflecting a strong position of the engineering sector in these two economies. In terms of output shares, the medium-/high-tech sectors had in all countries lower output shares than the benchmark Austria (although for some countries these deviations were quite small). In the resource intensive sectors the shares relative to Austria are smallest on average both in terms of employment and output shares.[3]

More interesting than these starting values are, however, the trends over time. Employment shares in low-tech sectors have been declining slightly in the Czech Republic, Hungary, Poland, Slovakia and Slovenia but have increased dramatically in Bulgaria (from about 30% to about 43%(!)) and in Romania. On the other hand one can see slight increases of employment shares in the medium-/high-tech sectors in the Czech Republic and very large increases in Hungary (from 23% to 32%). Relative to Austria all countries except Czech Republic and Hungary now show lower employment shares in medium-/high-tech sectors than in 1993. For the resource-intensive sectors there are no clear trends across countries and changes are small.

These trends in employment shares can either result from changes in output or changes in (labour) productivity (ignoring possible interactions between these two variables). Compared to Austria the output shares of low tech industries at constant 1996 prices have fallen dramatically in the Czech Republic, Hungary, Poland and Slovakia and remained pattern of specialization amongst the CEECs. Regarding the medium-/high-tech sectors

Table 3.1a Changes in the structure of manufacturing – 1993 and 2000

	Employment shares			Output (at prices 1996)			Output structure (at current prices)		Wage structure	
	1993	2000	Employment growth (p.a.)	1993	2000	Output growth (p.a)	1993	2000	1993	2000
Austria[1]								*		
Low-tech	19.64	18.21	-2.39	20.51	17.08	2.36	21.59	16.91	84.57	79.35
Resource intensive	17.00	16.17	-1.79	23.66	20.72	3.00	23.30	21.74	103.01	104.86
Medium-high tech	29.22	30.66	-0.17	27.08	34.05	9.23	26.74	33.08	108.48	112.32
Czech Republic[2]										
Low-tech	24.65	22.69	-4.80	27.07	19.94	-0.81	28.31	22.39	88.54	83.20
Resource intensive	14.22	17.16	-1.72	20.60	18.00	1.97	18.59	18.60	105.63	113.70
Medium-high-tech	31.53	33.05	-3.28	25.60	36.35	7.76	26.37	30.16	99.46	106.84
Hungary										
zLow-tech	39.20	36.95	-3.91	34.73	16.64	1.83	34.66	19.17	85.44	77.15
Resource-intensive	16.55	15.27	-4.11	27.58	11.28	-0.73	25.95	17.18	124.54	133.67
Medium-high-tech	22.67	32.01	1.32	16.70	56.80	24.40	18.61	46.76	101.93	111.51
Poland[2]										
Low-tech	35.56	33.08	-2.59	34.86	27.49	5.61	35.91	30.53	88.55	81.92
Resource-intensive	15.63	16.82	-0.54	21.76	19.56	7.31	22.80	20.07	106.47	110.55
Medium-high-tech	26.22	22.70	-3.51	19.22	24.40	12.10	18.64	23.09	105.16	113.94
Slovakia										
Low-tech	27.52	26.85	-0.03	26.38	17.83	-0.78	25.22	18.52	85.59	85.60
Resource-intensive	17.08	16.18	-1.27	24.27	20.87	2.94	25.26	19.61	111.33	103.71
Medium-high-tech	31.70	28.62	-1.68	18.10	32.90	9.99	18.46	27.29	95.74	105.39
Slovenia[3]										
Low-tech	29.21	26.08	-3.83	27.10	23.67	0.11	26.78	23.65	95.44	86.41
Resource-intensive	14.29	15.40	-0.89	18.90	19.63	1.76	20.09	18.35	110.85	113.48
Medium-high-tech	26.84	25.88	-2.69	25.29	29.61	4.30	25.51	28.94*	97.20	101.06
Bulgaria										
Low-tech	29.22	43.28	-3.73	29.82	31.37	-4.15	32.67	29.60	97.38	81.21
Resource-intensive	13.46	14.22	-8.61	25.58	31.72	-2.26	25.25	36.66	128.30	135.91
Medium-high-tech	29.21	22.31	-13.33	14.59	13.58	-6.82	17.82	12.39	105.94	102.52

Romania										
Low-tech	32.05	37.90	4.80	29.54	33.71	0.09	33.77	29.95	86.96	76.62
Resource-intensive	15.60	15.49	-7.54	28.76	23.11	-5.06	24.49	26.72	110.97	114.15
Medium-high-tech	28.92	24.66	-9.63	14.42	18.77	1.65	19.79	14.75	103.96	127.10

Notes: 1) 1999 instead of 2000 for output at prices 1996 and current output. -
2) 1999 instead of 2000 for current output

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Table 3.1b Changes in the structure of manufacturing (Austria = 100) – 1993 and 2000

	Employment			Output (at prices 1996)			Output structure (at current prices)		Wage structure	
	1993	2000	Employment growth (p.a.)	1993	2000	Output growth (p.a.)	1993	2000	1993	2000
Czech Republic[1]										
Low-tech	5.01	4.48	-2.42	6.56	2.86	-3.17	6.72	5.48	3.97	3.86
Resource-intensive	-2.78	0.99	0.07	-3.06	-2.72	-1.04	-4.71	-3.13	2.62	8.83
Medium-high-tech	2.31	2.39	-3.12	-1.47	2.30	-1.47	-0.37	-2.92	-9.03	-5.48
Hungary										
Low-tech	19.56	18.74	-1.52	14.22	-0.43	-0.53	13.07	2.26	0.87	-2.19
Resource-intensive	-0.46	-0.90	-2.32	3.93	-9.44	-3.73	2.65	-4.56	21.53	28.81
Medium-high-tech	-6.54	1.35	1.49	-10.38	22.75	15.17	-8.13	13.68	-6.55	-0.81
Poland[2]										
Low-tech	13.92	14.87	-0.21	14.35	10.41	3.25	14.32	13.62	3.98	2.57
Resource-intensive	-1.37	0.65	1.25	-1.89	-1.16	4.30	-0.50	-1.66	3.46	5.68
Medium-high-tech	-3.00	-7.96	-3.34	-7.86	-0.65	2.87	-8.10	-9.99	-3.33	1.62
Slovakia										
Low-tech	7.87	8.63	2.35	5.87	0.75	-3.14	3.63	1.61	1.02	6.25
Resource-intensive	0.08	0.01	0.53	0.62	0.15	-0.06	1.96	-2.13	8.32	-1.15
Medium-high-tech	2.48	-2.04	-1.32	-8.98	-1.16	0.76	-8.28	-5.79	-12.74	-6.93
Slovenia[1]										
Low-tech	9.57	7.86	-1.45	6.58	6.59	-2.25	5.19	6.75	10.86	7.06
Resource-intensive	-1.71	-0.77	0.90	-4.76	-1.09	-1.25	-3.21	-3.38	7.84	8.62
Medium-high-tech	-1.38	-4.78	-2.52	-1.78	-4.45	-4.93	-1.23	-4.14	-11.29	-11.26
Bulgaria										
Low-tech	9.58	25.07	1.34	9.31	14.29	-6.52	11.08	12.70	12.81	1.86
Resource-intensive	-3.54	-1.95	-6.82	1.92	11.00	-5.26	1.95	14.92	25.29	31.05
Medium-high-tech	-0.01	-8.36	-13.16	-12.49	-20.47	-16.05	-8.92	-20.69	-2.54	-9.80
Romania										
Low-tech	12.40	19.69	-2.41	9.03	16.64	-2.27	12.18	13.04	2.39	-2.73
Resource-intensive	-1.40	-0.68	-5.75	5.10	2.39	-8.06	1.19	4.98	7.96	9.29
Medium-high-tech	-0.30	-6.40	-9.46	-12.65	-15.28	-7.58	-6.56	-18.33	-4.53	14.78

Notes: 1) 1999 instead of 2000 for output at prices 1996 and current output. - 2) 1999 instead of 2000 for current output

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One can see the opposite tendencies for output measured at constant prices. Hungary increased its share dramatically from about 17% to more than 55%! The Czech Republic increased it from 25 to 36 %, and Slovakia from 18 to about 33 %. In the other countries output shares of high-tech industries also increased, but at lower rates and remained more or less stable in Bulgaria. The rising share of high-tech output in Romania is due to the decreasing share of resource intensive industries (especially chemicals and chemical products (DG)).

Output shares of high-tech industries at current prices were rising in all countries except for Bulgaria and Romania. Again a clear and diverse pattern of industrial specialization gets revealed.

With respect to the wage structure one would expect that on average wage rates are relatively higher in the higher tech sectors (e.g. by the assumption that the skill-intensity is higher for these sectors or the higher productivity of these sectors). However, the general picture in 1993 was that average wages have been highest in all countries in the resource intensive sectors and lowest in the low-tech sectors. Comparing this with the year 2000 we can indeed see a catching-up of relative wage rates in the medium-/high tech branches and a falling behind in the low-tech branches. The question for comparative costs is whether such changes proceed above or below relative productivity level adjustments which will be explored in the next section of the paper. One can also find a trend towards a convergence of wage structures (e.g. compared to the Austrian as a representative of a Western European wage structure) although this process seems to be slow.

Note that the analysis of output and employment patterns already points towards our initial (Gerschenkron) hypothesis that specialization patterns of catching-up economies may get directed towards the medium-/higher-tech branches (as was the case especially in Hungary) where initially the gap might have been the largest. This requires the fastest catching-up in areas in which the initial gaps are the highest and this in turn depends on the existence (or mobilization) and utilization of 'capabilities' (to use Abramovitz' terms) to facilitate such differential catching-up. This was apparently not the case in Bulgaria and Romania and the experience in this respect was also quite differentiated amongst the other (more advanced) candidate countries. We now turn to the productivity and cost side of

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production in order to look at the development of productivity gaps and the evolution of comparative cost structures more directly. After that we study the emerging patterns of trade specialization.

Productivity, wage rates and unit labour costs

Not only productivity matters for competitiveness but also wage rates play their role in shaping relative cost structures and hence the competitive position of different industries from the cost side. In Table 4.1 we have summarized the data again for the three types of industries (low-tech, resource-intensive, and medium-/high-tech).

Using the same database as before, we focus now on productivity, wage rates and unit labour costs. For productivity levels we use employment and data on output which are first expressed in national currency units (NCU) at prices 1996. For comparative analysis these can be converted either by using nominal exchange rates (EXR) or PPP rates (PPP) for the year 1996 65[4]. Output for industry i in country c in year t is denoted as PR^{c}_{it}. Data on wages and salaries W^{c}_{it} are first obtained in NCU at nominal values. These data are converted into a common currency (Euro) using either current EXR or current PPP[5]. Data on employees E refer to average employment levels over the years.

Labour productivity LPR^{c}_{it} is calculated as $LPR^{c}_{it} = \frac{PR^{c}_{it}}{E^{c}_{it}}$ Further, unit labour costs are defined as

$$ULC^{c}_{it} = \frac{LPR^{c}_{it}}{W^{c}_{it} / E^{c}_{it}}$$

In Tables 4.1 wage rates, productivity levels and unit labour costs are compared to Austria (=100). The variables for Austria have been calculated analogously. Table 4.1a presents the data using the nominal exchange rates (EXR) conversion and in Table 4.1b the gaps are derived from PPP comparisons (both wage rates and productivity levels). The difference between the two tables thus reflects the development of the ratio between the exchange rate and the PPP rate. In the following we shall discuss first the three variables expressed at exchange rates.

Table 4.1a Productivity, wage and unit labour cost gaps at EXR – 1993 and 1999

		Wage			Productivity			Unit labour costs		
		Gap 1993	Growth rate	Gap 1999	Gap 1993	Growth rate	Gap 1999	Gap 1993	Growth rate	Gap 1999
Czech Republic	Manufacturing total	7.79	6.72	13.74	13.70	1.05	14.58	48.16	3.63	59.80
	Low-tech	8.49	8.79	14.60	16.52	1.32	16.39	47.36	4.77	58.90
	Resource-intensive	7.00	9.31	12.39	15.49	4.03	16.56	58.54	0.20	55.35
	Medium-high-tech	7.36	9.58	12.85	11.90	2.57	13.88	50.45	5.45	68.65
Hungary	Manufacturing total	11.22	0.64	10.80	17.91	8.01	28.96	62.19	10.68	32.77
	Low-tech	12.01	0.07	12.10	17.34	1.93	19.35	77.75	7.10	53.80
	Resource-intensive	11.54	0.05	11.58	16.48	2.60	13.66	113.90	3.27	82.35
	Medium-high-tech	10.73	0.11	10.51	14.07	15.04	48.40	66.66	14.77	22.36
Poland	Manufacturing total	7.94	8.67	13.36	15.51	3.45	18.84	51.67	4.12	66.15
	Low-tech	8.42	9.12	14.72	15.97	2.74	19.02	57.26	4.11	71.18
	Resource-intensive	7.99	9.00	13.64	14.05	1.64	16.02	58.36	6.14	82.88
	Medium-high-tech	7.88	9.19	13.76	11.71	4.54	17.23	69.00	2.02	75.34
Slovak Republic	Manufacturing total	6.71	6.02	9.63	15.15	3.19	12.52	50.77	2.51	59.04
	Low-tech	7.12	8.34	12.02	17.46	6.74	12.21	57.02	6.67	82.42
	Resource-intensive	6.18	5.52	8.50	12.05	0.40	11.57	65.28	2.52	72.31
	Medium-high-tech	5.98	7.14	9.79	9.28	2.05	19.39	72.14	0.04	58.30
Slovenia	Manufacturing total	21.65	5.74	30.54	27.13	2.64	33.16	87.53	1.71	97.00
	Low-tech	27.46	5.26	38.64	34.76	3.01	39.05	105.55	1.09	104.70
	Resource-intensive	23.92	5.27	34.59	33.32	4.86	29.82	80.35	6.01	104.12
	Medium-high-tech	19.63	5.98	27.93	29.25	0.80	27.16	75.57	0.22	83.73
Bulgaria	Manufacturing total	4.24	0.66	4.88	6.61	5.18	4.84	80.17	3.60	68.58
	Low-tech	5.57	2.81	4.63	7.65	6.17	5.28	90.53	4.89	71.85
	Resource-intensive	5.06	1.90	4.43	7.28	4.84	4.61	111.54	3.62	89.04
	Medium-high-tech	4.31	1.80	3.74	3.55	2.85	3.23	135.24	3.69	93.27
Romania	Manufacturing total	3.93	3.32	3.36	5.25	0.95	4.98	52.06	0.16	51.27
	Low-tech	3.76	2.20	3.74	7.08	2.34	5.66	49.55	0.14	49.42
	Resource-intensive	2.77	2.85	3.73	5.97	5.16	3.95	80.20	0.15	57.13
	Medium-high-tech	2.88	3.46	3.55	2.70	3.81	3.71	17.14	1.55	86.13

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Table 4.1b Productivity, wage and unit labour cost gaps at PPP – 1993 and 1999

		Wage			Productivity			Unit labour costs		
		Gap 1993	Growth rate	Gap 1999	Gap 1993	Growth rate	Gap 1999	Gap 1993	Growth rate	Gap 1999
Czech Republic	Manufacturing total	38.81	3.16	34.94	60.80	1.05	43.44	48.30	-3.63	59.86
	Low-tech	31.53	-3.27	38.82	69.21	1.32	48.92	47.79	-4.77	58.90
	Resource-intensive	25.99	3.78	32.96	66.14	-4.05	49.53	38.54	0.20	55.35
	Medium-high-tech	27.32	-4.01	34.18	53.45	2.37	41.35	30.45	-5.41	68.65
Hungary	Manufacturing total	28.28	0.58	27.52	48.52	-8.01	78.12	62.19	10.68	12.17
	Low-tech	30.28	-0.14	30.36	46.78	-1.91	52.21	77.75	7.10	53.80
	Resource-intensive	29.10	-0.01	29.31	44.46	2.60	26.85	111.90	3.27	82.15
	Medium-high-tech	27.05	0.04	26.60	57.94	-15.04	130.56	66.66	14.77	22.36
Poland	Manufacturing total	22.61	5.44	11.54	38.81	-3.45	47.74	51.67	-4.12	66.15
	Low-tech	23.99	5.88	14.55	40.47	-2.71	48.20	57.26	-4.11	72.18
	Resource-intensive	27.47	3.73	12.10	35.61	-1.64	40.59	58.36	-6.14	63.88
	Medium-high-tech	23.64	5.95	12.30	29.67	-6.34	43.45	69.00	2.02	75.34
Slovak Republic	Manufacturing total	24.27	3.61	30.08	48.85	7.19	46.35	59.77	2.51	59.04
	Low-tech	29.69	5.93	17.55	57.57	-6.74	29.37	57.02	-6.65	42.42
	Resource-intensive	27.29	-3.11	26.95	38.83	-0.49	37.30	63.28	2.57	73.31
	Medium-high-tech	20.59	4.73	30.53	29.91	-2.09	62.49	72.14	0.04	58.30
Slovenia	Manufacturing total	43.39	-2.49	50.43	48.51	2.64	41.41	67.53	1.71	97.00
	Low-tech	35.03	-2.02	63.76	62.14	3.01	53.69	105.55	-1.09	104.70
	Resource-intensive	47.94	2.03	57.07	59.57	4.86	53.31	80.35	-6.01	104.12
	Medium-high-tech	39.34	-2.71	46.08	52.80	0.80	48.55	75.57	-0.22	83.73
Bulgaria	Manufacturing total	7.19	12.19	14.94	30.97	5.18	22.66	10.17	7.60	64.58
	Low-tech	9.44	-10.02	16.96	35.78	6.17	28.73	10.53	4.89	71.85
	Resource-intensive	8.57	-10.54	16.22	34.09	6.84	21.50	11.34	7.65	89.04
	Medium-high-tech	7.30	-11.04	13.70	16.59	2.85	15.13	15.76	7.69	93.27
Romania	Manufacturing total	15.67	9.94	13.95	28.54	0.93	26.96	12.06	8.26	51.27
	Low-tech	17.48	7.06	15.53	38.52	-2.74	47.10	19.53	-0.14	49.42
	Resource-intensive	14.85	8.41	13.40	32.67	5.16	37.47	16.79	0.75	57.11
	Medium-high-tech	15.44	9.80	14.70	14.67	-3.81	20.21	17.24	-1.53	86.13

Productivity

Expressed in nominal exchange rates all countries showed a large gap in 1993. The best performing country was Slovenia reaching a productivity level of about 27 % (relative to Austria). Bulgaria and Romania only reached a productivity level of about 5 to 6 % the Austrian level.

There are however differences when looking at industry groups. In all countries the gaps to Austria were the largest in the medium-/high-tech industries and smallest in the low-tech industries, the measured difference in the productivity gaps between these two sets of industries was generally between 5 to 10 percentage points.

Over time rapid changes in these patterns occurred. All countries experienced positive productivity growth from 1993 to 2000 (see Figure 3.1 earlier in the paper). But not all countries succeeded in closing the gap relative to the benchmark Austria. In aggregate manufacturing only the Czech Republic, Hungary, and Poland had higher productivity growth than Austria. All other countries had lower productivity growth and thus the gap widened.

But here again there are marked differences across types of industries. Hungary closed the gap in the high-tech industries with a (per annum) rate of closure of the gap of 15 percent and reached a level of about 50 % that of Austria. Similarly Poland closed the gap most rapidly in the high-tech sector with a rate of 6 percent and the Slovak Republic of 2 percent. Slovenia and Bulgaria were falling back relative to Austria in all three sectors, but the gap widened more (at a higher rate) in the low-tech and resource-intensive industries than in the medium-/high-tech industries. Finally, also Romania succeeded in closing the gap in the low- and the medium-/high-tech industries but started from an extremely low level.

Thus information on productivity catching-up seems to confirm in most instances the Gerschenkron hypothesis at the industrial level, i.e. that faster rates of catching-up can be achieved in industries in which the initial gaps were higher.

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Wage rates

With respect to wage rates one can observe the following pattern. First, the gaps in wage rates are much more even across sectors than was the case with productivity. The gaps in wage rates (at current nominal exchange rates) extended from Slovenia with a level of about 20% the Austrian wage rate level in 1993 to Romania with only 3%. Secondly, and this is a very important point for the comparative cost dynamic, the growth (or closure) rates for wage rates were much more similar across sectors than was the case for the (differential) productivity growth rates.

Unit labour costs

The relative movements of wage rates and productivity determine the evolution of unit labour costs which is, of course, an important measure of the general (cost) competitiveness of countries but more importantly, for our purposes, of the relative competitiveness of different industries.

Looking at the dynamics, we can see that in aggregate manufacturing the wage versus productivity growth was such that over the period 1993-1999 unit labour costs were rising (relative to Austria) in the Czech Republic, Poland, Slovak Republic, and Slovenia. They were falling quite strongly in Hungary and Bulgaria, but for quite different reasons as a comparison of productivity and wage rate movements at both current and PPP exchange rates shows. In Hungary this was due to a very strong performance in relative productivity growth and very moderate relative wage growth (at current exchange rates), while in Bulgaria there was actually a fall in the productivity position (relative to Austria) but combined with a much sharper fall in relative wage levels (again measured at the current exchange rate and this was due to a sharp devaluation of the Bulgarian currency).

Differences in the dynamics across industry groupings are remarkable especially for those sectors in which countries experienced large productivity growth rates (as wage growth is rather similar across sectors). Especially Hungary reduced relative unit labour costs in the medium-/high-tech sectors from 66% (the Austrian level) in 1993 to about 22% in 1999!

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The important point which emerges from cross-industry comparisons is that for some countries the productivity catching-up (closure of the gap) is rather rapid in the medium-/high-tech industries in which the initial gaps were the highest. We reiterate the important point that this pattern very much confirms the 'Gerschenkron hypothesis' as applied to the industry level (and as stated in the introduction of the paper). For other countries no such differential productivity catch-up can be observed; in the language of Abramovitz, such countries either did not have the 'capabilities' or did not mobilize these to make use of the high learning (and technology transfer) potential in those industries in which the initial technological gaps were the highest. On the other hand, we observe that the pattern of wage catching-up (or wage growth) is much more even – than productivity growth - across sectors, and hence comparative cost structures move in favour of those sectors which experience faster productivity catching-up; in Hungary and to a lesser degree also in a number of other CEECs these are the medium- to high-tech sectors. This is exactly the pattern which was also found in research on the dynamics of comparative costs across a much wider range of catching-up economies (see Landesmann and Stehrer, 2001). Let us now move on to examine whether these underlying patterns of comparative cost dynamics get also revealed in the evolving trade structures of CEE economies.

Trade performance and trade specialization

In this section we start with an overview of broad sectoral patterns of trade performance and then move towards a more detailed qualitative examination of trade specialization. As will be seen below, the analysis of evolving patterns of trade specialization will turn out to be consistent with the previous observations regarding the dynamics of differentiated productivity catching-up (across countries and industries) and the implications drawn from this regarding comparative cost dynamics. To complete the analysis of trade performance we shall show that indicators of product quality up-grading (measured by the closure of export price gaps) also support the picture drawn here regarding the evolution of comparative advantage dynamics across the different CEE economies.

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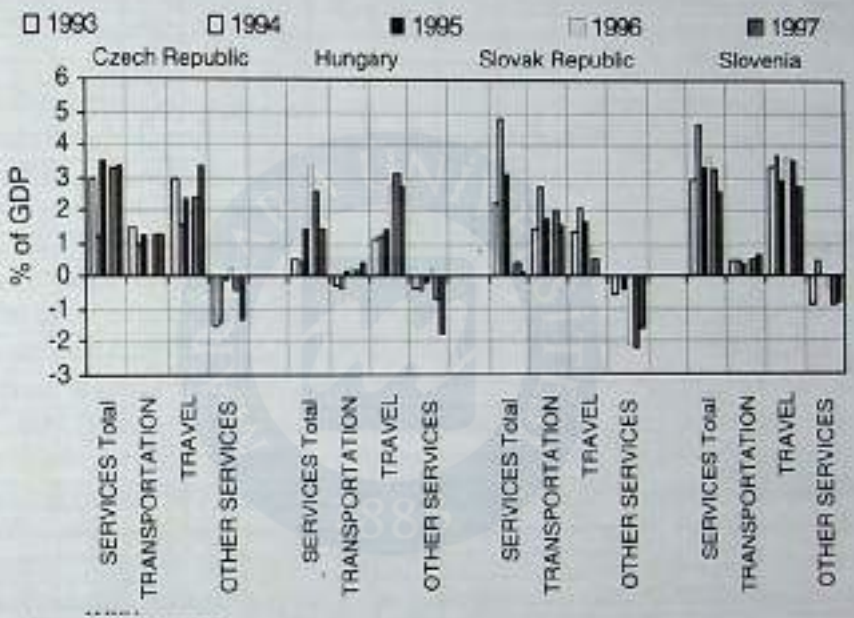
Current accounts: structures and developments

We shortly review the broad outlines of the current accounts in the CEECs. Table 5.1 shows the four broad components of the current accounts (all expressed in per cent of GDP) over the period 1989-1999. We can see that all countries (with the exception of Slovenia) experienced at times dramatic – and unsustainable – deficits in the current accounts. In general, the CEECs are performing better in the trade accounts on services than on goods. However, at closer examination (see Roemisch, 2001 and Fig. 5.1), it emerges that this good performance in services trade is predominantly due to the travel account, i.e. tourism income which is a very strong net contributor to the current accounts in countries such as the Czech Republic, Slovenia, and – potentially – Bulgaria. Also the transport services sector contributes positively in many CEECs to the current account due particularly to the wage cost advantages in road haulage. In other services, in which financial, insurance and all types of business services (accountancy, marketing, consultancy, etc.) are the main components, the CEECs are predominantly net importers. In previous studies it has been shown that in the business services area, advanced economies retain a strong comparative advantage vis-à-vis catching-up economies after they have lost comparative advantages even in relatively advanced areas of manufacturing (such as in electronics). We thus expect the net import position in the business services area to persist between the CEECs and the advanced countries of Western Europe in the longer-run. To some extent high deficit positions in these areas (especially in financial services) get reduced in those countries which were most successful to attract foreign firms to set up local subsidiaries.

Figure 5.1 Net balances of CEECs in components of services trade, 1993-1998



Source: WIIW

The income accounts also show mostly a negative balance (again with the exception of Slovenia) which is mostly due to high interest payments on debt as well as – in countries which managed to attract a lot of FDI such as Hungary – the repatriation of profits. In most countries there is a positive balance on transfers.

Although a differentiated analysis of the non-manufacturing parts of the current accounts across the CEECs would be very interesting in itself we shall now – for reasons of space - move towards a more detailed examination of trade specialization within manufacturing.

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Table 5.1 Current account in per cent of GDP

		1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Czech Republic	Current account balance	.	.	.	.	1.55	-2.05	-2.64	-7.42	-6.17	-1.89
	Balance on Goods	.	.	.	.	-1.50	-3.53	-7.08	-10.15	-8.66	-4.65
	Balance on Services	.	.	.	.	2.94	1.21	3.54	3.31	3.29	3.37
	Balance on Incomes	.	.	.	.	-0.34	-0.05	-0.20	-1.25	-1.49	-1.32
	Balance on Transfers	.	.	.	.	0.25	0.32	1.10	0.66	0.69	0.72
Hungary	Current account balance	-2.02	1.15	1.21	0.94	-11.06	-9.76	-5.68	-3.74	-2.13	-4.85
	Balance on Goods	3.58	1.62	1.07	-0.03	-10.43	-8.95	-5.45	-5.87	-3.79	-4.47
	Balance on Services	-1.26	1.47	1.60	2.05	0.56	0.38	1.44	3.31	2.58	1.43
	Balance on Incomes	-4.78	-4.32	-4.06	-3.38	-3.09	-3.39	-4.04	-3.22	-3.12	-3.96
	Balance on Transfers	0.45	2.38	2.60	2.30	1.90	2.19	2.37	2.04	2.18	2.14
Poland[1]	Current account balance	-1.72	5.20	-2.81	-3.68	-6.74	1.03	0.68	-2.28	-4.01	.
	Balance on Goods	0.06	6.09	-0.93	-0.16	-4.08	-0.62	-1.30	-5.10	-6.87	.
	Balance on Services	0.18	0.60	0.91	0.86	0.66	3.07	2.80	2.38	2.22	.
	Balance on Incomes	-3.93	-5.74	-3.79	-4.94	-4.21	-2.77	-1.58	-0.75	-0.79	.
	Balance on Transfers	1.97	4.26	1.00	0.55	0.89	1.35	0.76	1.19	1.42	.
Slovakia	Current account balance	.	.	.	.	-4.84	4.88	2.24	-11.13	-10.08	-10.44
	Balance on Goods	.	.	.	.	-7.61	0.44	-1.32	-12.15	-10.72	-11.54
	Balance on Services	.	.	.	.	2.27	4.81	3.11	0.20	0.38	0.08
	Balance on Incomes	.	.	.	.	-0.32	-0.87	-0.08	-0.25	-0.63	-0.78
	Balance on Transfers	.	.	.	.	0.82	0.50	0.53	1.07	0.89	1.80
Slovenia	Current account balance	.	.	.	7.81	1.51	4.17	0.12	0.21	0.20	-0.02
	Balance on Goods	.	.	.	6.30	-1.22	-2.35	-5.09	-4.67	-4.24	-3.97
	Balance on Services	.	.	.	1.45	2.96	4.70	3.27	3.73	3.24	2.63
	Balance on Incomes	.	.	.	-0.31	-0.41	1.18	1.12	0.82	0.72	0.75
	Balance on Transfers	.	.	.	0.37	0.17	0.64	0.48	0.33	0.48	0.57
Romania	Current account balance	4.69	-8.51	-3.51	-7.69	-4.45	-1.42	-5.00	-7.28	-6.12	-7.65
	Balance on Goods	3.82	-8.74	-3.83	-6.10	-4.28	-1.37	-4.45	-6.99	-5.67	-6.88
	Balance on Services	0.72	0.46	0.48	-1.47	-0.44	-0.57	-0.92	-1.09	-1.18	-1.71
	Balance on Incomes	0.15	0.42	0.05	-0.46	-0.55	-0.43	-0.68	-0.87	-0.92	-1.03
	Balance on Transfers	.	0.28	0.76	0.33	0.81	0.94	1.04	1.68	1.66	1.97
Bulgaria	Current account balance	-1.64	-2.96	-0.95	-4.18	-10.16	-0.33	-0.20	0.16	4.20	-2.06
	Balance on Goods	-1.47	-2.27	-0.39	-2.47	-8.19	-0.17	0.92	1.89	3.74	-2.57
	Balance on Services	0.93	0.41	-1.06	-1.10	-0.54	0.11	1.17	1.21	1.64	1.21
	Balance on Incomes	-1.26	-1.31	-0.35	-1.11	-1.78	-1.99	-3.30	-3.98	-3.51	-2.56
	Balance on Transfers	0.16	0.22	0.85	0.50	0.34	1.72	1.01	1.05	2.33	1.87

Note: 1) Data for 1998 were not available.

Source: IMF, BoP; cited from Römisch (2001).

Trade specialization in manufacturing

In order to analyse structures and tendencies of trade specialization of CEECs within manufacturing we use the COMEXT database which collects all trade with the EU countries as reporting countries. The database includes data at a very detailed (8-digit) level. The very detailed level will be used in section 5.3 when examining relative export prices as indicators for relative

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product quality. In this section we shall examine trade structures at the level of industry groupings which themselves are constructed as aggregates of industries defined at the 3-digit NACE level. The industry groupings used are the same ones which were defined for the series of European Competitiveness Reports (see European Commission, 1999 and 2000) and the WIIW Competitiveness study (WIIW, 2001).

Earlier studies (see e.g. Landesmann, 2000) have shown that the Central and East European countries' trading structure with the EU(12) started in 1989 with a profile typical of less developed economies: the representation of exports of the labour-intensive industrial branches was above-average (in relation to EU imports as a whole), in the capital-, R&D- and skill-intensive branches below-average (particularly in the latter two), while the representation of exports of energy-intensive branches was above-average – which reflected the heritage of cheap energy supplies within the CMEA. Over time, important changes took place in the CEECs' export structure to the EU and in the revealed comparative advantage indicators (RCAs) in the different categories of industries. The most remarkable change took place in Hungary: from sizeable deficits in its export structure in the areas of capital-R&D- and skill-intensive industries, these deficits either eroded completely or turned into surpluses. This pattern was followed in a much less spectacular manner by the Czech Republic and Poland, where deficits in the representation of skill-, R&D- and capital-intensive branches were also reduced. For these economies and also for the Slovak Republic the relatively strong presence of energy-intensive branches declined substantially, while this was not the case with Romanian and Bulgarian exports to the EU (particularly in the latter case, dependence upon energy-intensive exports to the EU increased markedly until 1998). Also the picture with respect to labour-intensive industries was remarkably different in the cases of Romania and Bulgaria, on the one hand, and the CEEC-5 on the other: in the first two, labour-intensive branches became the predominant segment of their exports to the EU while the dependence upon labour-intensive branches got somewhat reduced in the other countries.

Discontinuity in statistics do not allow us to present a full analysis of patterns of trade specialization going back to 1989 over here and we focus instead on the period 1995 to 2000 (from 1995 onwards 15 EU reporting countries are represented in the COMEXT database and consistent CN-NACE classification converters can be used). As mentioned above we shall

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employ for this analysis a qualitative grouping of industries (derived from an aggregation of 3-digit NACE industries) which was being used in the EU Competitiveness Reports and has hence the advantage of immediate comparability with the analysis conducted there for the EU member countries. Two 'taxonomies' are applied: one based on the use of cluster-analytic techniques where industries are clustered (and industry groupings identified) by the use of a number industrial organization and input use criteria (taxonomy 1). This led to the distinction of 5 industry groupings: mainstream, labour-intensive, capital-intensive, marketing-driven and technology-driven. In the other taxonomy (taxonomy 2) industries are grouped by skill intensity (low skill, medium skill/blue collar, medium skill/white collar, high skill). The correspondence between NACE 3-digit industries and the two taxonomies can be seen in Appendix Table A.1 and more detail on the underlying methodology can be obtained from Peneder (2001).

In Table 5.1 we have calculated (in Table 5.2a for taxonomy 1 and in Table 5.2b for taxonomy 2) the percentage points by which certain industry groupings are more or less represented in the export structures of the CEECs compared to the export structure of the EU Northern countries (all EU countries except for Spain, Portugal and Greece). The figures for the EU Southern cohesion countries have been similarly calculated as differenees in the percentage representation of their exports to the EU in the different industry groupings relative to that of the EU-North. Finally for the EU Northern countries the actual percentage representation of the industry groupings in their total (intra-EU) exports is presented. In Figure 5.2 we have picked out the shares in countries' exports to the EU of those industry groupings where the qualitatively most striking differences can be observed: the labour-intensive and technology-driven groupings of taxonomy 1 and the low-skill and the high-skill groupings of taxonomy 2.

Table 5.2 Export structure of CEECs compared to EU-North and EU-South
Table 5.2a Export shares (taxonomy I - factor intensities) – differences to EU-North

	Czech Republic		Hungary		Poland		Slovak Republic		Slovenia		Bulgaria		Romania	
	1995	2000	1995	2000	1995	2000	1995	2000	1995	2000	1995	2000	1995	2000
1 mainstream	7,65	8,95	-0,83	-3,42	-4,37	-0,56	-1,34	2,02	6,96	7,84	-10,32	-8,95	-7,28	-5,13
2 labour-intensive	14,37	8,13	11,11	2,07	25,88	19,44	13,59	8,90	16,64	12,58	10,46	21,50	32,33	35,84
3 capital intensive	0,36	-4,10	-3,09	-10,15	1,70	-3,35	13,79	1,96	-5,52	-3,09	25,41	16,53	3,68	-7,99
4 marketing-driven	-6,22	-4,47	-1,07	-4,85	-5,44	-2,73	-7,80	-4,94	-7,99	-5,01	-0,58	-0,03	-2,59	3,08
5 technology driven	-16,16	-8,51	-6,12	16,35	-17,77	-12,80	-18,24	-7,95	-10,10	-12,32	-24,97	-29,05	-26,14	-25,79
	Estonia		Latvia		Lithuania				EU-South		EU-North (Shares)			
	1995	2000	1995	2000	1995	2000			1995	2000	1995	2000		
1 mainstream	-10,66	-12,24	-14,21	-15,27	-14,88	-12,46			-6,60	-7,37	21,67	20,82		
2 labour-intensive	27,39	18,06	20,75	46,93	22,49	34,18			12,37	1,84	11,39	11,60		
3 capital intensive	8,01	-5,51	31,36	7,99	22,38	9,33			-3,23	2,56	23,81	23,37		
4 marketing-driven	-8,00	-6,33	-10,90	-8,12	-6,26	-3,63			4,56	7,00	15,53	11,62		
5 technology driven	-16,73	6,01	-27,00	-31,53	-23,74	-27,42			-7,11	-4,02	27,60	32,59		

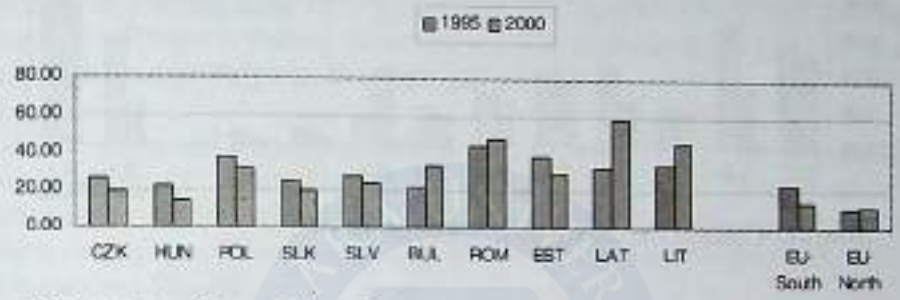
Table 5.2b Export shares (taxonomy II - skill intensities) – differences to EU-North

	Czech Republic		Hungary		Poland		Slovak Republic		Slovenia		Bulgaria		Romania	
	1995	2000	1995	2000	1995	2000	1995	2000	1995	2000	1995	2000	1995	2000
1 low skill	6,54	-3,32	9,41	-7,79	17,08	4,77	12,68	1,42	3,94	-0,08	38,28	45,81	38,06	36,64
2 medium skill/blue collar	7,33	16,52	3,92	9,36	11,27	20,15	5,80	13,82	12,85	16,61	-13,42	-14,23	-3,90	-5,40
3 medium skill/white collar	-7,11	-8,09	-2,34	0,92	14,05	-11,91	-5,43	-7,53	-6,39	-7,20	-11,90	-20,14	-19,28	-17,64
4 high skill	-6,77	-5,11	-10,99	-2,49	-14,30	-13,01	-13,05	-7,71	-10,40	-9,34	-12,96	-11,44	-14,87	-13,60
	Estonia		Latvia		Lithuania				EU-South		EU-North (Shares)			
	1995	2000	1995	2000	1995	2000			1995	2000	1995	2000		
1 low skill	13,29	4,01	3,68	2,10	19,75	22,05			23,36	14,88	29,41	26,97		
2 medium skill/blue collar	2,76	7,95	3,08	24,77	-5,28	-1,34			1,67	-2,75	19,59	20,56		
3 medium skill/white collar	-7,50	3,26	11,25	-9,75	4,07	-3,56			-11,49	-7,28	32,00	33,62		
4 high skill	-8,55	-15,21	-18,00	-17,12	-18,53	-17,15			-13,54	-4,85	19,00	18,86		

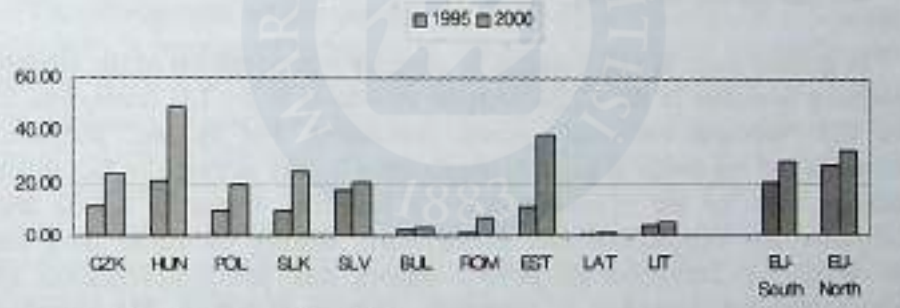
Note: Differences of export shares between CEEC's and EU-South to EU-North; Export shares for EU-North.

Source: Comext data base and own calculations

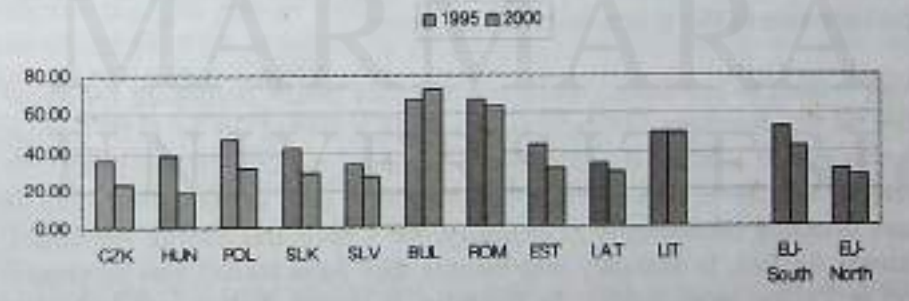
Figure 5.2 Shares of different industry groupings in exports to EU Labour-intensive industries



Technology-driven industries



Low-skill-intensive industries



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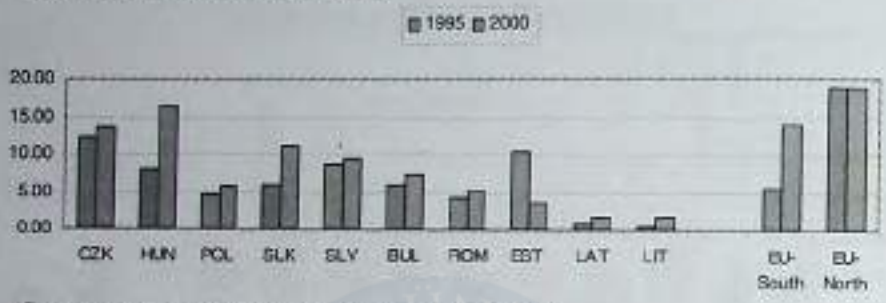
High-skill-intensive industries



Source: Comext database; own calculations

We can see the following:

In general there is still a relatively stronger representation of the labour-intensive branches in the CEECs export structures to the EU (compared to the EU Northern countries' export structures). For Poland, Bulgaria, Romania and the Baltic states this dependence is very strong – in fact much stronger than for the EU-South and for Bulgaria, Romania, Latvia and Lithuania this dependence has, furthermore, sharply increased over the period 1995 to 2000. For the other countries, this 'overrepresentation' of labour-intensive branches – relatively to the advanced EU member countries – has declined, for some quite sharply. For Hungary a (branch) specialization in this direction no longer exists.

With respect to technology-intensive branches which accounted for about 33% of EU Northern EU exports, the CEECs started off in 1995 (earlier figures would indicate that this was even more the case before that) with sizable 'deficits' in these areas. Over the period 1995 to 2000 these deficits have declined substantially in Hungary, the Czech and Slovak Republics, Estonia (in fact, in Hungary and Estonia they have turned into surpluses) and in Poland more mildly. In Bulgaria, Romania, Latvia and Lithuania these deficits have remained at very high levels and in most cases have further increased.

The picture is similar if we look at the two extreme categories of taxonomy 2, i.e. the relative representation of low-skill and high-skill intensive industries respectively in the countries' export structures to the

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EU. Again we can see that the CEECs all started off with an over-representation of the low-skill intensive branches in their exports to the EU (just as the Southern EU countries did). This overrepresentation fell quite dramatically in the case of a number of CEECs (the Czech and Slovak Republics, Hungary, Poland, Slovenia and Estonia), but again remains at a very high level in Bulgaria, Romania and Lithuania.

In the high-skill industries, deficits remain in all CEECs (as they do in the Southern EU countries) but the picture shows again quite a bit of differentiation across the CEECs, so that the percentage differences (to EU North) are below 10% in the case of the Czech and Slovak Republics, Hungary and Slovenia.

Thus the picture which emerges is of strong differentiation across the CEECs by a number of indicators of revealed comparative advantage (see also the WIIW Competitiveness Report, WIIW, 2001, for further indicators and analysis) in their structures and, furthermore, tendencies of trade specialization. While some of the CEECs have reduced dramatically (or even lost completely) their inter-industry specialization towards labour-intensive, low-skill branches and made some inroads into technology-driven and skill-intensive branches, others show clearly that their specialization structures got 'locked in' (at least so far) in the labour-intensive, low-skill sectors. We take this as support of our basic hypothesis that catching-up patterns can give rise to 'comparative advantage switchovers' if countries can utilize the high potential for productivity growth (and, as we shall see below, of product quality up-grading) in industries in which the initial technological (and product quality) gaps are rather high. Alternatively, countries which cannot utilize this potential remain locked in a specialization pattern which remains the typical one between (technologically) advanced and less advanced economies.

However, we have still to be cautious at this stage: What we have analysed in this section was a distinct pattern of inter-industry specialization which emerges in trade between the CEECs and the EU. However, the analysis of inter-industry specialization is only one aspect of trade specialization; the other would be intra-industry specialization, i.e. the specialization on particular production stages or on product quality segments within an industry. This will be the subject of the next section 5.3.

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Before we come to this, we just want to point out that there is also well established strong evidence (see Landesmann, 2000 and WIIW, 2001) for growing intra-industry trade between the more advanced CEECs and the EU. This is in line with the 'new' trade theory which suggests that trade among industrialized countries is motivated by product differentiation and economies of scale. Measured by Grubel-Lloyd indices, intra-industry trade has been most pronounced in EU trade of the Czech Republic, Slovenia and Hungary whereas it has been lowest in Latvia, Lithuania and Romania. Moreover, over the period 1995-2000, intra-industry trade has been growing most rapidly in the Czech Republic and (less pronounced) in Poland; it stagnated either at a relatively high level in Hungary, Slovenia and the Slovak Republic, or at a low level in the remaining candidate countries. Compared with the early period of transition (and even more so with the pre-transition period), intra-industry trade between the more advanced CEECs (the Czech and Slovak Republics, Hungary and Poland) and the EU has increased further whereas it has more or less stagnated in Bulgaria and Romania. Judging also by the high shares in exports and imports, intra-industry trade (including outward processing trade) has been of particular importance in textiles as well as in electrical, optical and transport equipment. Again, the evidence on the levels and rates of change of intra-industry trade points towards a strong differentiation amongst the CEECs.

The allocation of foreign direct investment across branches

We finally look at two important factors which are generally regarded as important in determining the course of catching-up and the pattern of specialization of the Central and Eastern European countries. We refer here, firstly, to the role of foreign direct investments (FDI) as important carriers of technological and managerial know-how transfer and, secondly (in section 7), to the role of human capital whose existence is seen as crucial in facilitating the adoption of new technologies and as influencing a country's pattern of trade and industrial specialization.

There is broad agreement in the literature that FDI plays an important role in restructuring and in improving competitiveness (see the general evidence world-wide e.g. in UNCTAD, 2001, Barrel and Holland, 2000, and for the CEECs, see e.g. Hunya, 2000). Table 6.1 reports data on FDI stocks in 2000 for seven Central and Eastern European countries. These

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data were collected from national sources and/or foreign investment agencies. As there are methodological problems in comparing the data across countries (especially for Hungary and Poland) we shall only discuss the structure of FDI within the countries.

Manufacturing industry has been an important target of FDI in most candidate countries attracting nearly half of the inward FDI stock as of end-2000 (exceptions are the Baltic states and no data are presented for Bulgaria and Romania in Table 6.1). The sectoral distribution of FDI is highly uneven, reflecting the varying attractiveness of individual branches for foreign investors as well as differences in the privatization policies pursued by the individual candidate countries (see Hunya, 2000). Generally FDI inflows have been high in both the domestically oriented food, beverages and tobacco industry (DA) especially in the Czech Republic, Hungary, Poland, Slovakia, Latvia and Lithuania, in some natural resource-based industries such as non-metallic mineral products (DI), as well as in export-oriented branches such as electrical, optical (DL) and transport equipment (DM) industries.

Using again our previous classification into low-tech, medium-/high-tech, and resource-intensive industries and looking at the shares of sales from FIEs (enterprises with some degree of foreign ownership; for details on this database, see Hunya, 2002) in total industry sales, we can see that in all four countries depicted in Fig. 6.1 the FIEs account for a higher share of sales in the medium-/high-tech than in the low-tech or the resource-intensive branches. This is quite consistent with the picture of structural change and trade specialization depicted for the more advanced of the CEECs in the previous sections of this paper.

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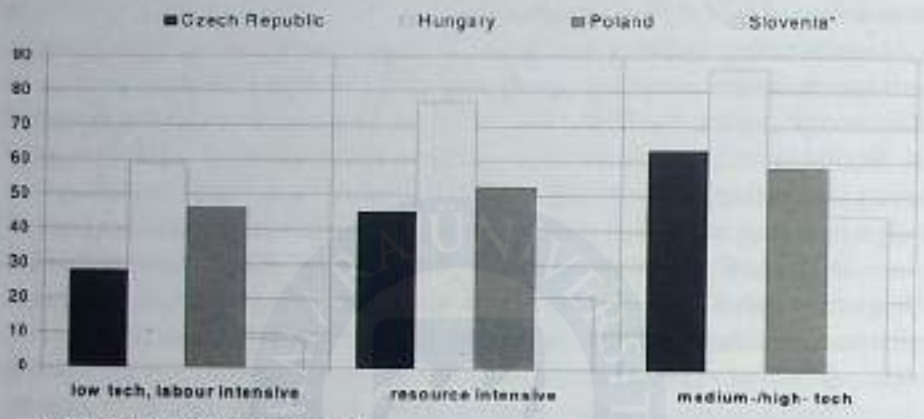
Figure 6.1 The share of FIEs in different industry groupings 1999 in %



* Slovenia without tobacco.

Table 6.1 Foreign direct investment (FDI) stock in manufacturing industry, 2000 USD million

NACE	Activities	Czech Republic[1]	Hungary	Poland	Slovak Republic	Slovenia	Estonia	Latvia	Lithuania
DA	Food products; beverages and tobacco	1125.6	918.4	4961.9	229.0	38.5	128.2	100.2	269.3
DB	Textiles and textile products	203.6	142.6	254.4	20.6	12.7	78.6	32.5	108.6
DC	Leather and leather products	4.1	22.8	17.2	15.3	12.4	.	1.8	0.3
DD	Wood and wood products	39.7	40.4	240	17.1	5.6	93.6[3]	57.9	33.0
DE	Pulp, paper & paper products; publishing & printing	587.7	159.4	1470.3	105.9	191.6	.	17.9	25.2
DF	Coke, refined petroleum products & nuclear fuel	210.9	515.9[2]	.	151.6	.	0.0	0.0	42.8
DG	Chemicals, chemical products and man-made fibres	398.0		1285.1	117.1	173.2	49.6	38.1	.
DH	Rubber and plastic products	104.2	176.7	591.4	21.3	141.4	6.3	10.5	26.7
DI	Other non-metallic mineral products	1467.8	233.6	2785.7	97.9	73.3	.	23.7	37.6
DJ	Basic metals and fabricated metal products	524.2	194.6	403.4	819.2	88.5	22.3	25.7	11.6
DK	Machinery and equipment n.e.c.	218.7	199.1	317.1	80.4	144.7	18.5	21.5	7.4
DL	Electrical and optical equipment	561.2	680.6	1575.1	80.0	122.4	16.6	5.9	53.0
DM	Transport equipment	389.5	366.0	5167.7	122.3	133.9	39.1	1.3	48.1
DN	Manufacturing n.e.c.	100.5	38.3	393.5	7.8	4.5	.	8.1	7.9
D	Manufacturing	5786.7	3688.4	19462.8	1885.4	1142.7	567.7	345.0	671.5
	FDI total	17552.1	10104.0	45772.0	3692.2	2808.5	2645.4	2081.3	2134.3

Notes: 1) 1999. – 2) includes DF+DG. – 3) includes DD+DE

Remarks: Czech Republic: equity capital, reinvested earnings, loans.
Hungary: nominal capital based on corporation-tax declarations.
Poland: equity capital, reinvested earnings gross; projects over USD 1 million capital based on PAIZ data.
Slovak Republic: equity capital, reinvested earnings – in the corporate sector.
Slovenia: equity capital, reinvested earnings, loans.
Estonia: equity capital, reinvested earnings, loans.
Latvia: equity capital, reinvested earnings, loans.
Lithuania: equity capital, reinvested earnings, loans.
Croatia: equity capital.
Source: National banks, Statistical Offices and Foreign Investment Agencies.

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Overall, there are two points we want to make with regard to FDI:

- the presence of FDI across CEECs remains very uneven and hence the role it can perform in facilitating the up-grading of the CEECs industrial structures will actually be performed to different degrees. This is compatible with a picture of differentiated catching-up patterns across the CEECs as pointed out in the previous sections of the report.
- The distribution of FDI across branches (although this point needs further elaboration which will not be undertaken in this paper) indicates that FDI is attracted also to branches which can be classified as medium-/high-tech and thus plays a role in the productivity and quality upgrading process in these branches (for further evidence on the impact of foreign ownership involvement in further productivity improvements and export performance in CEECs, see Hunya, 2002).

The role of educational attainment and labour market developments with regard to different skill groups. It is well-known that the large cumulative employment drops in the CEE region since 1989 were reflected in falling labour force participation rates in all CEECs. A comparison between the transition countries covered here and the EU-15 shows that, despite these considerable falls, participation rates are still higher than the EU average (68%) in the Czech Republic, Slovakia and Romania, similar to the EU-15 level in Poland, and lower than in the EU in Hungary and Bulgaria. Employment rates (total number of employed relative to the population aged 15-64) also show a wide range, from close to 70% in Romania and the Czech Republic (in 1998) to 54% in Hungary. A comparison of employment rates in CEECs and the EU in 1998 shows that the average CEE-7 rate stood at 62.7%, slightly higher than the EU average of 61%. Furthermore, the gender gap in employment rates remained smaller in the CEECs compared to most countries in the EU. Unemployment rates amounted to between 9% and 19% in the CEECs by the year 1999 which reflects the development of the labour force (particularly the participation rate) on the one hand and that of employment levels on the other. Unemployment rates across the region have reached a range not dissimilar to the EU in the early 1990s.

The labour market structure of the accession countries with respect to skill levels and educational attainment must be seen against the background of these changes in participation rates. A first glance at comparable data across CEECs and a comparison with EU Northern and EU Southern

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economies reveals high shares of upper secondary education (see Table 7.1).

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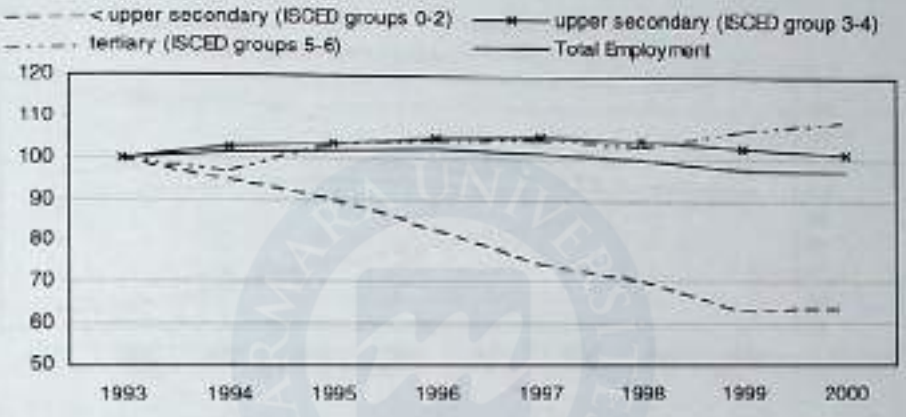
Table 7.1 Educational shares

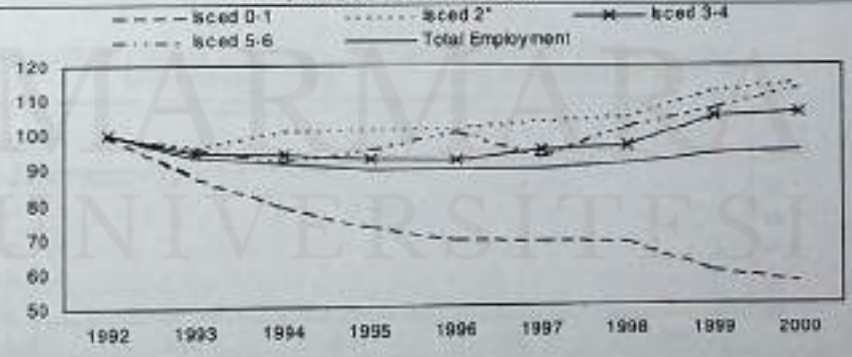
	Czech Republic	Hungary	Poland	Slovenia	Slovak Republic	Estonia	Latvia	Lithuania	Bulgaria	Romania	EU-South	EU-North
Population												
Age group 15-64 by education												
< upper secondary	% 23.8	38.5	33.1	33.9	28.8	26.2	30.6	31.3	43.9	43.2	58.0	28.6
upper secondary	% 67.0	50.3	58.3	53.9	63.5	51.3	55.3	36.8	42.7	49.9	29.2	49.5
Tertiary	% 9.1	11.2	8.6	12.1	7.6	22.5	14.1	31.9	13.4	6.9	12.8	21.9
Labour force												
Age group 15+ by education												
< upper secondary	% 10.4	18.4	15.8	20.7	9.4	12.4	13.8	12.4	22.9	35.7	54.9	23.5
upper secondary	% 77.8	65.4	71.9	62.8	80.0	58.5	66.7	44.9	56.8	55.9	28.3	51.6
Tertiary	% 11.8	16.2	12.3	16.5	10.6	29.1	19.4	42.6	20.3	8.4	16.8	24.9
Employment												
Age group 15+ by education												
< upper secondary	% 8.8	17.4	14.8	19.9	6.9	10.7	12.7	11.4	19.2	36.8	54.7	22.3
upper secondary	% 78.7	65.5	71.3	62.8	80.7	57.4	66.3	42.6	57.7	54.4	28.2	51.8
Tertiary	% 12.6	17.1	13.9	17.3	12.4	31.8	21.0	45.9	23.1	8.7	17.1	25.9
Unemployment												
Age group 15+ by education												
< upper secondary	% 26.7	32.4	20.8	31.9	19.8	23.9	20.8	18.0	39.0	20.0	56.1	38.0
upper secondary	% 69.2	64.1	75.0	62.9	77.2	65.1	69.5	57.4	53.0	75.6	39.5	48.7
Tertiary	% 4.1	3.5	4.2	5.3	2.9	11.0	9.8	24.6	7.9	4.4	14.4	13.3

Source: *Employment and labour market in Central European countries*, European Commission, 2001 and own calculations.

Figure 7.1 Czech Republic: Changes of employment in skill categories (Index: 1993 = 100)



Hungary: Changes of employment in skill categories (Index: 1992 = 100)



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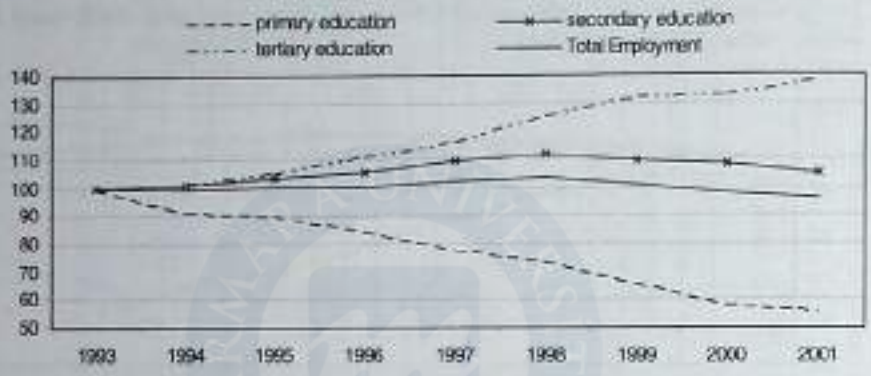
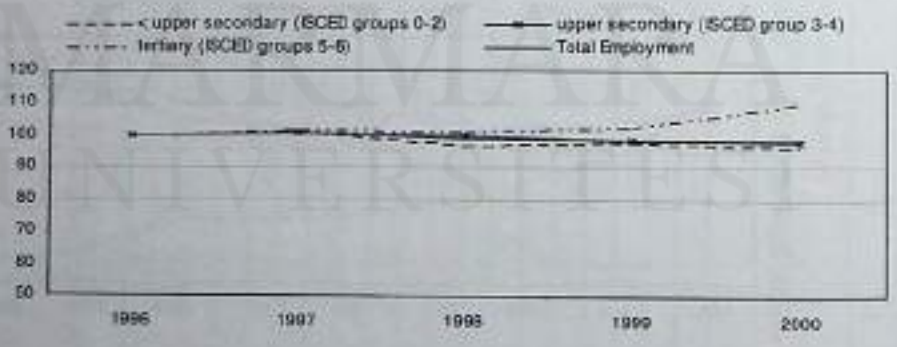
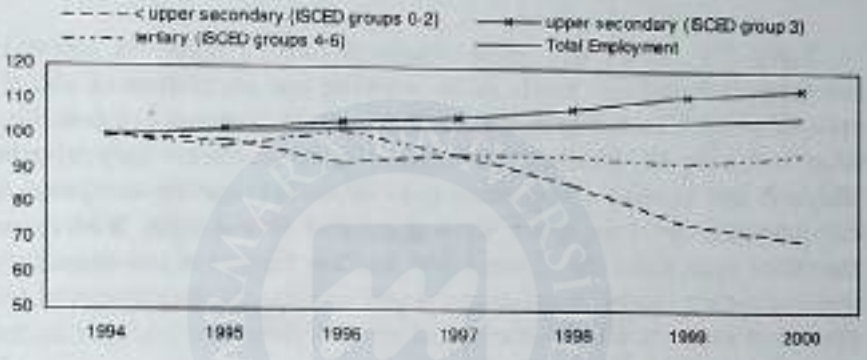
Poland: Changes of employment in skill categories (Index: 1993 = 100)



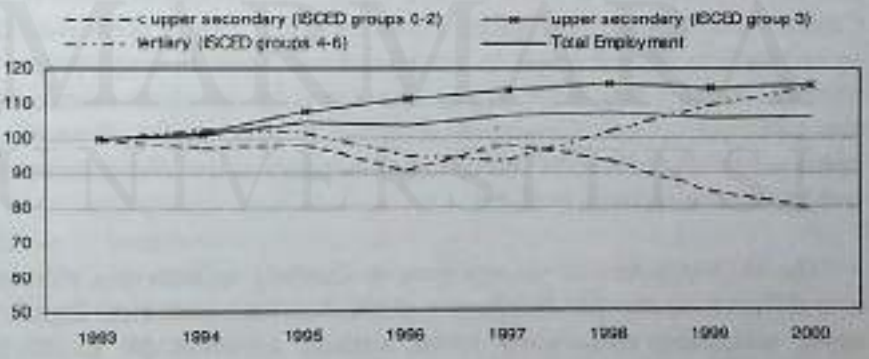
Romania: Changes of employment in skill categories (Index: 1996 = 100)



Slovak Republic: Changes of employment in skill categories (Index: 1994 = 100)



Slovenia: Changes of employment in skill categories (Index: 1993 = 100)



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The data presented in Table 7.1 were collected from national labour force surveys and compared to data for European countries reported in European Commission (2001). Although there are methodological difficulties these data provide a rough overview of the structure of educational attainment.

Table 7.1 shows that most countries have a share of lower upper secondary educational levels in its working-age population of about 30% (lowest in the Czech Republic with 24%) which is at more or less the same level as for the EU-Northern countries. Higher shares are only reported for Bulgaria and Romania with more than 40%. This can be compared to the EU-Southern countries which show a share of almost 60%. With respect to the other aggregates the Central and Eastern European countries have on average higher shares of upper secondary and much lower shares in tertiary education than the EU-Northern and even slightly lower shares in tertiary education than the EU-Southern countries.

However, the shares of different educational groupings in the labour force and in employment can differ from those in (working-age) population as participation rates differ across countries and educational levels. Whereas the relative shares between population, labour force and employment across the different educational groups corresponds roughly for the EU-Southern and EU-Northern countries, there are bigger differences in relation to the Central and Eastern European countries. The share of lower upper secondary educational levels in the labour force and in employment is in most cases much below the share in total population which reveals a very low participation rate. Correspondingly the relative shares of people with upper secondary education and tertiary education in the labour force and in employment are relatively higher.

The skill structure of unemployment similarly reflects this picture and also differs from the EU-Northern and EU-Southern countries. People with upper secondary educational levels amount to about 60 to 70 % of unemployed compared to 30 % in EU-South and 50 % in EU-North. On the other hand the share of people with lower upper secondary level is lower (the reason might be the lower participation rate) whereas the share for people with tertiary education is much lower. Unemployment rates are particularly low amongst the persons with tertiary education, even in comparison with the EU Southern and EU Northern countries. This points

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towards a structural problem, i.e. the lack of highly-skilled workers/employees. However, these data mask further severe deficiencies with respect to particular occupations. E.g. the EBRD (2000) reports a lack of skills especially in managerial and other high-skilled employment which corresponds to the relatively low shares in tertiary education.

Figs. 7.1 show the evolution of employment levels by skill groupings (ISCED classification) for six of the CEE candidate countries. The compilation of this dataset from national labour force surveys was laborious and the data series have different starting points as the compilation of LFS data started at different dates in the different economies. The uniform picture which emerges is that there were strong negative employment developments in the lowest skill categories while there were positive labour market pressures for the higher skill groupings (mostly those with tertiary education, in some countries those with upper secondary educational levels).

Although the above definitely requires much more detailed analysis, the evidence obtained with regard to strong labour demand pressures for the highly skilled in the transition countries is consistent with the picture of a catching-up process with qualitative up-grading which has been developed in the earlier sections of this paper.

Summary

This paper has attempted to analyse the evolving patterns of industrial specialization in Central and Eastern Europe. We have shown that a differentiated picture emerges with some countries catching-up relatively fast in technologically more sophisticated branches and also improving their positions in intra-branch product quality. This picture is compatible with an analytical approach in which the potential exists to turn comparative advantages in favour of those areas in which initially bigger gaps (in productivity and product quality) exist. This is an application of the Gerschenkron hypothesis ('advantage of backwardness') at the industrial level. However, the existence of such a potential does not automatically imply its utilization (a point which Abramovitz emphasized). The approach makes room for a wide diversity of qualitative catching-up patterns and evolving positions of catching-up economies in the international division of labour. This is what we observe with respect to the countries in Central and

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Eastern Europe where one set of countries got (so far) 'locked in' in a rather traditional pattern of trade and industrial specialization (in low-skill, labour-intensive branches), while other CEECs (to varying degrees) show a much more dynamic pattern of integration into the European division of labour.

We have substantiated this picture of diversity by analysing first the broad patterns of structural change in Central and Eastern Europe (section 2) and then the changes in employment and production structures within manufacturing (section 3). We then moved towards examining the evidence for a dynamically evolving structure of comparative advantage with a detailed assessment of differential patterns of productivity and unit (labour) cost growth across branches (section 4) and with an analysis of inter-industry trade and export specialization (section 5). Finally, we sketched the roles of foreign direct investment (section 6) and of the existence and utilization of educational attainment (section 7) as important factors in determining the positions of individual countries (the analysis could similarly be extended to regions) in the evolving division of labour in the European economy as a whole. We could show that the picture concerning to labour demand for different skill groups supports our analysis with respect to the upgrading of industrial structures in the more advanced of the CEE candidate countries.

As regards EU enlargement our analysis shows clearly that different CEECs are in different positions with regard to their achieved levels of catching-up, and this refers not only to overall levels but – probably more importantly – with regard to the qualitative nature of their structural transformations and their positions in cross-European trade structures. We expect such differentiation to have a bearing on how they will cope with the additional adjustments required by the accession process itself and on what footing they will be able to participate in the integrated structures of the enlarged European economy. This, of course, also has implications for the instruments which will be required to deal with the problems of cohesion which will get further accentuated not only as a result of the accession process itself but as a result of the existence of a set of other economies which are highly integrated with the EU but will not join in the first round.

Differentiation across regions shows a similar picture of differentiation across countries (see Fazekas, 2002). Again, some regions are catching-up in terms of industrial upgrading, they are very successful in attracting FDI which account for a large share of overall exports, while other regions

remain 'locked in' in low-skill areas of production, with low-shares of well educated personnel and little evidence for upgrading. Regional differentiation constitutes thus a great challenge for cohesion policies in the candidate countries.

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APPENDIX Table A.1

WIFO Taxonomies		Taxonomy I	Taxonomy II
	NACE rev. 1	factor inputs	labour skills
Meat products	151	4	1
Fish and fish products	152	4	1
Fruits and vegetables	153	4	1
Vegetable and animal oils and fats	154	4	1
Dairy products; ice cream	155	4	1
Grain mill products and starches	156	4	1
Prepared animal feeds	157	4	1
Other food products	158	4	1
Beverages	159	4	1
Tobacco products	160	4	1
Textile fibres	171	3	1
Textile weaving	172	2	1
Made-up textile articles	174	2	1
Other textiles	175	1	1
Knitted and crocheted fabrics	176	1	1
Knitted and crocheted articles	177	1	1
Leather clothes	181	2	1
Other wearing apparel and accessories	182	2	1
Dressing and dyeing of fur; articles of fur	183	2	1
Tanning and dressing of leather	191	4	1
Luggage, handbags, saddlery and harness	192	4	1
Footwear	193	4	1
Sawmilling, planing and impregnation of wood	201	2	2
Panels and boards of wood	202	2	2
Builders' carpentry and joinery	203	2	2
Wooden containers	204	2	2
Other products of wood; articles of cork, etc.	205	2	2
Pulp, paper and paperboard	211	3	3
Articles of paper and paperboard	212	1	3
Publishing	221	4	3
Printing	222	4	3
Coke oven products	231		
Refined petroleum and nuclear fuel	232	3	3
Nuclear fuel	233		

Basic chemicals	241	3	3
Pesticides, other agro-chemical products	242	5	3
Paints, coatings, printing ink	243	1	3
Pharmaceuticals	244	5	4
Detergents, cleaning and polishing, perfumes	245	4	3
Other chemical products	246	5	3
Man-made fibres	247	3	3
Rubber products	251	1	1
Plastic products	252	1	1
Glass and glass products	261	1	1
Ceramic goods	262	2	1
Ceramic tiles and flags	263	3	1
Bricks, tiles and construction prodacts	264	2	1
Cement, lime and plaster	265	3	1
Articles of concret, plaster and cement	266	1	1
Cutting, shaping, finishing of stone	267	2	1
Other non-metallic mineral products	268	1	1

(Table A.1 continued)

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Table A.1 (continued)

WIFO Taxonomies		Taxonomy I	Taxonomy II
	NACE rev. 1	factor inputs	labour skills
Basic iron and steel, ferro-alloys (ECSC)	271	3	1
Tubes	272	1	1
Other first processing of iron and steel	273	3	1
Basic precious and non-ferrous metals	274	3	1
Structural metal products	281	2	2
Tanks, reservoirs, central heating radiators and boilers	282	4	2
Steam generators	283	2	2
Cutlery, tools and general hardware	286	4	2
Other fabricated metal products	287	1	2
Machinery for production, use of mech. power	291	1	4
Other general purpose machinery	292	1	4
Agricultural and forestry machinery	293	1	4
Machine-tools	294	2	4
Other special purpose machinery	295	1	4
Weapons and ammunition	296	1	4
Domestic appliances n. e. c.	297	1	3
Office machinery and computers	300	5	4
Electric motors, generators and transformers	311	1	3
Electricity distribution and control apparatus	312	5	3
Isolated wire and cable	313	1	3
Accumulators, primary cells and primary batteries	314	1	3
Lighting equipment and electric lamps	315	1	3
Electrical equipment n. e. c.	316	2	3
Electronic valves and tubes, other electronic comp.	321	5	3
TV, and radio transmitters, apparatus for line telephony	322	5	3
TV, radio and recording apparatus	323	5	3
Medical equipment	331	5	3
Instruments for measuring,	332	5	3

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checking, testing, navigating			
Optical instruments and photographic equipment	334	5	3
Watches and clocks	335	4	3
Motor vehicles	341	5	2
Bodies for motor vehicles, trailers	342	2	2
Parts and accessories for motor vehicles	343	3	2
Ships and boats	351	2	2
Railway locomotives and rolling stock	352	2	2
Aircraft and spacecraft	353	5	4
Motorcycles and bicycles	354	1	2
Other transport equipment n. e. c.	355	1	2
Furniture	361	2	2
Jewellery and related articles	362	2	2
Musical instruments	363	4	2
Sports goods	364	4	2
Games and toys	365	4	2
Miscellaneous manufacturing n. e. c.	366	4	2

Industry clusters:	Taxonomy I :	Taxonomy II :
	1. Mainstream	1. Low-skill industries
	2. Labour-intensive industries	2. Medium-skill/blue-collar workers
	3. Capital-intensive industries	3. Medium-skill/white-collar workers
	4. Marketing-driven industries	4. High-skill industries
	5. Technology-driven industries	

Source: M. Peneder (2001), *Entrepreneurial Competition and Industrial Location*, Edward Elgar, Cheltenham, UK.

1 Foreign direct investment – through technology transfers – in turn affects the dynamics of catching-up and hence the dynamics of trade specialization. See Landesmann and Stehrer, 2002, for an attempt to extend our theoretical model by endogenizing foreign direct investment flows and its impact.

2 An average of EU economies would have been preferable for this comparison, but Austria was singled out as a benchmark country for reasons of data availability.

3 One reason for this pattern is the relatively large share of resource-intensive industries in Austria.

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[4] For this analysis we are constrained to using PPP rates for GDP as a whole. For selective countries we have been able to obtain industry-level unit value ratios to adjust for industry level differences in price levels, but this database is not large enough to allow the more extensive comparative analysis presented here.

[5] One might ask why one should look at wage rates also in PPP terms as one is interested in comparative actual wage costs. The reason could be that one might want to conjecture what wage costs would be when price levels between the CEECs and the EU have converged. One could see such a comparison as an exercise multinationals might be interested in if they want to judge relative wage cost differentials also for the longer run when the severe undervaluation of the CEECs' national currencies would get eroded. In this case, workers would still ask at least for the same real wage rate as they now obtain, an estimate for which would be the wage rate at PPP rates.

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II. SESSION

Enlargement to Central and Eastern Europe: Problems and Prospects

Chair Person : Prof. Dr. Halûk Kabaalioğlu

Prof. Dr. Marc Marescau

Prof. Dr. Hans Georg Heinrich

Prof. Dr. Adras Bozoki

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THE EU PRE-ACCESSION STRATEGIES
A Political and Legal Analysis*

Marc Maresceau**

Introduction

In the EU enlargement procedure, one of the important steps is the Opinion of the European Commission on each application for EU membership. But the Commission's role in the enlargement process as a whole is in reality much more important than Article 49 TEU (former Article O) at first glance suggests: the Commission has indeed a key position in the preparation of the formulation and implementation of the pre-accession strategies towards the applicant country as well as in the accession negotiations as such.[1] Therefore, the request of the 1995 Madrid European Council to the Commission to embark on the drafting of a composite paper on enlargement,[2] although unique in itself, was no so astonishing. Already the sheer number of all the applications from the Central and Eastern European Countries (CEECs) – no less than ten have applied for membership- together with the pending applications of Cyprus and Malta,[3] and not forgetting Turkey, made the prospect of further enlargement this time something very special and indeed very different from previous enlargements. The next enlargement(s), possibly involving so many different countries with such varying degrees of economic and social development, necessarily raised questions about the preparation of an adequate enlargement framework. Naturally, such considerations quickly have a political, economic and financial dimension.

* This article is a reprint of the author's article in Maresceau, M. and Lannon, E. (ed.s) *The EU's Enlargement and Mediterranean Strategies: A Comparative Analysis*, (Houndmills: Palgrave, 2001), pp.3-28 [reproduced with permission of Palgrave Macmillan].

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Of course, from the EU side, the Commission is not the only player in the enlargement process. The predominant political role, that is to say which countries are eligible for membership and the political preconditions and conditions attached to possible accession, is gradually but surely being played by the European Council. An interesting and unique interplay between not only the Commission, European Council and, somewhere in the middle, the EU Presidency but also some individually concerned Member States can be seen at work in the current enlargement debate. The dimension and degree of intensity of this interaction cannot be compared with previous enlargements, thus adding a very special touch to the present envisaged enlargement(s).

In this paper the following structure is followed. In the first part some basic notions relating to Agenda 2000 and pre-accession strategies are addressed. Certainly, it is not easy to find one's way in the EU's terminological enlargement labyrinth. The prolific use of new concepts and expressions by the European Commission and other EU institutions has somehow reached the point where it seems that chaos dominates the enlargement cosmos.[4] Just to take the year 1998: a *European Conference* was organized and nobody really knew what its purpose was; a very, rare distinction was introduced between accession process and accession negotiations; Accession Partnerships were established, not to be confused with "partnerships" as established through the Partnership Agreements; pre-accession and enhanced pre-accession strategies were formulated; national programmes for the adoption of the acquis, innumerable screening, evaluation and progress reports have been produced; and so on. But all this cannot conceal the fact that, at the beginning of the twenty-first century, it is easier to talk about enlargement than to achieve it. Yet, an attempt has been made to explain briefly and clarify the main choices on enlargement made by the EU, including those concerning the sensitive and delicate position of Turkey. The second part of this paper is more a case study concentrating on the analysis of some aspects of the political and legal dimension of the relations between the EU and Central and Eastern Europe in the light of the EU enlargement options as they have developed since the Commission published Agenda 2000 and its Opinions. In this part specific attention is also devoted to the impact of enlargement on relations with Russia.

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Agenda 2000 and pre-accession follow –up: general overview

On 15 July 1997 the Commission published within the framework of Agenda 2000[5] two distinct but nevertheless closely interrelated documents: For a Stronger and Wider Union and The Challenge of Enlargement. On the same day, in accordance with Article O TEU (now Article 49) the Commission also published its Opinions[6] on the applications for EU membership of Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia.[7] The result of these Opinions was that, according to the Commission, accession negotiations could only be opened with five applicant countries from Central and Eastern Europe / the Czech Republic, Estonia, Hungary, Poland and Slovenia. Furthermore, such negotiations could also be entered into with Cyprus. The reasons why a number of applicant countries of the CEECs could not be included in the first accession negotiations, again according to the Commission, were political and/or economic. Cyprus and Malta,[8] for their parts, had already received a favourable opinion in 1993 from the Commission on their application for membership in 1991 and no new opinion needed now therefore to be given. Of course, as regards Cyprus, the Commission could not ignore the continuing division of the island but noted that accession negotiations "could start before a political settlement is reached".[9] These negotiations, in the eyes of the Commission, "[had to] be seen as a positive development which could promote the search for a political settlement".[10] One of the underlying ideas here was that such a move could also create considerable political and economic advantages for the Turkish Cypriots. But the extreme virulence of the reactions on this matter on the Turkish Cypriot side,[11] and more importantly the Turkish government, shows that at the time the Commission had not made a particularly accurate evaluation of the situation. Turkey's reaction was, moreover, very much inspired by the fact that the Commission in its Agenda 2000 had almost totally ignored that country. In this document, indeed only a short and general summary of the bilateral relations had been provided,[12] while in the specific chapter on the effects of enlargement on those countries which were not included in the EU accession policy, Turkey was merely worth two lines. The Commission was kind enough to recall that "the EU has a particular close relationship with Turkey eligibility for EU membership [had] been recently reaffirmed"[13] but nothing specific was said on the triangular aspect of the EU-CEECs – Turkey relations and, above all, not the slightest indication was given as to how the orientation of the possible future accession policy towards Turkey was to be addressed. True, it must be mentioned that on the same day of the publication of Agenda

2000, the Commission also published, but at the same time clearly distinct from it, another document called *Communication on the further Development of Relations with Turkey.*[14] This, once more, was a complete miscalculation. The Communication, while reiterating the principle of Turkey's eligibility for EU membership and assuring that Turkey would be judged on the basis of the same criteria as all the other applicants, hardly did anything more than mention in passing the state of relations between the EU and Turkey, making only a few vague references to a deepening of some technical aspects of these relationships (trade, customs union, liberalization of services and proposals for co-operation in other areas). Again, nothing concrete was proposed regarding Turkey's accession request and on the whole the result of this Communication was that it did nothing more than add an extra dose of EU fuel to the Turkish flames. These disappointments, together with the feeling of isolation, explain the bitterness and sharp irritation of Turkey, not only to the Commission's Agenda 2000, but also to the Commission's approach as a whole. Only in 1999 concrete signals of a change in the Commission's views on relations with Turkey become apparent (see below).

The basic Commission options expressed in its Opinions concerning the choice of with whom, from the CEECs accession, negotiations could be started were endorsed by the 1997 Luxembourg European Council. But at the same time the European Council had not been totally insensitive to the storm of criticism which had come on the one hand from those applicants from Central and Eastern Europe who had been set aside and on the other from Turkey. Therefore, the European Council – it must be said, in an intelligent way- introduced the new concept of *accession process* beside that of accession negotiations and proposed that the *accession process* be launched with all the applicants from Central and Eastern Europe and that, as far as Turkey was concerned, a strategy had to be drawn up "to prepare Turkey for accession by bringing it closer to the European Union in every field." This more diplomatic approach of the European Council had managed to take away some or most of the frustrations expressed by many of the nonselected CEECs after the Commission's Opinions of July 1997. However, one important black spot in the European Council's proposals could not erase: once again Turkey continued to be extremely dissatisfied with the whole procedure, feeling discriminated against, misunderstood and left out. This was clearly demonstrated by the reaction of Turkey towards the initiative to hold a European Conference. The 1997 Luxembourg European Council, stressing that a global and dynamic strategy had to be developed whereby enlargement was to be seen as a "comprehensive,

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inclusive and ongoing process", had indeed also decided that a European Conference had to be organized. Such a conference was supposed to bring together the EU Member States" and the European States *aspiring*[15] to accede to [the EU] and sharing its values and internal and external objectives". On 12 February 1998 the London European Conference took place in which the fifteen EU Member States, the ten applicant countries from Central and Eastern Europe and Cyprus participated. The idea of such a meeting had been strongly supported by the Blair government since the UK held the EU Presidency during the first half of 1998. The Conference itself was composed of the Heads of State and Government and the President of the Commission. Although Turkey had also been invited to participate – and as a matter of fact the Turkish presence was one of the very reasons behind the conference [16]– she had loudly declined the invitation for reasons mentioned previously. In the end, the Conference concentrated on transnational crime, security and regional co-operation- topics which are always welcome even if there is no real agenda- but its concrete results were particularly minimal since the meeting was lacking any clear structure or goal. While aimed at tackling issues on a "pan-European" basis and giving the less advanced applicants for membership a forum together with the selected candidates, it was difficult to situate some European countries. Switzerland, for example,[17] showed some interest but in the end did not participate and some other "European" countries, such as Moldova or Ukraine, which from their point of view were also "aspiring" to accede to the EU, while eager to participate were simply not welcome. And finally, it must be said that, probably, everybody was happy that Russia had not expressed the wish to participate. Unless fundamentally rethought, it would appear that there is little or no future role for the European Conference as it was originally conceived although it must be said that the Commission in its Composite Paper of 13 October 1999 (see below) is of another opinion. After having expressed the view that Turkey, as a candidate country, would become a full and active member of the European Conference, the Commission continues to see the Conference as a potentially important forum for political consultation for countries aspiring to accede to the EU. The European Council for its part also has no clear-cut opinion on the issue and the 1999 Helsinki Summit Conclusions only stipulate that "the future of the European Conference will be reviewed in the light of the evolving situation". Nevertheless, the French Presidency seems to wish to "revitalize" the idea and has convened two meetings of the European Conference (one of them at Ministerial level). Maybe in the future the European conference could evolve towards a more pan- European oriented framework, integrating most – if not all- of the countries of the European

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continent, where *inter alia* the effects of EU enlargement on European non-members could be addressed.

Enlargement process and enlargement negotiations

It was at the Brussels meeting on 30 March 1998 of the Ministers of foreign Affairs of the fifteen EU Member States and the ten applicants from Central and Eastern Europe and Cyprus that the accession process was formally launched. For the CEECs and enhanced pre-accession strategy was set up based, on the one hand, on a new model called *Accession Partnerships* setting out the main political, legal, economic and financial priorities, and on the other the organization of "increased pre-accession financial assistance". The legal act establishing such Accession Partnerships was Council Regulation 622/98 of 16 March 1998.[18] These Partnerships provided, *inter alia*, for a single framework covering the priorities in each applicant country on which the preparations for accession had to concentrate. The concept of Accession Partnership was further worked out in various Council Decisions of 30 March 1998 spelling out for each applicant from Central and Eastern Europe individually the principles, priorities, intermediate objectives and conditions.[19] In response to the EU initiatives the ten applicants from Central and Eastern Europe presented their respective national policy programmes describing in detail the various measures and actions needed to attain the objectives set out in the Accession Partnerships. On 31 March 1998 the opening session of the *accession negotiations* between the EU and the selected CEECs and Cyprus took place. Consequently, this last event put into motion the first "real" accession negotiations train. In April 1998 the applicants' analytical *screening* of the state of implementation of the various facets of the *acquis communautaire* also took place with all the ten CEECs to determine each country's position in the Accession Partnership strategy. A similar exercise occurred regarding Cyprus. For Cyprus, not being included in the Accession Partnerships, a specific pre-accession strategy had been suggested by the Luxembourg European Council, concentrating *inter alia* on the judicial and administrative capacity of the country to cope with the *acquis communautaire* and on certain forms of technical assistance.

In accordance with the Conclusions of the 1997 Luxembourg European Council, the Commission presented its "Regular reports" for the first time on 17 December 1998, reviewing the progress made by each applicant, country by country. They were based on an intensive screening of each applicant country in the light of the famous Copenhagen criteria for accession and the

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conditions related to the integration and application of the *acquis communautaire*. As already mentioned previously it was the first time such a country report was also devoted to Turkey's progress towards accession. These reports were followed by updated versions published on 13 October 1999 and have more or less a similar structure. The two reports first describe the bilateral relations as they result from the Europe Agreements and pre-accession strategies. Then the political crit. ria for membership are analysed. This implies a screening of the situation in each applicant country in the light of the conditions relating to democracy and the application of the rule of law. The examination covers the position of parliament, government and administration, and last but not least the judiciary. In the 1998 Reports, this part of the scrutiny also includes a specific section on measures taken by each applicant country to combat corruption, a concern of increasing significance, where "the efforts undertaken by the candidate countries are not always commensurate with the gravity of the problem." According to the Commission" there is a certain lack of determination to confront the issue and to root out corruption in most of the candidate countries".[20] The 1999 Regular Reports demonstrate that, in this respect, little progress has been made.[21] Another important facet of the examination of the political conditions concerns the protection of human rights and the protection of minorities in each applicant country. In a second and third part of the chapter examining the criteria for member ship, the economic criteria and the ability of the applicant countries to assume the obligations of membership relating to the *acquis communautaire* are addressed. Finally, a last part is devoted to an assessment of the administrative and judicial capacity of each candidate to implement and apply the acquis.

After the publication of the first regular reports, the impression had been growing that the distance between countries of the first accession train and those of the second was narrowing and that an upgrade of the status of some applicant countries from "category two" to "category one" might be possible. For example, Latvia and Lithuania had been making important progress while in Slovakia the creation of a new government after the elections of September 1998 had considerably improved the political climate and the political atmosphere of the relations between Slovakia and the EU. In the light of the economic evaluation already made in 1997 it seemed that that country had only a small step to take to jump onto the first accession train. The Commission and Council acknowledged the progress made but were nevertheless reticent to propose a modification of Slovakia's status while leaving Bulgaria and Romania behind. This may explain, at least in part, why the 1998 Vienna European Council limited itself to only

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welcoming the progress in the preparation for accession negotiations of *all* the CEECs[22] which, for the moment, were excluded from the negotiation table. Thus, expectations were growing that the December 1999 Helsinki Summit would review the original "classification" of candidate countries. This, at last, became the position of the European Commission when on 13 October 1999, Mr Prodi announced a fundamental shift in the Commission's enlargement strategy by proposing to open accession negotiations with *all* the Central and Eastern European candidate countries (and Malta), even if most of the remaining applicant countries did not fully meet the economic criteria.[23] This change in accession "methodology", based on the need for a new momentum in the enlargement process in particular after the Balkan crisis, goes together with a greater *differentiation* among the applicants. This implies that a detailed account of each candidate's progress in the preparation for membership will be made while the conclusion of the accession negotiations will be done on a case – by –case basis. In other words *parallelism* between negotiations on the one hand and concrete implementation of EU law on the other will be an important guiding principle. At the 1999 Helsinki European Council the Commission's new approach was endorsed, which implies that accession negotiations were opened in February 2000 with Bulgaria, Latvia, Lithuania, Romania, Slovakia and Malta. However, while the remaining applicant countries are getting closer to the Copenhagen political and economic criteria for EU membership, "new" EU conditions may well give rise to serious concern. For example, a number of applicant countries have, over the years, developed nuclear energy programmes not always in alignment with the necessary safety standards. In this respect the 1999 Cologne European Council had already given a clear signal by stressing "the importance of this issue in the context of the Union's enlargement" and requested that the Commission examine this question thoroughly in the next regular progress reports.[24] Also the Helsinki Conclusions make explicit reference to "the importance of high standards of nuclear safety". As an illustration this means for Bulgaria, for example, that acceptable closing dates for unsafe units at the Kozloduy power station have to be set (see below K.Inglis). In addition, in the totally different field of childcare institutions, a "new" condition was imposed on Romania, whereby the EU required that effective reforms be introduced. Of course the EU is in a comfortable position here. The longer the duration of the pre-accession phase, the more, potentially at least, new requirements for EU membership can be added to the list or existing ones further refined. There is not much candidates can do about this.

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Between the beginning of the accession negotiations with Poland, Hungary the Czech Republic, Estonia, Slovenia and Cyprus (the "Luxembourg group") on 31 March 1998 and June 2000, 29 of the 30 identified chapters of the acquis communautaire have been opened for negotiation, the only one left out being "institutions" (and "Others"). Negotiations with all the countries of the Luxembourg group on a number of domains are "provisionally"[25] completed and cover the following nine areas: education and training, science and research, statistics, industrial policy, small and medium-sized enterprises, consumer and health protection, telecommunications, CFSP and EMU. Negotiations on the remaining chapters have further to be completed with one or more of these candidates. For example, negotiations on fisheries have been completed with five candidates but not with Poland, while social and employment policy as well as audio-visual policy have been concluded only with Cyprus. This is also the case as far as free movement of goods and customs union with the Czech Republic are concerned. Other areas such as company law and financial control have been completed with a few candidates However, there are still some hard nuts to crack. For the "sensitive" chapters progress in the negotiations is slow and some have only just started. The difficult chapters include free movement of persons, free movement of services, competition policy, CAP, regional policy, transport, taxation policy, energy (including nuclear energy), environment, budget, and justice and home affairs. Without going into the details of the negotiations, it may be worth while to say a word about one of the most difficult chapters, that of free movement of persons, in particular of workers. In May 2000 this chapter was opened for negotiation with the six candidates of the Luxembourg group but the EU common position on this issue remains very vague. While not yet raising in so many words a request for transitional periods allowing restrictions on labour market access it is very likely that during the negotiations this may become the EU position. Austria, for example, has already made clear her specific position on the issue, stressing inter alia the fact that she shares a common border with the CEECs of 1256 km, that there is already a high proportion of CEEC workers (10 per cent) in the country, and that enormous wage differences with the CEECs exist (CEECs generally have not more than 25 per cent of Austrian wage level). Moreover, also Germany and possibly other Member States may well ask for transitional periods on this matter. However, candidates are of the opinion that reciprocal free movement of persons, including workers, should be established from the day of accession. They do not understand why the general EU insistence on full application of the *acquis communautaire* in general imposed upon them should not apply regarding movement of persons. Another question linked

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with this topic is that of the application of the Schengen Agreement and the EU visa rules. To date the candidate countries have visa requirements which differ from those applied by the EU Member States. The result of the EU requirement to have full alignment with the EU list of third countries whose citizens need a visa before entering EU territory is more easily said than done. That means, for example, that Poland has to impose visa requirements for citizens of fifteen countries with which today she has no visa obligation, including direct neighbours such as Ukraine and also other Eastern European countries. Also Hungary will have to review her agreements with her neighbours, as least with those which will not be in the EU at the time of Hungary's joining. For the moment Hungary has signed such agreements with Romania, the Republic of Yugoslavia, Ukraine, Croatia, Slovenia and Slovakia. Moreover, in most of these countries live Hungarian minorities, which adds a special dimension of sensitivity to the EU request of visa alignment. Clearly, the rigidity of the EU position results in the re-establishment of particularly tough borders and border controls among the countries of Central and Eastern Europe.

Obviously, the negotiation picture for the Helsinki group countries, that is to say Romania, Bulgaria, Slovakia, Latvia, Lithuania and Malta, is different from that of the Luxembourg group since negotiations only started in February 2000. For the six countries concerned negotiations have been completed on small and medium-sized enterprises, science and research, education and training. They have been opened with some countries on certain topics such as competition policy, culture and audio-visual policy but negotiations on most of the difficult chapters still have to be opened.

It is difficult to foresee how the negotiations will further evolve. A *road map* aiming at defining the way and means for the completion of the negotiations may well be formally approved at the 2000 Nice European Council. But there is little or no prospect of a firm EU commitment towards a negotiation scenario with target dates being offered in the short term. This may be frustrating for the front-runner candidate countries, in particular Poland and Hungary, but it is a realistic attitude. The results of the Intergovernmental Conference on the institutions will provide an indication of how an enlarged EU can continue to function "while maintaining the momentum of European integration." And even in the hypothesis of a clear EU vision in this respect some of the substantive matters of the various sensitive negotiation chapters will need an inventive approach by the EU as well as by the candidates. Such an approach may well imply a stronger emphasis on political rather than technical considerations. However, this is

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not without risk: on certain concrete issues the distance between the respective positions of the candidates and the EU could prove to be so considerable and maybe insurmountable that the technique of transition periods is inadequate to bridge the gap.

Turkey: the unavoidable partner

In the aftermath of the Luxembourg European Council with regard to Turkey's specific position in the EU enlargement policy, there were, at least in some EU Member States, a growing number of signals showing a greater understanding or openness towards the Turkish position. Turkey is indeed an important partner of the EU and its Member States both politically and economically. At the instigation of Member States, which were becoming increasingly irritated by the total inflexibility of Greece, signs were given that there could be scope for an improvement in relations with Turkey. In 1998, the Commission again, recalling that Turkey was "also a member of the Euro-Mediterranean Partnership"[26], presented proposals demonstrating " the European Union"s commitment to developing a strategy to prepare Turkey for *accession*".[27] Perhaps, more importantly, for the first time a progress report on Turkey was published on 17 December 1998[28] together with those on the Central and Eastern European applicants which the Commission prepared within the framework of an enhanced pre-accession strategy. While all this, at least from a procedural and perhaps even more so from a psychological point of view, might create the impression of a more equal treatment of the Turkish application for EU membership, originally only little concrete progress had been made. At the 19 July 1999 meeting organized within the framework of the European Conference, Turkey, although again invited, refused to participate.[29] Indeed the attempts by the German Presidency to include Turkey in the "accession process" had failed as the Conclusions of the 1999 Cologne Summit clearly demonstrated.[30] At this point it is interesting to note that it is perhaps not so much the political negotiations as the human catastrophe resulting from the terrible earthquake in Turkey in 1999 and the reactions, particularly from Greece, to this calamity which may have helped to create a momentum for change. EU financial aid to Turkey related to the natural disaster was approved by Greece, although so far Greece has always opposed the implementation of the Financial Protocol which is an essential part of the bilateral framework between the EU and Turkey[31] as well as the special financial assistance related to the establishment of the Customs Union.

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On 13 October 1999 the President of the European Commission, Mr Romano Prodi, in his speech on EU enlargement before the European Parliament, expressed the view, on behalf of the European Commission, that Turkey should be granted the status of "candidate country" and the same was suggested in the *Regular Reports from the Commission on Progress towards* Accession published on the same date. However, Greek authorities were also quick to make clear that this gesture could not yet be interpreted as granting Turkey the status of "candidate country" on a par with other applicants for EU accession,[32] and significantly the Commission also indicated that in any case the granting of the qualification "candidate country" would not imply that "accession negotiations" would necessarily be opened immediately. Turkey, for her part, while accepting that the Copenhagen criteria must be met, continued to reject the idea of making political concessions prior to the granting of status of candidate country. In any event, as a result of the application by the Commission of the Copenhagen test criteria to the domestic political and economic situation in Turkey, there is still a long way to go before EU membership of that country can be seriously envisaged. The Commission expects that Turkey should be capable of acquiring a viable market economy able to cope with the pressures of the market in the medium term. But the main problems remain on the political side: human rights violations, the unacceptable treatment of minorities, the role of the army in politics and the continuing occupation of northern Cyprus.[33] All this explains why, until the very last minute before the 1999 Helsinki European Council, suspense remained extremely high on the question of whether the conclusions of the meeting would satisfy Turkey. Even on the first day of the Summit exceptional diplomatic activity was developed to "explain" to Turkey the meaning of the envisaged Helsinki "conclusions" and to avoid any misunderstanding. An anecdote worth mentioning is that on the Friday afternoon Mr Solana, the High Representative for the Common Foreign and Security Policy, Mr. Verheugen, the Commissioner for Enlargement, and a representative of the Finnish Presidency flew to Ankara to explain the Conclusions of the Summit, while on Saturday, 11 December, Mr. Bülent Ecevit, the Turkish Prime Minister, in his turn flew to Helsinki to participate at the dinner of the Heads of State and Government of the EU Member States and the other twelve candidate countries.[34]

The wording of the Helsinki Conclusions is a masterpiece in diplomatic formulation. Turkey is qualified as "a candidate State destined to join the Union on the basis of the same criteria as applied to other candidate States". This means that Turkey will benefit from the pre-accession strategy in the

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preparation for accession and thus an Accession Partnership will be set up (see below). Emphasis will be laid on progress towards fulfilling the political criteria for accession. Special importance will be attached to the issue of human rights and the respect of the principle of peaceful settlement of disputes in accordance with the UN Charter. Turkey – as any other EU candidate- is urged to make every effort possible to resolve the out- standing border dispute(s) and other related issues. If this proves to be impossible, it should bring the dispute(s) before the International Court of Justice within a reasonable time. The European Council will make an evaluation of the outstanding dispute(s) "in order to promote their settlement through the International Court of Justice, at the latest by the end of 2004". But again it should be noted that these political conditions to which Turkey's candidate status is directly being linked are presented as conditions applicable to all candidate countries.

Seen in this context Turkey is, at least formally, not being discriminated against vis-à-vis other candidate countries. However, the "Helsinki conditions" cannot be disconnected from the particularities of Turkey's candidate status, and, as already mentioned, receiving candidate status does not mean that accession negotiations will start immediately. In the first place, a prerequisite for the opening of accession negotiations remains compliance with the Copenhagen political criteria. Turkey is still far away from this target but, as already mentioned, this will not preclude Turkey from participating in the Community programmes, agencies and accession process along with the other candidate countries. Finally, in EU – Turkey relations, the Cyprus issue in never far away of course. Here, the European Council notes that a political settlement will facilitate the accession of Cyprus to the European union but that if no settlement has been reached once the accession negotiations are completed, "the Council decision on accession will be made without the above being a precondition" . However, at the same time it is added that "the Council will take account of all relevant factors". All the pertinent parts of the conclusions on or affecting Turkey have necessarily to be read together and even then the diplomatic intervention of the US at the highest level was necessary to convince Turkey to accept the EU offer. Indeed one can understand the initial Turkish hesitation: while the EU went a long way to meeting Turkey's demands, particularly in terms of being treated on equal terms with other candidates, there is no commitment to actually opening accession negotiations and accession itself today still appears somewhat enigmatic.

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EU enlargement practice since 15 July 1997: an evaluation

The publication of Agenda 2000 together with the various Commission Opinions on the CEECs' application for accession had a fundamental impact on the pre-accession strategy as such. Of course, before 15 July 1997, there were already numerous initiatives developing a pre-accession atmosphere. As a matter of fact, after the 1993 Copenhagen European Council or, perhaps better, after the 1994 Essen European Council, the pre accession strategy became formally and firmly established. This resulted in various actions, forms of dialogue and projects. Probably one of the most interesting initiatives in this respect was the 1995 Commission White Paper on the *Preparation of the Associated Countries of Central and Eastern Europe for Integration into the Internal Market of the Union* aimed at laying down a detailed programme of approximation of laws for the CEECs. In this document, legal integration of the acquis communautaire related to the Internal Market was presented as a fundamental objective for a successful accession policy.[35] But with the publication of Agenda 2000 together with its Opinions, the Commission made a strict differentiation between the applicant countries: there were those with whom negotiations could be started and those with whom this was not yet possible. Obviously, pre-accession policies applied to those selected necessarily had a different impact compared to that of the accession policies applied to those of the second train.

The Copenhagen political criteria applied

The ten Opinions of 1997 provided a detailed analysis of why, in the eyes of the Commission, an applicant had to belong to the first or second category. In this examination, the political and economic criteria were predominant. Four applicant countries, for example, failed the test exclusively or mainly for economic reasons (Bulgaria, Romania, Lithuania and Latvia). More important in the light of the topic of this paper is why applicants satisfied or failed the political test undertaken by the Commission. Such an examination is of particular relevance since meeting the political criteria after the entry into force of the Treaty of Amsterdam on 1 May 1999 also becomes a legal requirement for membership. The new Article 49 TEU explicitly stipulates that any applicant for EU membership has to respect the principles of liberty, democracy, human rights, fundamental freedoms and the rule of law. In all the Commission Opinions, a specific chapter is dedicated to the 'Political Criteria for Membership. This chapter has an identical structure: first, the place of democracy and rule of

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law in the country concerned is evaluated; second, an assessment is given on the application of the protection of human rights and rights of minorities; finally; a global and general evaluation is made. The section 'Democracy and the rule of law' contains a brief description of the constitutional and institutional structure of the country, how parliament and the executive function and what the position of the judiciary is in the constitutional framework. On the whole the picture presented by the Commission in all the Opinions is a remarkably positive one: since the political changes, all applicants have been able to organize free elections, through the classical game of coalitions political majorities have been formed, governments are accountable to a parliament, etc. While there were still some hesitations about Romania at the time the Opinion was delivered, the only real problem which the Commission was facing in this respect was Slovakia. The Commission remarked, that the [Slovak] government [paid] insufficient respect to the powers devolved by the Constitution to other bodies and too frequently [disregarded] the rights of the Opposition'.[36] These, together with the treatment of minorities, were also the main reasons behind the exclusion of Slovakia from the first group, while~ other wise she presented a good economic record.

Another aspect briefly considered in all the Opinions but certainly deserving closer attention is that of the place and functioning of the judiciary. Undoubtedly, in many if not all CEECs, transformation encounters serious difficulties at the level of the judiciary. It ii! Not so easy to train or retrain judges' and, in any case, this needs thorough preparation. As later evaluations such as the Regular Reports of 17 December 1998 demonstrate, the 'inherent weakness[37] of the judiciary in a large majority of the CEECs continues to cause a significant problem, particularly since accession to the EU implies the application of EC law by national courts to such a large degree. Seen in this context, familiarizing judges in the potential new Member States with fundamental notions of EC law such as 'primacy' and 'direct effect' is still an enormous task and this explains why important training programmes in EU law for judges in candidate countries have been or are being organized. Moreover, applicants must be aware of the fact that the final Opinions given by the Commission and addressed to the Council once accession negotiations are completed[38] explicitly refer to the specific legal implications of enlargement. No reservations in the application of the principles of direct applicability and primacy can be accepted and uniform application of Community law must also be ensured in the new Member States. All CEECs have made an effort to become more familiar with EU law and changes to the law curriculum in. most of the universities reflect

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this. But, understandably, it will take time before the repercussions of this policy will be felt at the various levels of the judiciary.

The examination of the applicant countries' records in the field of human rights and protection of minorities -the second part under the chapter 'Political Criteria' -follows a similar pattern in all the Opinions. First the civil, political, economic, social and cultural rights are examined. There are, of course, nuances in the quality of protection offered by the various applicants but on the whole these aspects cause no serious concern. Undoubtedly, the most sensitive issue is that of minority rights and the protection of minorities in most of the CEECs. Here, virtually no applicant from Central and Eastern Europe has a totally clean record and the question therefore is more one of where the limits have to be drawn. If strictly applied, this point of reference in the scrutiny of the political criteria, together with the need to improve drastically the quality of the judiciary, could well constitute one of the main obstacles for a considerable number of applicants. On this issue, perhaps Hungary is an exception, although here also improvement in the treatment of the Roma has been requested by the Commission. Poland and Slovenia have only a small minority presence and the protection of minorities does not really constitute a special problem. In Romania the large Hungarian minority (7-8 per cent of the population) has been subject to discriminatory treatment but the situation has considerably improved as result of the measures taken by the government formed after the elections of November 1996. But the discrimination of the large Roma community (5-7 per cent of the population) continues to cause problems in that country.[39] In Bulgaria, the Turkish minority had in the past suffered serious discrimination but since 1989 the situation has improved very considerably. Now, the biggest minority problem there is also that of the Roma.[40]

As far as the Baltic States are concerned the situation is different. While in Lithuania, with a considerable minority amounting to 20 per cent of the population composed largely of Poles and Russians, a number of examples of discrimination do exist, on the whole problems remain limited. In its Opinion of 15 July 1997, the Commission mentioned, for example, the quotas for pupils of minorities going to higher education. But the global conclusion as far as Lithuania is concerned is that fundamental rights and the protection of minorities are guaranteed.[41]

The situation is different in Latvia and Estonia. In Latvia there are large categories of people intriguingly called 'non-citizens'. They consist of

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citizens of the former USSR whose expired passports are not recognized abroad and who therefore do not have any citizenship at all. They constitute the biggest group within the minorities in Latvia. Minorities, including these non-citizens, account for more than 40 per Cent of the total population. The Latvian Nationality Act of 1994 made the granting of Latvian nationality particularly difficult. A large number of discriminations were enumerated in the Commission's Opinion which nevertheless came to the conclusion that 'there were no major problems over respect for fundamental rights'. Latvia 'needed to take measures to accelerate naturalisation procedures to enable the Russian-speaking non-citizens to become better integrated into Latvian society' and [had] also to pursue its efforts to ensure general equality of treatment for non-citizens and minorities, in particular for access to profession's and participation in the democratic process'. The global conclusion by the Commission that 'with the reservation that steps need[ed] to be taken to enable the Russian-speaking minority to become better integrated into society, *Latvia[demonstrated] the characteristic of a democracy, with stable institutions guaranteeing the rule of law and human rights*'[42] was therefore somewhat astounding. However, since Latvia, according to the Commission, still had to make considerable progress towards the creation of a market economy, it was, in any case, not yet possible to open negotiations for accession with that country. In April 1998 notable improvements took place in Latvia speeding up the citizenship as well as the naturalization procedures. Nevertheless, a very high percentage of the population still keep their 'non-citizen' status,[43] although an encouraging signal was the outcome of the 3 October 1998 referendum granting automatically Latvian nationality to children of stateless persons born in Latvia after the country's independence. Moreover, amendments mad~ to the Citizenship Law, which entered into force in November 1998, facilitate considerably the application for Latvian citizenship. But problems remain, particularly as a result of the tightening of the Language Law adopted by the Parliament in July 1999. This law was not promulgated by the President following reactions from the OSCE, Council of Europe and European Commission, the latter arguing its incompatibility with Community standards as enshrined in the EC-Latvia Europe Agreement. It must also be noted that non-citizens are not allowed to enter some professions such as those of lawyer, armed security guard or private detective on the grounds of state security.[44]

For Estonia, the conclusion in the Commission's Opinion was different since this country, astonishingly, was selected for the first train accession negotiations. The true and complete story of this unexpected choice by the

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Commission will probably never be fully known.[45] Was it a necessary compensation for the failure of the Baltic States to integrate into NATO? Was it the result of a geopolitical attempt to include not only three geographically central countries (Poland, the Czech Republic and Hungary) but also a country to the North, in this scenario being Estonia?[46] Was it a provocative test to measure Russian reaction to a possible 'extreme' enlargement scenario whereby large Russian minorities are included in the EU and in which Russia herself in the long run is completely encircled by the EU? Knowing that a border treaty between Estonia and Russia has not yet been ratified, is the 1994 Essen European Council condition on 'good neighbourly relations' sufficiently satisfied?[47] While everybody knew that there had been many problems in Estonia with regard to the treatment of the large Russian minority, constituting something between 25 and 30 per cent of the population, the Commission produced in its Opinion nevertheless an extremely favourable and particularly soft picture of the situation. For the Commission 'on the whole, the rights of the Russian-speaking minority (both with Estonian nationality and without) [were] observed and safeguarded'. The main suggestion by the Commission was that 'Estonia [needed] to take measures to accelerate naturalisation procedures to enable the Russian speaking non-citizens to become better integrated into Estonian Society'.[48] Apparently, one of the main concerns of the Commission was the fact that there were insufficient resources available to Russian speakers to learn Estonian and since good knowledge of Estonian was required to pass the Estonian nationality exam, the Commission has been granting financial support through the PHARE Programme for the financing of these language courses.[49] This, besides the fact that it is a strange way of using EU funds, also raises the question of whether it is the task of the EU to support policies of applicant c9untries imposing complex language tests on their minorities to obtain citizenship rights or to have a decent place in society. Therefore, it is not clear why the EU has to stimulate policies for the assimilation of national minorities and the giving up of the original identities of these minorities in applicant countries. It is very unfortunate that the 1998 and 1999 Regular Reports of the 'Commission on the progress made by the applicant countries do not elucidate this issue.

On the whole, the examination by the European Commission of the question of the Russian minorities in the Baltic States remains very superficial, although the 1999 Regular Reports are a little more detailed than those of 1998. The 1998 Progress Report on Latvia welcomed the Latvian referendum on the citizenship law facilitating the naturalization of non-citizens. For Estonia, the Commission expressed regrets that the Estonian Parliament had not yet adopted the necessary amendments to the Citizenship

Law to allow stateless children to become citizens.[50] The 1998 Estonia Regular Report, for example, gave more details and stated that non- citizens 'are still subject to some restrictions such as the right to sit on the boards of state-owned companies, to belong to a political party and to be employed in certain areas of the public administration'.[51] It must be mentioned that almost simultaneously with the publication of the 1998 Commission's Reports, Estonia's Citizenship Law was amended to allow 'any minor under the age of fifteen, who has been born in Estonia after February 26, 1992' to receive citizenship through naturalization if a number of specific conditions were met.[52] With these amendments some of the most extreme consequences of the Estonian Citizenship Law are taken away: children from parents who are 'non-citizens' can obtain Estonian citizenship. Of course, this legislative measure, as such, is not sufficient to eliminate the discriminatory treatment towards the national minorities but it helps at least to reduce the number of non-citizens. On the other hand, opposite signals are provided by the Election Act (December 1998) and Language Act (February 1999) concerning the knowledge and use of Estonian in official matters, where the linguistic requirements were further tightened for non-Estonian speakers.[53] The Commission, therefore, in the 1999 Regular Report observes that the Language Law 'restricts access of non-Estonian speakers in political and economic life'. Consequently, this move 'constitutes a step backwards' and, according to the Commission, the law in question should be amended.[54] It must be said that at the time of finishing the manuscript anew draft language law was under consideration by the Estonian Parliament which once accepted would constitute a considerable improvement of the situation.

It is obvious that in many of the applicant countries a very serious effort in the field of minority protection will still be needed. The 1998 Composite Paper refers to it as a problem which 'continues to raise concerns in the perspective of enlargement'[55] and the general conclusion of the 1999 Composite Paper on this point is not very different.[56] In particular the issue of the position of the Russian minorities in the Baltic States mentioned above deserves much closer and more exhaustive attention and analysis. On the whole, the EU institutions, particularly the Commission but also the European Parliament,[57] have been very complacent towards Estonia and Latvia as regards the treatment of minorities. Where some improvements in the treatment of minorities have taken place this is generally seen as the result of EU efforts. These improvements then receive great attention but the continuing discrimination against 'non-citizens' and Russian speakers is only briefly mentioned and has by no means been seriously examined or addressed to date.[58]

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The limits of enlargement: Russia, the ignored factor

One of the main criticisms of EU enlargement policy is that enlargement was presented almost as something which could more or less happen in a vacuum. The fact that Turkey was largely ignored in the enlargement strategy until the 1999 Helsinki Summit has already been dealt with at length above. Also the effect of enlargement on the other Mediterranean Non- Member Countries has been completely or almost completely disregarded. Besides a general statement to the Barcelona Euro-Mediterranean Conference, the Commission acknowledged that care '[would] be needed to avoid adverse effects on the EU relations with Mediterranean countries, for example in the area of agriculture, textiles and energy exports',[59] but it failed to indicate how such effects could be avoided. An interesting development in EU thinking on enlargement in relation to European non-candidates is the Commission's new regional approach to the countries of South Eastern Europe, that is to say Bosnia and Herzegovina, Croatia, the Federal Republic of Yugoslavia, the Former Yugoslav Republic of Macedonia and Albania. On 26 May 1999 the Commission proposed a plan for Stabilization and Association.[60] This includes the gradual development of bilateral agreements establishing anew form of contractual relations 'with a perspective of EU membership on the basis of the Amsterdam Treaty and once the Copenhagen criteria have been met'.[61] It is not the place here to comment in detail on this new EU strategy plan towards the Balkans. Of course, it may astonish and shock many in the EU that a number of countries addressed in this plan were only recently or a few years ago involved in the most brutal ethnic cleansing and are now offered here, to use the Commission's terminology, 'a perspective of EU membership'.

However important all these various aspects of the EU enlargement policy may be, one of the most uncertain remains the complete or almost complete lack of a policy towards the former USSR, Russia in particular. While it cannot be denied that a lot of what has happened in Central and Eastern Europe after 1985 has been the result of the new Soviet policy, internally but above all externally the European Community, observing what was unfolding in the COMECON world of that time, first took a 'wait- and-see' attitude towards the USSR. For example, even in early 1988 –three years after Gorbachev had come to power -the European Commission was still of the opinion that only a simple bilateral trade agreement with the USSR could be envisaged, while the USSR had been pleading strongly for a much more ambitious framework. No doubt solid links with the EC were c perceived as something which could be very precious for the modernization

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of the economy and the ongoing political transformation process. The Community, for its part, only gradually became aware of the need to conclude a 'cooperation agreement' with the USSR and such an agreement was finally signed in December 1989, that is to say in a period of time where the momentum of Gorbachev's *perestroika* and *glasnost* had more or less faded away. Simultaneously, the Community started to apply its *policy of differentiation* whereby the USSR receiv d treatment which was different from that applied to other COMECON countries.[62] The culmination of this new policy was a proposal of the EC to conclude Europe Agreements as a special form of association agreement, a proposal which was extended to all former COMECON countries except the USSR. In the 1990 Communication of the Commission on the conclusion of such association agreements,[63] it was explained why such agreements could not be envisaged with the USSR: this latter country raised specific questions concerning domestic reform, relations with the Community and integration into the international economic order. The magnitude of all these and other questions was such that the USSR could not be incorporated into the policies as applied to other countries in Central and Eastern Europe. The roots of this 'differentiation' would gradually but surely also contribute, at least in part, to explaining the origins of the isolation of Russia. The alternative EC/EU policies and legal instruments worked out for that country, such as, for example, the Partnership Agreement[64] and TACIS, would prove to be dramatically inadequate. In the end, the result of the EU Partnership policy is that it even accentuates and contributes to the very thing that it aims to avoid, namely to further isolate Russia from the EU. Indeed, besides is very nice title there is little substance in this Agreement. Certainly for Russia and former USSR countries Partnership Agreements cannot constitute a valid alternative to EU enlargement towards Central and Eastern Europe. The whole problem here is one of geopolitics and, whether we like it or not, of geography. The next enlargement wave, if it is to take place, brings the EU necessarily closer to, and most likely even to the doorstep, of Russia.[65] Apart from the political implications which are considerable, it is obvious that enlargement -just to mention one or two examples -will in the first place seriously affect trade relations with Russia.[66] The application of the EC external tariff will probably not be a major problem but the EC non-tariff restrictions and norms and standards in the new Member States will necessarily have a negative effect on trade with Russia and trade diversion seems unavoidable. Even more important are the particularly tough and restrictive Schengen rules, already mentioned, which will be applicable to Russian citizens in the new Member States.[67] The current application of these rules to the present Schengen group countries is already creating a situation where, for example,

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from a legal and administrative point of view, inviting a Russian academic now is becoming more complicated than in the 1980s! Consequently, the application of the Schengen rules to the neighbouring countries of Russia will further isolate Russia in Western Europe. Another almost completely forgotten, but nevertheless exotic, aspect of EU enlargement is the special position of Kaliningrad in the event of an enlargement to take in Poland and Lithuania. It appears that consultations over this issue would be better held before, rather than after, enlargement.

One would have expected that these and other grave implications of enlargement would have been properly treated by the EU, particularly in the Commission's abundant reflections on enlargement. Unfortunately, this has not been the case so far. In Agenda 2000 the Commission only recognized that 'the enlargement process will also require careful management in the Union's relations with other partners in Europe and beyond, in order to ensure that it contributes to the overall objectives of strengthening international security and co-operation',[68] but at the same time Agenda 2000 took for granted without any further explanation the fact that 'enlargement should benefit relations and co-operation with Russia, the Ukraine and other New Independent States' and that 'by consolidating democracy and enhancing stability and security in Central and Eastern Europe, enlargement will increase the security of the EU's eastern neighbours as well'.[69] Of course, the Commission was not totally blind to the fact that additionally 'adverse effects could result from enlargement, were it to be perceived as raising new barriers in Eastern Europe',[70] which implies that the Union is to take steps 'to minimise such risks and to create conditions for exploiting fully the opportunities created by enlargement'.[71] The Commission is aware that particular attention must be paid to the 'legitimate security and economic concerns' of those who are not included in the enlargement strategy.[72] However, once again, no further specification is provided and besides applying the Partnership and Co-operation Agreement, suggesting the development of trans-European networks and giving support to the New Independent States for their participation in the pan-European and global economic and political system, no serious policy was formulated by the Commission or any other EU institution to develop an adequate policy towards Russia.

There are of course various reasons which may explain or even justify this lacuna. Russia herself has no policy towards the EU and is weak and unstable in so many respects. She is militarily involved in Chechnya and was, certainly in the recent past, much more concerned with NATO than EU

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enlargement.[73] In addition, in Russia, the handling of the Kosovo war by the West has not increased confidence in the West. The move of Mr Solana, former Secretary-General of NATO, to the seat of High Representative for the Common Foreign and Security Policy' has given rise to increased suspicion of EU foreign and security policy as a whole. But the question remains: is a large-scale eastwards EU enlargement without a well substantiated parallel policy towards Russia feasible, workable and acceptable? At the 1998 Vienna European Council a progress report on the development of a comprehensive policy towards Russia had been discussed while at the 1999 Cologne European Council a Common Strategy Paper was adopted.[74] Unfortunately, no matter how good the intentions of these 'papers' may be and have been, again virtually no link was made then nor is it made now between eastward enlargement and EU-Russia relations.[75] In the Cologne Strategy Paper the European Council recognizes that 'a reinforced relationship' with Russia based on shared democratic values is needed and that this 'will help Russia to assert its European identity and bring new opportunities to all the peoples of the continent'. Then follows, without any further explanation, the axiom that 'enlargement of the Union will further increase these benefits and opportunities'. Notwithstanding the title of Part I of the Strategy Paper, improperly called 'Vision of the EU for Its Partnership with Russia',[76] the enlargement process as a whole is completely disconnected from EU-Russia relations. As a matter of fact, as is well known, the Strategy Paper was almost exclusively a unilateral exercise by the EU with an evident lack of strategy , and notwithstanding some Russian attempts to make some links between the Partnership Agreement and enlargement,[77] the position of the EU has always been that enlargement was something, which should by no means be treated in the bilateral framework of the relations between the' EU and Russia. In other words, Russia did not and should not have a kind of droit de regard on enlargement. Seen in this context the bombastic remark that 'a stable, democratic and prosperous Russia, *firmly anchored in a united Europe free of new dividing lines*, is essential to lasting peace on the continent' has a somewhat hidden and ironic undertone if one knows that it is precisely eastwards enlargement, as organized today, that is in the end creating and consolidating, almost in a mechanical way; such new dividing lines. The isolation of Russia from the rest of Europe, something which is strongly regretted by the Helsinki European Council, may in the first place be the result of the situation as it has developed in Russia itself over the last decade, but it is in away also an unavoidable consequence of the EU policy followed so far. The lack of an adequate bilateral framework between the EU and Russia linking Russia in a firm way with and in Europe may also explain, at least in part, why the EU

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is virtually impotent in influencing Russia in the Chechnya crisis. Seen in this context it was hard to believe that the suggested sanctions in the Helsinki Declaration on Chechnya (review of the European Union's Common Strategy towards Russia, suspension of some provisions of the Partnership Agreement and strict application of the trade provisions, and a review of TACIS), published the same day that President Yeltsin -by a strange symbolic coincidence -was on an official visit in Beijing, could have any serious influence on the military operations.

Of course, it is true that incorporating the Russia factor in any reflection on eastward enlargement complicates the whole exercise tremendously. The picture of the 1999 Helsinki European Council offers the perfect contrast: enlargement means stability, including 'reconciliation' with Turkey, while Russia is chaos and war, The operations of the Russian army in Chechnya and their excesses could not have come at a more timely moment to highlight this fact. But is this the correct analysis at the beginning of the new millennium? Acting as though Russia does not exist may be workable and very attractive from a short-term perspective. Russia is weak and cannot influence the course of events, but is the EU policy towards Russia as it has been applied so far likely to contribute in the long- term to global security in Europe? One of the main EU objectives of the enlargement process, as proclaimed by the Luxembourg European Council and confirmed by that of Helsinki, is obtaining 'stability and prosperity for the entire European continent' (emphasis added). But can this be achieved by imposing on Russia an all-embracing EU enlargement as a fait accompli?

Would the EU not be better, particularly in the light of the EU choice for a large enlargement strategy, to take seriously -and in parallel with this policy- Russian sensitivities and concerns? The way in which EU enlargement strategies have been proposed so far leads necessarily and in an irreversible way to a particularly strict compartmentalization within Europe between the EU and 'the others', the 'others' becoming gradually the remaining 'other'. In the long run the EU approach towards Russia could well become the Achilles heel of the EU enlargement policy.

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Endnotes

[1] On the role of the Commission in the accession procedure, particularly in relation to the accession of Austria, Finland and Sweden, see. D. Boos and J. Forman, "Enlargement: legal and procedural aspects", *CML Rev.*, 1995, 98-9.

[2] On order to prepare such a study the Commission sent a detailed questionnaire to the applicant countries from Central and Eastern Europe in April 1996.

[3] The case of Malta's application for EU membership needs some further explanation. In 1993 the Commission had given a favourable opinion on Malta's application for membership of 1990. The Maltese government formed after the election of 26 October 1996 had decided not to open negotiations on accession on the scheduled date. In other words, Malta's application for membership was "frozen", not withdrawn. This suspension resulted in Malta's exclusion from the enlargement process launched by the 1997 Luxembourg European Council. After new elections on 5 September 1998 and the composition of a new government, Malta expressed on 10 September 1998 her wish to "reactivate" her application. On 17 February 1999 the Commission published an update of its 1993 Opinion, in which the view was expressed that it may be expected that Malta was considered to be able to join the group of candidate countries with which negotiations were already underway (COM (1999) 69 Final) and this was reconfirmed in the Regular Report from the Commission on Progress towards Accession, Malta, 13 October 1999, COM (1999) 508 Final. At the 1999 Helsinki European Council Malta was indeed included in the accession process and accession negotiations were opened in February 2000. The biggest efforts which Malta will have to make are in the fields of legislation concerning the Internal Market and Common Customs Tariff. For a survey and an analysis of EU - Malta relations, see P. Xuereb, *Malta, the European Union and the Mediterranean: Closer Relations in the Wider Context* (Malta: Publishers Enterprises Group, 1998), and by the same author (co –coordinator), "Malta – EU relations and the acquis communautaire in the wider context", in Xuereb (ed.), *The Mediterranean's European Challenge (Malta*: EDRC, University of Malta, 1998), 148 – 54.

[4] This is an unworthy paraphrase of the title of Norman Cohn's magisterial book *Cosmos, Chaos and the World to Come. The Ancient Roots of Apocalyptic Faith* (New Haven, CT and London: Yale University Press, 1993).

[5] COM (97) 2000 Final, Vols I and II.

[6] On the preparation of these Opinions and some comments, see M. Maresceau, "On association, partnership, pre-accession and accession", in Maresceau (ed.), *Enlarging the European Union. Relations Between the EU and Central and Eastern Europe* (London and New York: Longman, 1997), 15-19; also M. Maresceau, "The legal dimension of the EU enlargement to Central and Eastern Europe", in *European Union Eastward Enlargement. Challenges and Consequences. Papers presented at*

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a Conference held in Jerusalem, 21-22 June 1998 (Jerusalem: Konrad Adenauer Stiftung –Helmut Kohl Institute for European Studies, The Hebrew University of Jerusalem, 1998), 16-20.

[7] See COM (97) 2001-10 Final. The Opinions on the application of Turkey, Cyprus and Malta had already been published in 1989 (Turkey) and 1993 (Cyprus and Malta).

[8] On Malta's application for EU membership, see above, note 3.

[9] Agenda 2000, Vol. I, 66 (italics added).

[10] Agenda 2000, Vol. I, 66.

[11] In a reaction from the Turkish Cypriot side it was argued that the beginning of accession negotiations "with the Greek Cypriot administration" would "render useless the process of negotiations recommenced between the Turkish Cypriot and Greek Cypriot leaders". Parallel and similar to the progress made in the EU accession process by the Greek Cypriot side the Turkish Republic of Northern Cyprus together with Turkey decided to take the necessary measures aimed at economic and financial integration of the two parties: see *Joint Statement by the Republic of Turkey and the Turkish Republic of Northern Cyprus* of 20 July 1997.

[12] Agenda 2000, Vol. I, 67-8.

[13] Agenda 2000, Vol. I, 15 (italics added). The "reconfirmation" of Turkey's eligibility" for EU membership had already been expressed in a statement of the Association Council of 29 April 1997: see Bull. – EU, 4- 1997, 1.4.74. The Association Council had also taken the position that Turkey's application for membership would be judged according to the same objective standards and criteria as other applicants.

[14] COM (97) 394 Final, 15 July 1997.

[15] Italics added. The broader expression "*aspiring* to accede" in the Luxembourg European Council formulation was precisely used to include Turkey in a more or less elegant way (the CEECs and Cyprus were "candidates" for accession).

[16] This notwithstanding the fact that Greece had for a long time strongly opposed the idea of inviting Turkey to the Conference: see *Agence Europe*, 22 and 24-25 November 1997.

[17] At the 1998 Vienna European Council Switzerland received the status of "member elect" at the European Conferences: see Presidency Conclusions, No. 65.

[18] See Council Regulation on assistance to the applicant states in the framework of the pre-accession strategy, and in particular on the establishment of Accession Partnerships. *OJ*,L85 / 1, 20 March 1998.

[19] See *OJ*, L121 / 1 of 23 April 1998. Detailed information, country by country, is contained in *OJ*, C202/1 of 29 June 1998.

[20] Composite Paper, Regular Reports from the Commission on Progress towards Accession by each of the Candidate Countries, COM (1998) 712 Final, 4.

[21] See 1999 Composite Paper, Regular Report from the Commission and the Progress towards Accession. COM (1999) 500 Final, 13 October 1999, 12.

[22] Conclusions, No.60. See in this context also the General Affairs Council Conclusions on enlargement of 7 December 1998, Annex III to the Vienna European Council, Presidency Conclusions.

[23] See Speech before European Parliament, Brussels, 13 October 1999 (http://www.europa.eu/rapid/sta...gt&doc=SPEECH/99/130/0/RAPID&lg=EN); SEE ALSO THE RECOMMENDATIONS IN Reports on Progress towards Accession by each of the candidate countries, Composite Paper, Regular Report from the Commission on Progress towards Accession, COM (1999) 500 Final, 13 October 1999, 27-8.

[24] Presidency Conclusions, No. 60. Countries facing difficulties in this respect are, for example: Slovakia, Lithuania and Bulgaria; see also the statement by Mr. Günter Verheugen, Commissioner for Enlargement, *Uniting Europe*, 6 September 1999.

[25] Accession negotiations on specific chapters, however, are part of a global package. Moreover, negotiations need time, while certain issues develop rapidly. Therefore,
the need may arise to "reopen" again certain chapters previously "concluded". For a detailed overview of the state of affairs of the negotiations at the end of June 2000, see *Uniting Europe*, 19 June 2000.

[26] See Commission Communication, *European Strategy for Turkey. The Commission's Initial Operational Proposals*. COM (1998) 124 Final,2.

[27] Communication quoted above – see note 9 (italics added).

[28] COM (1998) 711 Final, 17 December 1998. At the 1997 Luxembourg and 1998 Cardiff European Council the Commission had indeed also been asked to report on Turkey on the basis of Article 28 of the Association Agreement with that country. This provision stipulates: "As soon as the operation of this Agreement has advanced

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far enough to justify envisaging full acceptance by Turkey of the obligations arising out of the Treaty establishing the Community, the Contracting Parties shall examine the possibility of accession of Turkey to the Community".

[29] See *Agence Europe*, 26 June 1999.

[30] The German Presidency also proposed to invite Turkey to the ministerial meetings held together with the other candidate countries. For the formulation of the text of the German proposal, see *Agence Europe*, 5 June 1999.

[31] The implementation of the Fourth Financial Protocol has already been frozen since 1980 (see H. Kabaalioğlu, "The Turkish Model of Association: Customs Union before Accession", in P. Demaret, J.-F.Bellis and G. Garcia Jimenez (eds), *Regionalism and Multilateralism after the Uruguay Round* (Brussels: European Interuniversity Press, 1997), 152), and when the Customs union (1 January 1996) was established the financial package of 375 m euro budgetary aid together with a 750 m euro European Investment Bank facility to provide loans to Turkey have been blocked by Greece. (For an analysis of this issue, see N. Neuwahl, "The EU-turkey Customs Union: a Balance, but No Equilibrium", *EFA Rev.*, 1999, 48-50.)

[32] See *Financial Times*, 1 September 1999.

[33] See COM (1998) 711 Final, 17 December 1998, 53 and 21 (Cyprus issue): see also Regular Report from the Commission on Progress towards Accession, Turkey, COM (1999) 513 Final, 13 October 1999.

[34] On this episode see *Le Monde*, 12-13 December 1999: "La Turquie, candidate officielle à l'Union européenne, participe au déjeuner des chefs d'Etat et de gouvernement"; also the *Financial Times*, 11-12 December 1999, "Solana tries to clear Turkey's path to EU candidacy".

[35] For a thorough analysis, see M.-A. Gaudissart and A. Sinnaeve, "The role of the White Paper in the preparation of the Eastern enlargement", in *Enlarging the European Union*, mentioned at note 6, 41- 71.

[36] COM (97) 2004 Final, 17.

[37] Regular Reports from the Commission on Progress towards Accession by each of the Candidate Countries, Composite Paper, COM (1998) 712 Final, 4.

[38] This final Opinion must be clearly distinguished from the one given before the accession negotiations are opened.

[39] See COM (97) 2003 Final, 14-15; also Progress Report, COM (1998), 702. On this sensitive issue, see N. Girasoli, "Roma/Gypsies and Immigration Issues in the EU", *RAE/LEA*, 2000, 128-38.

[40] COM (1998) 707 Final, 11.

[41] COM (2007 Final, 15.

[42] COM(97) 2005 Final (italics added), 18.

[43] Regular report, COM (1998) 704 Final, 11-14 . Many non-citizens prefer to keep the non-citizen passport because this passport allows them to travel to Russia without a visa, whereas a Latvian passport needs a visa.

[44] See 1999 Regular Report from the Commission on Progress towards Accession, Latvia, COM (1999) 526 Final, 13 October 1999, 18.

[45] Ten days before the publication of the Commission's Opinions even the usually very well informed journalist of *Le Monde*, Mr. P. Lemaitre, still published an article with the title: "L'élargissement de l'UE neconcernerait que trois pays".*Le Monde*, 5 July 1997. According to Lemaitre and Scotto "l'inclusion de l'Estonie dans la liste apparait comme une anomalie qu'aucune raison objective ne justifie", *Le Monde*, 18 July 1997.

[46] This, at least, is the suggestion made by two close observers of this question and advisers at the European Commission: G. Avery and F. Cameron, *The Enlargement of the European Union* (Sheffield: Sheffield Academic Press, 1998), 43.

[47] On 5 March 1999 a border treaty between Estonia and Russia was initialled but it is uncertain whether the Duma will quickly ratify it.

[48] COM (97) 2006 Final, 16.

[49] Agenda 2000, Vol. II, *The Effects on the Union's Policies of Enlargement to the Applicant Countries of Central and Eastern Europe*, 15.

[50] Composite Paper, COM (1998) 712 Final, 4.

[51] COM (1998) 705 Final, 11.

[52] Act Amending Sections 13, 15, 18, 19 and 14 of the Citizenship Act (unofficial English translation).

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[53] The Estonian Language Act which entered into force on 1 April 1995 was already restrictive for the Russian-speaking minority. Russian is qualified as 'a foreign language' (Article 2) and treated as such. Detailed rules on the use of the language of a national minority are laid down in the Act. The Amendment Act of the Language Act and State Fee Act approved on 9 February 1999 imposed further linguistic requirements on the Russian-speaking minority.

[54] Regular Report from the Commission on Estonia's Progress towards Accession, COM (1999) 504 Final, 16.

[55] COM (1998) 712 Final, 4.

[56] Composite Paper 1999,mentioned at note 21 above, 13.

[57] The European Parliament's Resolution on the Regular Report from the Commission on Estonia's Progress towards Accession (A4-0149/99) is also an example of such a very sympathetic but simplistic approach towards Estonia's application for EU membership, minimalizing the existing discriminations and ignoring the language law restrictions.

[58] In the 1999 Regular reports the treatment of minorities in Latvia takes up three out of 95 pages and in Estonia takes up three out of 85 pages.

[59] Agenda 2000, Vol. II, *The Effects on the Union's Policies of Enlargement to the Applicant Countries of Central and Eastern Europe*, 15.

[60] COM (1999) 235 Final.

[61] See note 3 above (italics added).

[62] See our study published in 1992: "The European Community, Eastern Europe and the USSR", in J. Redmond (ed.), *The External Relations of the European Community. The international Response to 1992* (London: Macmillan, 1992), 109-12.

[63] COM (90) 398 Final, 27 August 1990.

[64] On these agreements, see J. Raux (ed.), *Le partenariat entre l'Union européenne et la Fédération de Russie* (Rennes: Apogée, 1998); and C. Hillion, "Partnership and Cooperation Agreements between the European Union and the New Independent States of the ex-Soviet Union", EFA Rev., 1998, 399-420.

[65] Of course, with the accession of Finland to the EU there is already a lengthy EU border with Russia but the sensitivity of an EU border west of Saint Petersburg or around Kaliningrad is of a different nature.

[66] Russia has submitted a list of "concerns" regarding EU enlargement to the President of the Commission. For text, see uniting Europe, 13 September 1999, 4.

[67] See also M. Emerson, *Redrawing the Map of Europe* (London: Macmillan, 1998), 152-3.

[68] Agenda 2000, Vol.I, 6.

[69] Agenda 2000, Vol. II, *The Effects on the Union's Policies of Enlargement to the Applicant Countries of Central and Eastern Europe*, 14.

[70] Ibid.

[71] Ibid.

[72] Ibid.

[73] For a critical analysis of this position and its consequences, see V. Shemiatenkov, "The Relations between Russia and the EU", *RAE/LEA*, 1997, 277-89.

[74] This was the first application of Article 13 TEU since the conclusion of the Treaty of Amsterdam.

[75] For a summary of this report, see *Agence Europe*, 8 January 1999.

[76] Italics added.

[77] Article 102 of the PCA with Russia stipulates that the Parties "agree to consult promptly through appropriate channels at the requests of either Party to discuss any matter concerning the interpretation or implementation of this agreement and other relevant aspects of the relations between the Parties". Notwithstanding some attempts from the Russian side, the EU has consistently avoided the use of this provision to discuss matters of enlargement affecting Russia while there can be no doubt that such matters are necessarily covered, if not by the expression "any matter concerning the interpretation or implementation of this Agreement", then at least by the expression "other relevant aspects of the relations between the Parties" in that article.

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EASTERN ENLARGEMENT: AN AUSTRIAN VIEW

Hans Georg Heinrich*

This paper argues that neither the style nor the substance of Austrian politics toward EU projects deviates significantly from that of other Union members. The first part of this paper therefore looks into more general patterns and trends and examines briefly the cases in which the current political alignment is similar to the Austrian case, namely Italy and Denmark. The more specific features of Austrian policy-making within the Union are addressed in the second part of this contribution.

The Eastern enlargement of the EU is a practical consequence of the theory of democratic peace which maintains that democracies are extremely unlikely to wage wars against each other. Obviously, even the vague intention to be, at some point, a full member of the Community forced restraint and discipline on Austria's post-Communist neighbors as early as the late 80s, when the transition process was only in its incipient stage. Conversely, a lack of sufficient support for the reform process in Yugoslavia was a major factor in the breakup of Tito's Empire and the ensuing civil wars. This underlying philosophy to create a dynamic zone of peace and stability and simultaneously, a democratic environment for the old European democracies, is largely eclipsed in the accession negotiations, which are overshadowed by migration forecasts and internal fights about the redistribution of cohesion funds and fishery rights. This basic idea is also eclipsed in the public discourse about the enlargement process in Austria.

Austria is a small frontline state in the enlargement process and will certainly feel the direct impact of enlargement. The indications are that the major political decisions have been taken to include the 8 top candidates en bloc by approximately the year 2004, including Cyprus and Malta and excluding Rumania and Bulgaria. The other frontline states (Germany, Italy) are big and have much more political clout within the union. In

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Austria, the dominant feeling is that the people are being led into treacherous waters by an impersonal Brussels bureaucracy which does not care for the down-to-earth problems its decisions create. This is a feeling that the Austrians share with most European citizens. The trust in institutions, and not only in the Brussels bureaucracy, has eroded in practically all European countries. This has to do with the rapid integration of national economies into world markets, with the impact of financial globalization, the increase of outsourcing into low-wage areas and legal and illegal immigration. All these processes have produced a number of citizens, who perceive themselves as unprotected and not represented by their national political institutions. The rise of populist tendencies, again in practically all European countries, was a natural consequence.

European populism, by and large, is anti-European. At least, it rejects an image of the EU bureaucracy, which in their view, violates the rights of the nation, siphons off the money of national taxpayers in order to distribute it to the non deserving and is miles apart from the problems and concerns of the rank-and-file population. This does not imply that they are necessarily against European values and against any form of European unity. But they are clearly against the loss of sovereign decision- making for national authorities, because this also implies, for them, a loss of credibility in their criticism of national governments. It is also a consequence of the fact that the right-wing populist parties have remained relatively isolated on the Community level. While political decision-makers on practically all national levels become more and more directly involved in Community issues, the cadre of populist parties have been forced to recognize the existence of the EU only recently, following their inclusion in national governments.

Threats with vetoes and procrastination tactics are not an exclusively Austrian phenomenon. Large and small European nations have unabashedly employed these means to promote their national interest to the detriment of the common cause. At this point, Greece has threatened to veto Eastern enlargement if Cyprus is not accepted by the Union, Spain wants to exercise a veto if it does not maintain its usual level of subsidies, France uses vetoes in order to safeguard its own *acquis agriculturel*.

At this point, right-wing populist parties are government partners in three EU countries (Italy, Denmark, and Austria). In Italy, they even occupy the position of the premiership. Conflicts with Brussels were and are predictable, although prime ministers come under the pressure of the Union

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much more directly than their deputies. The Italian situation is aggravated by the historical coincidence that Brussels wants to enforce new European standards of police investigation (3rd pillar legislation) in the wake of the 11 September attacks in New York with Italian recalcitrance to include such felonies in the list as money laundering or corruption. It is more than obvious, that Berlusconi is interested in avoiding lawsuits and indictments in non-Italian European courts, a personal motive that ties in with the right-wing populist obsession with national sovereignty.

It is still an open question, to what extent Union integration, and specifically, Eastern enlargement will be influenced by the recent parliamentary elections in Denmark. The results and the campaign have followed the European trend, but were also co-produced by specifically Danish patterns, in that the Danish electorate has been extremely volatile since the early 70s, which can be explained by the fact that the two main parties continued to act as class-based parties long after farmers and workers had disappeared. This created an electoral arena for parties and personalities of a populist ilk.

If there is a general European trend, what makes Austria so special?

The Austrians have traditionally been uneasy about the Community. While a 60% majority voted for accession in the decisive 1994 referendum, this was because of the prevailing perception, that it was too late anyhow to opt out of the integration process and it was more advisable to join the accession bandwagon. And while approval rates for eastern enlargement have fluctuated around the 50% point, the present trend goes against enlargement. This is because of the perception that accession has become a tangible reality and that long-standing apprehensions may become true: mass migration from the East, massive payments for the impoverished newcomers from the pockets of Austrian taxpayers, mass layoffs of Austrian workers and employees because of outsourcing to Eastern locations and the use of cheap labor. Most certainly, Europe is facing a mind-boggling transformation. The mere quantitative scale is awesome: The Union will be enlarged by another 100 million citizens, consumers, workers and employees, but also welfare benefit and subsidy recipients. Nobody can exactly predict what exactly the consequences of this step will be. And it is obvious that the impact of enlargement will be different for the Austrians, especially in the eastern provinces. The trend will predictably subside as soon as it is obvious that enlargement has become a *fait accompli*. The

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Freedom Party, although it is a government partner of the pro-European People's Party, tries to capitalize most actively on these popular sentiments.

The right-wing populist Freedom Party had to face the defection of a part of its electorate after it had become a part of a government that adopted a number of incisive decisions whose impact was felt especially by a traditionally protest-minded clientele of this party. Its response had been the creation of a second party interface with the public: Jörg Heider did not enter the government and withdrew from the party leadership and continues his traditional populist rhetoric. He represents the Freedom party as a protest and opposition party; while on the federal level different faces try to present the same party as a government partner which is committed to a joint pro-European program.

In a way, the situation resembles the campaign around the accession referendum in 1994 when the Freedom Party led the camp of the EU-skeptics. But now, there is a natural limit to their populist ambitions, namely their preference to stay in the coalition with the conservatives.

Austria is in a specific position in that it had, in comparison with the European average, a disproportionate size of protected enclaves. Actually, it was almost the other way round, there were islands of free competition in a sea of heavily monopolized and administratively protected markets. On top of that, the real constitution, namely the social partnership provided for an ultra-stable institutional roof to this system, which guaranteed the protection of vested rights, social stability and economic growth. This system, which had been Austria's institutional response to the challenge of post-war political and economic reconstruction, started to change slowly under the impact of the rapprochement towards the Community in the early seventies. Austria still has a neo-corporatist setup, but the center of policy-making has gravitated from the institutions of social partnership to the government. This was mainly due to the fact that major areas of decision-making had been transferred to Brussels, where the policy process is dominated by national governments and not social partners. The new coalition in government (the People's Party and Freedom Party) pursues a policy of scuttling the institutions of social partnership or at least cutting them down to size. This has the side-effect of making the traditional domestic system more compatible with the EU environment. In an ironic twist of history, the Freedom Party, which used to mount vitriolic attacks against both the EU and the old system, owes its place in the new government precisely to the impact of Europe on Austrian neo-corporatism. Those voters who perceived

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themselves as victims of transition or future restructuring, tended to cast protest votes for the freedom Party and its energetic leader Jörg Heider, who posed as the champion of the dispossessed, of those who felt betrayed by high-handed decision makers and the spokesperson of those who felt they did not have the political clout to speak up their mind and had to resort to sullen fatalism. But the issue is still more complicated, since although the Freedom Party comes out for "New Politi s", it stands for the old values of stability, law and order, and sovereignty free of outside influence. In other words, it defends the traditional lower middle-class values that most of their voters share and that were embodied in the system of social partnership. The Freedom party has, however, undergone numerous transformations in a bid to enlarge its electorate. Among other things, they try to address simultaneously the young generation of reckless business sharks, who are out for the quick dollar in rapidly globalizing world markets and take anti-corporatist rhetoric at face value.

The closing of an Austrian manufacturing site run by the German tyre producer Conti exactly after a ten-year guarantee to maintain the jobs had elapsed, is indicative of the end of the Austrian dream of lifelong job security and full-scale social insurance against all the risks of life. It poses a problem for all the parties (with the possible exception of the Greens, who had at no stage been actively involved). Also, it illustrates the cliffhanger exercise of the Freedom Party that comes out for a free market system and for Austrian sovereignty in economic policy-making at the same time. They are against Europe as it is, and want to replace it with a Europe of their own liking. They would like Europe to join Austria, not the other way round. At any rate, they treat the candidates for the next accession round, as if they were to join Austria, and not the Union.

Not only the Freedom Party is at a crossroads: Under Haider, it has left its German-national ghetto and is energetically moving towards the center to become another catch-all party. If the party stays in government for a sufficiently long time, they will have to shed their strong anti-EU rhetoric. The "corporatist parties", too, had a long way to go in accepting at least on the surface, open competition in economics and politics. This corresponds to the overall trends in social evolution. According to the 2001 Austrian Lifestyle survey, 37% of the respondents declared themselves "optimizers", individuals that are optimistic about their future with a preference for hedonistic values and social prestige. 17% of the respondents conform to the profile of the "surfers", predominantly young people with a solid economic background. They have few serious anxieties and are, by and

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large, satisfied. About 16% are "rolemakers", namely well-to-do, predominantly older, well-educated, but conservative individuals who come out for the values of economic liberalism. The group of "rooted" (13%) is committed to traditions, trusts in social institutions, is less educated, exhibits less tolerance and has a lower standard of living. The traditional clients for the Freedom Party can be found among the "survivors" (10% of the sample): They are socially handicapped, browbeaten, xenophobic, fatalists and pessimists. They go in for patriotic rhetoric and reject the EU. Overall, 33% of the respondents were "very satisfied" and 52% "rather satisfied". For all intents and purposes, Austria's popular mood corresponds to its trademark as the "island of the blissful". The comparatively low level of acceptance for the Union arises precisely because of uncertainty about the effects of EU membership on the overall level of well-being in Austria.

The Temelin issue is a case in point. Temelin is a Czech nuclear power station constructed in the vicinity of the Austrian border. Almost exactly a year ago, the Czech Prime Minister Milos Zeman and the Austrian Chancellor Wolfgang Schuessel met in the town of Melk on an Austrian stretch of the Danube River. At the time, Austrian environmentalists had blocked all of their country's border crossings into the Czech Republic to protest the construction of Temelin, while Prague was telling the Austrians that the plant was none of their business. In Austria, where opposition to nuclear energy has become a feature not only of national politics but of the national character, Temelin had become something of a cause celebre. The anti-Temelin hysteria was primarily stoked by the tabloid press, which labeled Temelin the most dangerous nuclear power plant in the world and called it the "new Chernobyl" or the "*schrottreaktor*" (scrap reactor). But the broadsheets and politicians did not lag far behind. Following widespread protests the Czech and the Austrian government agreed to subject the plant to commonly agreed safety standards (the so-called Melk process). In the face of initial Czech recalcitrance to remove the deficiencies, the Freedom Party has started a campaign for an anti-Temelin referendum. If this referendum, which is scheduled for mid-January yields sufficient support and the Czech government, does not phase out Temelin, they would insist on an Austrian veto against accession. According to current opinion polls, around 80% of Austrians are against Temelin, and a similarly high majority of voters has expressed their willingness to participate in the referendum.

Three basic scenarios are on the agenda:

1) The referendum is supported by a sufficiently high number of voters (somewhere around 1 million signatures). The parliament adopts a resolution instructing the government to veto the Czech Republic's accession. Then (this is the worst case scenario) the whole enlargement process (for all the candidate countries, if the present en bloc enlargement strategy holds) could be blocked.

2) The referendum is supported by a high number of voters, but the parliament remains uncommitted. The government coalition breaks apart, elections are held. The enlargement road map and schedule is delayed, but not foiled.

3) The referendum is a failure. The enlargement process goes on as planned.

This event may also happen under the conditions of the second scenario, if the Freedom Party chooses to continue the coalition.

The likelihood is that business will go on as usual. The problem is that the Freedom party had embarked on its unconditional anti-Temelin course for tactical reasons (to gain browny points with the electorate) and had prepared no exit strategy. They were taken by surprise at the agreement reached after high-level trilateral negotiations in Brussels, which for all intents and purposes implies the Austrian waiver of the zero option and support for Czech accession. For the time being, the government has carved out an ambiguous compromise formula to the effect that Austria insisted on its right to have the energy chapter re-opened if the Czech Republic failed to live up to its obligations. This has reinforced the image of the Austrian government abroad and at home as irresponsible and unreliable partners, but has stabilized the situation. In other words, the milk is spilt, Temelin will go into operation, the Czech Republic will enter the Union and the coalition will hold whatever the outcome of the referendum.

In the Temelin case, this wariness about Union politics is combined with a traditionally problematic neighborhood relationship with the Czechs. Otherwise it is not possible to explain the fact that there were no comparable public protests against nuclear power stations that are situated in other Eastern neighboring countries and are certainly, technically much more outdated and doubtful than Temelin, which is, strictly technologically speaking, a state-of-the art project. The cases in point are the Hungarian and the Slovene power stations in Paks viz. Krsko.

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This ambiguous attitude towards Europe and the global environment, however, is shared by the other parties as well as by the electorate at large. Intellectuals, entrepreneurs and, of course, people who are involved in the process and understand the complexities see things differently, which is only natural.

The ruling People's Party, which poses as the only unconditionally pro-European party, is in reality a motley coalition of clienteles groups: business, farmers and state employees, with a strongly regionalized structure. This fact has prompted ÖVP governors in provinces in the vicinity of the Czech Republic to join the anti-Temelin campaign despite the official party line. The Social Democrats have joined the populist bandwagon and have tried to depict the government as unreliable. In limbo after the electoral knockout, which ended decades of Social Democratic rule, they are looking for promising rifts in the government coalition that might open a window of opportunity to sneak back to power.

The Green Party is torn between two ideological tenets: their traditional anti-nuclear stance and their opposition against (the former Freedom party leader) Haider. They have tried to square the circle by asking the government to renounce of a veto policy, but also to deny their consent to the energy chapter in the negotiations with the Czech, until they close down the nuclear plant. A similar position was taken by the Social Democrats. The whole scene reminds one of a theater performance which is not exactly being professionally directed.

This ties in with the traditional Austrian propensity for theater performance: Statements about the readiness to participate in referendums are not to be taken at face value, as the example of the Freedom Party referendum against foreigners shows (because the pre-referendum polls themselves are a safety valve for the diffusion of pent-up tensions, and to sign in favor of a freedom-Party-sponsored referendum is a different matter). Nor are the dramatic threats of the politicians to veto Eastern enlargement more than tactical maneuvers. For Austrian parties, the process is seen primarily from the perspective of domestic politics, especially by people who do not have to represent Austria in the European structures. For the skeptical citizens (basically, the older generations), it is further proof that "the politicians are crooks and liars", and that life was easier in former times.

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Austrians have, by and large, learned to live with the Union. They will learn to live within the enlarged Union as a matter of time. Nevertheless, the interesting phenomenon is how quickly the populist bacillus spreads when it comes to Union issues. All of a sudden, hard realities do not seem to matter any longer. For example, the energy chapter attachment about the Czech Republic's obligations in regard to Temelin was accepted as a result of the Melk process (which stipulated the upgrading of security arrangements and removal of hazardous technological shortcomings). Nevertheless, all parties created the appearance that zero-option (phasing out) is feasible.

The skeptical attitudes of roughly 50% of the Austrian population towards Eastern enlargement contrasts sharply with economic trends and facts. The available hard data lend themselves to an interpretation that cannot be reconciled with current apprehensions about the impact of Eastern enlargement:

The 8 CEE candidates occupy an increasingly important position in Austrian foreign trade. 1/6 of foreign trade volume falls into this category. It can be expected that CEEC accession will entail additional impulses.

Austrian investors have increasingly invested in the CEE countries. They must be interested in an upgraded protection for their investments which is promoted by Eastern enlargement.

40% of Austrian FDIs are in the banking and credit sectors. This refutes (at least partly) the hypothesis that Austrian firms shift their production to low-wage regions and create unemployment. Apart from that, there are cases of the resettlement of subsidiaries of multinational firms back to Austria (for example, Siemens has decided recently to relocate a Czech subsidiary back to Austria). This seems to be the trend in high-tech branches, where a particularly skilled, trained and disciplined workforce is important. For investment decisions, wage levels are only one factor.

Austrian border regions have profited from increased contacts with Austria's Eastern neighbors. Eastern enlargement brings these regions into a new geographical position within the Union. Some of them will lose Union subsidies because of generally lower standards, but they will continue to profit from joint cross-border project finance.

Trade, and especially retail trade is no one-way phenomenon. Czech, Hungarian, Polish and Slovak consumers spent ATS 15 bn between July

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1999 and June 2000. At the same time, Austrians spent only ATS 460 during the same period in the above-mentioned CEE countries. Overall, there is a large Austrian surplus in trade with the CEE countries (ATS 22 bn in 1999). This surplus helped to create about 20.000 additional jobs per year. On top of that, Austrian exports to the CEE countries fell almost exclusively in the high tech and upper-end manufacturing categories, while the bulk of imports from CEE countries were staple foods and other raw materials.

The level of the GDP per head of the CEE accession countries is comparable to that of Ireland, Greece, Spain and Portugal at the time of their accession.

Domestic constraints have forced the Austrian government to behave strangely inside the EU. But contrary to what many Austrians seem to believe, Austria will be unable to derail the enlargement process. The tail has been wagged, but the European dog walks on.

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HUNGARY AND THE NEW CENTRAL EUROPE IN THE CONTEXT OF EUROPEAN INTEGRATION

Andras Bozoki*

The purpose of this paper is to discuss the relations between states in Central Europe after the collapse of communist rule and also their perception of "Europe". I will offer an overview on the political history of East Central Europe and its sub-regions (Baltic region, Central European region, South East European region), focusing on the Central European countries, before, during, and after communist rule. At the end, I shall discuss some obstacles to integration concerning the internal conditions of these countries, the chances of regional co-operations and some scenarios for the integration of Central Europe with wider European structures. Special attention is paid to the practices of competition, co-operation and geopolitics as well as to the political uses and chances of federalism and regionalism in forming the new Europe.

Regime Change and the Image of Europe

One of the symbolic events driving the 1989 regime changes in East Central Europe happened when the Iron Curtain was torn down and the East German refugees staying in Hungary were allowed to leave for the West. It was generally believed at that time that getting rid of the communist regime would be enough for the West to welcome back the countries "kept hostage" for decades. The essence and inherent content of the regime change in the Central European countries was "to join Europe" and the Hungarians, Czechs, Poles, and Slovaks became part of the "EUphoria" notwithstanding the disappointment they had suffered at previous times, like the Hungarians in the 1956 revolution when the West had failed to keep its promise to help them.

This feeling of euphoria showed itself first in Hungary and Poland since these two countries were pioneers in changing regimes. The negotiated

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revolution started nearly at the same time in these two countries. In Poland the round table discussions were carried on between February and April 1989, which, following the provisional pact between the two elite groups, resulted in a restricted free election in June 1989 with the sweeping victory of Solidarity. The negotiations in Hungary took place between June and September 1989. This two-month shift in time was enough for the Hungarians to avoid what happened in Poland, namely the provisional pact with the communists, and gain impetus from the accelerating revolutionary process in the other countries, they succeeded in fighting out entirely free elections. In these two countries there were hardly any newly formed parties, which, though with some slight shift in emphasis, did not include in their programs the idea of joining the institutions of the European Community, still called the European Community at that time. NATO, however, was handled more cautiously as the Soviet troops had not left these countries yet and the Warsaw Treaty Organization (commonly known as the Warsaw Pact) still existed up until the summer of 1991. First, the idea of "Finlandization", that is to become neutral had been popular, later, however, this idea was also relegated to the background having been replaced by a more open policy of Westernization.

When George Bush, the US President, visited Poland and Hungary in the summer of 1989 and the process of change started also in East Germany and Czechoslovakia, the region entered the limelight of the international press. Apparently, the time seemed to be an exceptional historical moment to be exploited as long as Gorbachev was in power in the Soviet Union. The idea was not to miss this "period of grace" to opt out of the WTO and the Council for Mutual Economic Assistance (CMEA), and to make a decision on the withdrawal of Soviet troops as well as to sign association agreements with the European Community.

From this point of view, the disintegration of the Soviet Union in 1991 slowed down rather than accelerated the rapprochement of Central Europe to the West. The European Bank for Reconstruction and Development (EBRD) was established and the "Poland Hungary Assistance for the Reconstruction of the Economy" (PHARE) program was launched in 1989 when the Soviet Union was still intact. The disintegration of the Soviet empire, however, obviously quenched the feeling of 'Euro-enthusiasm' in the West since the enemy had disappeared. It was not so urgent for the Western countries to sustain the previous fast speed of the rapprochement

process any more. Now the issue became more complex. It was not only a question of some East Central European countries being "transposed" to the Western camp but new definitions had to be given to the most important Western organizations -NATO and the European Union (EU). The Cold War consensus came to an end at a time when there were no practical concepts to define the "post-Cold War" identity.

East Central Europe from Buffer Zone to Sovietized Belt: A Historical Overview

Considered from many aspects the history of East Central European countries do not have much in common. The Baltic States, Poland and Prussia have their own history. The Central European countries, which used to belong first to the Hapsburg empire and then to the Austro-Hungarian Monarchy have their separate history and so have those Southern European countries, which were under Ottoman rule for hundreds of years.

Countries belonging to East Central Europe are those that lie to the East of the previously existing Iron Curtain but to the West of Russia (and most of the Ukraine). Relying on the analysis of Jenő Szűcs, an influential historian in Hungary in the 1970s and 1980s, there is a historical basis for separating Western Europe and Eastern Europe as well as a third historical region between the two, namely East Central Europe ("Europe in-between"). According to Szűcs, the historical co-ordinates were as follows:

> The first expansion of the 'barbarian' peoples, having engulfed the western heritage of Rome, led to the birth of the notion of the 'West' (500-800); the first great eastward and northward expansion of the West (1000-1300) then enlarged the bounds of *Europe Occidens* (to include Northern and East Central Europe) and South Eastern Europe took shape under the sphere of influence of Byzantium, which had inherited Rome's mantle in the east. (...) Modern times arrived from two directions: one was the second great expansion of the West (1500-1640) which, by stretching over the Atlantic, connected America to itself (and later absorbed Scandinavia too); the other was the great expansion of 'truncated' Eastern Europe, which created a 'complete' Eastern Europe by annexing Siberia, which stretched to the Pacific. East Central Europe became squeezed between these two regions.[1]

This latter region has been the historical intersection of Western and Eastern elements: the bourgeoisie was weaker, there were fewer free towns and territorial autonomies, the absolute state came into being later and bourgeois society took longer to develop.[2] Contrary to their Western

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counterparts, in these countries modern, bourgeois, capitalist and feudal societies inherited from feudalism lived parallel with one another.[3] In East Central Europe, however, society was not exclusively controlled by the state and in Eastern Europe it was (Russia, Ukraine, Belarus, Moldova) since next to the state hierarchy there also formed independent social autonomies, networks and hierarchies.

Therefore East Central Europe is to be considered as a 600-700 km geographical zone rather than a historically homogeneous region. Its borderline in the West is the river Elbe and its borderline in the East is described by Szűcs as follows: "It stretched from the region of the lower Danube to the eastern Carpathians and further north along the forests that separated the West Slavs from the East Slavs, reaching the Baltic regions in the thirteenth century. The comprehensive term used as early as the twelfth century for the region west of this line was *Europa Occidens* (Occidentalis)."[4]

This geographical zone of East Central Europe is usually divided into three major groups of countries. The first one is in the North incorporating the Baltic States, which belonged to the Soviet Union for 50 years and where a large number of Russian minorities still live (Estonia, Latvia, Lithuania). The second region is made up of countries lying in *Central Europe* proper, which were partly or wholly under German or Austrian influence and where Roman Catholicism has always played a decisive role in defining the cultural profile of the region. In effect, this region was cut into two halves by the Iron Curtain. The major part of it (Poland, Czech Republic, Slovakia, Hungary, Slovenia, Croatia and a part of Romania) lay on its Eastern side, while the German and Italian speaking territories of Central Europe (Bavaria, Austria and the North-Eastern provinces of Italy) lay on its Western side. Finally, the third region is constituted from *South Eastern Europe*, the Balkan states, which were hardly or not at all reached by the waves of industrialisation and where the decisive influence was played by the Orthodox church and in certain areas by Islam, (Bosnia-Herzegovina, Yugoslavia, Bulgaria, Macedonia, Albania, and a part of Romania).

This large middle region between Eastern and Western Europe, from Finland to Greece, served a *cordon sanitaire* function and this function was strengthened after World War I. when the Austro-Hungarian Monarchy

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disintegrated and Poland regained its sovereignty. The creators of the peace treaty ending the First World War endeavoured to bring about a buffer zone between Germany and Soviet-Russia. Poland, with large territories in the east, received independence, the territory of the Romanian state was enlarged with the annexation of Transylvania and they also summoned into being state complexes such as Czechoslovakia and Yugoslavia that had never existed before. The multiethnic, non-democratic, but constitutionally based dual system of the Monarchy was favourable for the Hungarians and Austrians and (to a certain extent) to the Croatians, the system, however, because of its rather narrow-minded ethnic minority policy was not acceptable to the Czechs, Slovaks, Romanians and Serbs in their pursuit of developing into political nations.

The unacceptable nature of the Austro-Hungarian Monarchy for its national minorities also created resentment against any other federated endeavours and consequently, all of them remained an abortive effort in Central Europe.[5] The concept of a confederacy of the Danube peoples first advocated by Lajos Kossuth in the 19th century then by Oszkár Jászi after the first World War but was never evaluated by politicians as anything more than a "highbrow" intellectual utopia. The concept, which aimed at setting the small nations along the Danube free and furthering their cooperation, was interpreted in two different ways. One interpretation said that co-operation was to be realised with the participation of the Austrians. This interpretation was viewed with suspicion by the anti-Hapsburg theoreticians of states that had just regained their independence. According to the other interpretation, co-operation was to rely on the small nations outside the German speaking territories, which, in reality, was nobody's desire. The third concept was substantially different from these two. It was the idea of *Mitteleuropa* worked out in Germany projecting the image of Central Europe with German hegemony. This last theory was received with suspicion and resentment both by the elite of East Central Europe and the advocates of Monarchy.[6]

In reality the Wilson principles, originating from 19th century liberal nationalism and aiming to realize the concept of "national autonomy", created a vacuum in the region and this vacuum was filled by aggressive ethnic nationalism or revanchism of the small nations turning against each other. "The region's historical states and the framework of historical nations have broken up, and all of the borders dividing the nations have become disputed."[7] In Romania, for instance, the idea of a homogeneous national state gained ground by aiming at the rapid assimilation of national and

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ethnic minorities. In Czechoslovakia the idea of "Czechoslovakism" and in Yugoslavia the idea of "Yugoslavism" was considered to serve the purpose of establishing the identity of a new and multinational state, respectively. As a result of the Versailles-Trianon peace treaties not only Germany but also Hungary and Austria were loser states and these latter two were forced to form a small state as a small nation instead of the broader state bounds of the Monarchy. In these countries the fight for international recognition of independence and state sovereignty was associated with the shocking experience of defeat in war and territorial losses. Hungarian political and public opinion looked at the Trianon peace treaty as the dictate of brute force inflicted upon them by the victorious countries, therefore, they were unable to differentiate between the compulsory ceding of territories with other ethnic groups prepared for separation and the compulsory ceding of territories with Hungarian majority disannexed with no reason indeed. As Péter Kende pointed out the Trianon-syndrome developing after the treaty survived and went on dominating the lives of Hungarians and their neighbours alike.[8] For Hungarians the Trianon decision that subordinated one third of the Hungarian speaking population to the control of a foreign state, lived on as an indigestible offence for a long time. For their neighbours it perpetuated fear and suspicion stemming from the assumption that the final aim of any Hungarian foreign policy cannot be anything other than a wish to enforce its territorial claims.

The "Little Entente" formed by Czechoslovakia, Romania and Yugoslavia after the World War I primarily sought the support of France in order to be able to resist Hungarian, Austrian and German attempts at revanchism. The Little Entente aimed at preventing a possible restoration of the Monarchy. France, however, was not able to gain a firm hold over the region and therefore, the Little Entente had lost its significance by the beginning of the 1930s. The vacuum was filled by the strengthening of Nazi Germany through the three-power pact, the *Anschluss* and the Munich agreement. Forces supporting the sovereign Austrian state were weak and isolated and Czechoslovakian recovery was not considered of primary importance by the Western allies. The end of the *cordon sanitaire* between the two world wars was made final by the Molotov-Ribbentrop pact in 1939 that was followed by the division and German-Soviet occupation of Poland. East Central Europe first became a German sphere of influence and then after the Second World War it became a part of the Soviet zone. Stalin did not keep the obligations which he had assumed in the Yalta agreement and

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the East Central European *pax sovietica* did not only put an end to the sovereignty of these countries but it also forced the Soviet model on their internal political-social systems. Soviet supremacy and compulsory membership in the Council on Mutual Economic Assistence (CMEA) and the Warsaw Pact was highly detrimental for those countries that were relatively the most developed. The Cold War and the nuclear threat drew a more clear-cut demarcation line than ever between East and West- and linked Central Europe to the East for decades. Austria, with its recognized neutrality, was the only exception. Its neutrality and exclusion from the block was agreed upon by the Great Powers in a special agreement in 1955. Looking at economic and political developments in East Central Europe during the major part of the 20th century (between 1920 and 1990) one should agree with a summary which states: "As all Central and Eastern European countries had similar export and import patterns, they were unable to increase mutual trade. A radial and unilateral pattern prevailed until the end of World War II."[9] Later, in the Soviet zone of occupation, "unilateral trade orientation was accompanied by unilateral infrastructural development" which led to infrastuctural dependence.[10]

Following decades of forced cooperation in the East and the disintegration of the Soviet world system and that of the Soviet Union, East Central Europe regained its "in-between" position. At first the so created vacuum seemed to be filled fast by the West. It was, however, only realized in East Germany through the process of German unification. Western countries took a more cautious political approach towards the other countries and they did not seem to have any desire to enjoy the fruitful outcome of their victory in the Cold War. Newly born, newly independent or newly sovereign states were left to cope with their economic inefficiency.

The peoples of East Central Europe are only connected by two things at present: on the one hand, their common historical experience and the negative legacy of communism that had been forced upon them for decades; and on the other hand, the feeling of belonging nowhere, the sour memory similar to the previous *cordon sanitaire* position. They wish to get rid of both feelings: they want to free themselves of fears that the one-time Eastern empire may revive and also of the fear of what might be caused by territorial differences between nation and state in neighbouring countries as the legacy of the Versailles Peace Treaty. That treaty accepted the idea of national sovereignty on the one hand, and created an uncertain *cordon sanitaire* position for the new states on the other. To date, nonetheless, most

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of these countries have set the direction of freedom towards the West and the reason is political security. The psychological momentum for these countries to set themselves free from communism has lent itself rather to competitive than to co-operative political strategy, which is partly due to the confinement they were previously forced to live under. The newly gained NATO-membership of Poland, Hungary and the Czech Republic, as well as the invitation of East Central European countries to enter negotiations on future accession to the EU, partly changed this situation and it may produce new dividing lines in Europe that replace the old ones.

Regional Cooperation or National Competition: Contradictory Tendencies in Central European Politics after 1989

Following the collapse of communism, the international political relationships between East-West and East-East can be divided into three periods. In the first period, between 1989 and 1992, Western states concentrated on the main reform-countries (Czechoslovakia, Hungary, and Poland) and urged their co-operation, while the Central European states were willing to act in such a way as to follow their own preferences as well. In the second period, between 1992 and 1994, partly as a consequence of wars and partly as a consequence of peaceful separation, the political map of not only East Central Europe but also that of Eastern Europe had been re-drawn in the wake of internal processes. These changes strengthened competition between the states at the expense of earlier cooperation. The third period started in 1995 with the end of the war fought in the former Yugoslavia when Western countries were to formulate more and more concrete concepts on how to proceed with the process of integration and how to select the countries to be included. This process took a more definite direction in 1997 when the beginning of the NATO enlargement process was announced, and by early 1999, the three countries, mentioned above, became members of the Organization. It went almost hand in hand together with the declaration of the EU to start negotiations with six applicant countries (Estonia, Poland, the Czech Republic, Hungary, Slovenia and Cyprus) in the "first round". In this third period, both regional cooperation and individual competition have been replaced by bilateral cooperation between the states in order to accelerate their European (e.g. non-regional) integration.

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The policy of cooperation in the first period between 1989 and 1992 was encouraged by the West, though it had intra-regional reasons as well. One new organization was the Central European Initiative (the successor of the Alps-Adria Initiative, then Pentagonale then Hexagonale), established in November 1989. It aimed to cross the east-west divide by embracing Italy, Austria, as well as the Central European post-communist states. Institutionally it was a loose form of cooperation between those states with limited goals, e.g. mainly infrastructural projects. Far more important was, however, the eastablishment of the Visegrád cooperation grouping, which aimed to promote economic, political and security cooperation between Poland, Czechoslovakia and Hungary.

These post-communist democracies, however, had just regained their sovereignty and they did not wish to turn "back" too quickly to the bonds of close cooperation they had hated so much previously. The Hungarian (led by József Antall) and the Polish (first led by Mazowiecki then by Bielecki and Olszewski) right centre governments as well as the Czechoslovak (led by Marián Calfa) centrist government coalition were engaged in finding the first steps for transforming their countries and in obtaining political support for the new democratic identity. In Poland, the former Solidarity leader Lech Walesa who was elected president in 1990 took great pains to enlarge presidential power by openly assuming Pilsudski's legacy. In Czechoslovakia, the former dissident Václav Havel became the president who considered himself the man to realize Tomás G. Masaryk's dreams. In Hungary, Prime Minister Antall, even before forming his government announced that he considered himself "in spirit the Prime Minister of fifteen million Hungarians", which was a message (at least to neighbouring countries) proclaiming that the identity of democracy was to be based on the legacy of the pre-communist era. What brought, however, these leaders and states together was that they all shared some basic purposes: To promote economic growth, to distance themselves from the legacy of communism, to consolidate capitalism and liberal democracy, to stabilize the region, and, finally, to integrate the eastern half of Central Europe with its western half.[11]

As a partial result of pressure exerted by the West, but also based on their common interests, the meeting of the heads of states and premiers of the three countries took place in Visegrád, Hungary, in February 1991. Visegrad was a symbolic place where the kings of these three countries had met over 600 hundred years before. The resulting agreement reflected the importance of an economic opening towards one another and the

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coordination of political actions as a part of the process towards European integration. More concretely, the parties encouraged inter-state cooperation (in fields like internal security, law, education, the economy, military reform and migration policy), and promoted regional stability (with special attention to the problem of national minorities, but also to the geopolitical status of the whole region: located as they were between a disintegrating Soviet Union and a potentially ascendant Germany). Most importantly, the negotiators agreed on the goal of speeding up the process of European integration and to harmonizing their actions toward the EU[12]. Western journalism started to refer to these three countries as the "Visegrád group". The Visegrád summit was followed by two others (Cracow, October 1991, and Prague, May 1992), but by then the participating states were slowly turning away from each other and cooperation was complemented or, rather, replaced by competition. Retrospectively, the major institutional achievement of the Visegrád group of the time was that it established a regional customs union, the Central European Free Trade Area (CEFTA) in December 1992. The CEFTA started to operate after the break-up of Czechoslovakia (in March 1993) and proved to be attractive to other countries such as Slovenia. It also served as a pattern for multilateral trade co-operation for another region in East Central Europe, and inspired the establishment of the Baltic Free Trade Zone.

As early as 1991 it became more and more obvious that political development in the new democracies of Central Europe (including Slovenia) had taken a different course from that in South Eastern Europe. In Central Europe the communist parties and their successors obtained a maximum of 10-20 per cent of the votes at the first elections and they were pushed into opposition. However, in Romania, Bulgaria, Albania, Serbia and Montenegro it was the (former) communist parties that won the first multi-party elections. The impression of one neutral political observer of the time was that while the Visegrád countries had made a clear break with the old regime, other post-communist countries still had to face a long transition burdened with strong continuities to the past.

Interestingly, the emerging political borderline between the two sub-regions came about along historically developed political-cultural borders. This was a borderline where the Western Roman and Eastern Orthodox Christianity had separated each other and where the spheres of influence of the Hapsburg and Ottoman empires had intersected.[13] In the former region

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the tradition of parliamentary democracy was stronger, the agrarian population only constituted half of the population and the working class movement mainly relied on social democratic traditions. It was in Central Europe where liberal, pro-independence, anticommunist movements developed in 1953, 1956, 1968, 1976 and 1980-81. It was only in these countries where underground and organized opposition came into being with the political strategy of "new evoluti onism" and "civil society against the state".[14] The party system in these countries was basically divided into left and right wing tendencies after 1989. In South Eastern Europe, however, the parliamentary tradition was weak, the agrarian population constituted three-fourths or four-fifths of the population. Consequently, the working class movement was not organised on a social democratic basis but on the basis of a communist ideology brought into the towns by unskilled workers flooding in there from the countryside. In South East Europe the tradition of democratic opposition was also absent. Consequently, the newly formed party system was separated along the cleavage between communist and anticommunist followers.[15] In 1991 it was quite obvious that Western political organizations differentiate between their political "favourites" (the Visegrád group) and the "stepchildren" (South Eastern countries) along the line of historically developed cultural-political differences. The "Visegrád package", as a symbol of "good guys" among the new democracies, was well marketed and well sold in the West.

Further political differences have been revealed by other political scientists in their analysis of the emerging party systems in East Central European countries. In his essay, for instance, Herbert Kitschelt attributed more importance to the legacy of communism than to the traditions of the pre-communist era and took this as a basis to outline a trichotomous typology.[16] Firstly, in the countries of former bureaucratic-authoritarian communism (East Germany, Czech Republic) the main political cleavage was formed around socio-economic questions, and there was a revival of the classic left-right division. Secondly, in the formerly national communist countries which had undergone a negotiated transition (Poland, Hungary, Slovenia) the economic policy divide between market liberalizers and socialist standpatterns was less sharp, therefore the party system was tripolar (socialists, liberals, conservatives) and the main cleavage was created around cultural issues, such as morality, family and religion. Finally, in former patrimonial communist countries (Romania, Bulgaria) "where the old elites are still entrenched in key positions in all walks of life, the big issues are law and order and de-communisation".[17] In these countries the communist-anticommunist political cleavage proved to be

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stronger and longer lasting than elsewhere. This approach, however, does not provide an exhaustive explanation about the differences between the first and second group of countries after the change of regime and can be a subject for revision today.[18]

By the second half of 1991, several events served to greatly confuse the initially clear picture of similarities and differences among the countries of East Central Europe, and were to mark the beginning of a new period in the region. The abortive putsch in the Soviet Union in August 1991 was followed by a shift in power and power actually changed hands, that is to say from Gorbachev, the Soviet President to Yeltsin, the Russian President. The Baltic States had already gained their independence in Gorbachev's time. Yeltsin recognized that the collapse of the Soviet monopoly and the process of democratization sooner or later would raise the question of ending the Soviet Union and reasoned that democracy couldn't keep the Soviet Union together but with the Soviet Union kept together, there would be no democracy. Bearing this recognition in mind, Yeltsin himself urged a speeding up of the process of dissolving the empire, which was finalised by an agreement signed at a meeting with the Ukrainian and Belorussian presidents in Minsk in December 1991. Parallel with this event, the East-Slavonian conflict broke out between the Serbs and the Croatians in Yugoslavia, which soon escalated into a war. The peaceful approach to secession characterised there by democratic elections and referendums voting for secession and starting in 1990-91, was not able to retain its "velvet" character. The series of bloody conflicts, which led to a war initiated the final disintegration of the post-Titoist Yugoslavia, a country which had already functioned more like a confederation than a federation since 1980 onwards. This was followed by the 1992 Czechoslovakian election, which resulted in the victory of the conservative centre-right Civic Democratic Party of Václav Klaus in the Czech Republic and in the victory of the economically centre-left and politically nationalist Movement for Democratic Slovakia (HZDS) led by Vladimir Meciar in Slovakia. During the negotiations between Klaus and Meciar in 1992 the two politicians were unable to agree on the future of the confederal state: Meciar demanded more preferences in the federal framework, Klaus, however, refused to give in and as someone who was against confederation he was somewhat in favour of the idea of "velvet separation". Finally, this latter idea was realized on 1 January 1993. In short, the exit from communism was presented by the national elites as an exit from the former, non-democratic

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(con)federative structures. Contrary to their original goals, these non-democratic federations were not able 'to hold together' their peoples.[18] This was probably the only way-out for the former political elites to maintain their political power as well.

The changes in 1991-92 did not only re-draw the borderlines between the countries in East Central Europe but also caused a fundamental change in international opinion, the foreign political situation and the character of democratic transition in this region. The new or revived national states were based on a policy of ethnic identity, which gave an ever increasing impetus to nationalism and pushed the idea of political co-operation into the background. The war in Yugoslavia brought to the forefront a situation where the East Central European states were not seeking the possibility of co-operation and peaceful resolution of conflicts but great or medium powers as patrons. The notion of *geopolitics*, which had been considered obsolete, resurfaced in the political dictionary. The Croatians seemed to find their patron in Germany, the Serbs in Russia, the Bosnian Muslims in Turkey. Ethnic cleansing tore apart and turned communities against each other, which had been living together for hundreds of years. In this war armed troops did not fight against each other but against defenseless civilian populations who were at their mercy. Western countries were not able to impose a lasting peace. In East Central Europe "coalitions on instinctive attraction" were formed on the one hand among Ukraine, Hungary and Croatia and, on the other, among Slovakia, Romania and Serbia. Hungary was the first country to recognize the independence of the Ukraine and to sign a bilateral basic treaty. Hungarian foreign policy was supposedly haunted by the fear that the one time Little Entente would be revived.

Things got easier for the Czechs when Czechoslovakia was sliced into two parts. On the one hand, they dispensed with the uncertain Slovak politics dominated by Meciar and also some tensions between Hungary and Slovakia over the issue of the Gabcikovo-Nagymaros dam. On the other hand, as an ethnically homogeneous country, the Czechs were largely released from the acute problem of ethnic minorities. The idea of cooperation begotten in Visegrád had never been unconditionally welcomed by Václav Klaus, the Czech Prime Minister who later distanced his government from this level of regional cooperation. He refused, for instance, to mediate between the Slovaks and Hungarians in conflicts based on national ethnic minorities or in resolving problems such as the construction of the Gabcikovo hydroelectric power station and the much disputed one-sided diversion of the Danube by the Slovaks. (His

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individualist stance was particularly visible in January 1994 when US president Clinton visited Prague to meet the national leaders of the Visegrád group.) Around this time, the Polish economy started growing at an ever increasing speed. Poland, which was considered a mere "third" in the cooperation initiated in Visegrád in 1991, had become less interested in close cooperation by 1993 partly because of its own economic achievements and partly because Russian troops had been withdrawn from Poland. In sum, at that time the Czech Republic, Poland and Hungary appeared to be like some individual "racers" running to come in first in the race to join the EU rather than collaborators living in the same region. In 1994-5 all three countries submitted their applications to join the EU and all three made a declaration stating they wanted to become members in NATO.

The war in the former Yugoslavia and the separation of Czechoslovakia had considerably changed Hungary's international position by the mid-1990s. Hungary was not only looked upon as the one time reformist country, a member of the Visegrád group but also as a potential source of threat because of the Hungarian minorities in Romania, Slovakia and Yugoslavia. If observers with insufficient background information had looked at the region at that time, they might have rightly thought that the Balkan border lines were suddenly being pushed further to the North. Hungary, however (unlike some of its neighbours, e.g. Croatia, Slovakia, and the new Yugoslavia), is not a newly formed national state and therefore the European federation is a much more popular idea than the idea of an independent national state. The Antall cabinet, which associated itself with Christian conservative principles, had a clear preference for a Western orientation; partly because Christianity was also considered to be a Western idea. It can be well assumed that the Visegrád countries would have proceeded much faster towards Western integration if it had not been for the disintegration of the Soviet Union, Yugoslavia and Czechoslovakia. But given the situation that developed in 1992-3 the region transformed into a confused territory which became impossible to handle because of national and ethnic conflicts, which the Western powers started to approach with a lot more caution and uncertainty. At first, Yugoslavia was not important for Western policy other than as a means of pacifying the post-Soviet states and to achieve the goal that nuclear weapons would stay only with Russia and preferably under central control. That is why initially they were not so eager to broker peace immediately in that troubled region. Later, nonetheless, the war in the territory of the former Yugoslavia, as well as reactivated Russian

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foreign policy orientation in support of Serbia, drew Western attention to this region in turmoil and strengthened western commitment to peace and stability in Europe.

This phase of individual racing for western-oriented politics in East Central Europe coincided with changes brought about in US politics when Bill Clinton was elected president in 1992. In 1992-93 US politics was less in a position to deal with Eastern Europe and to offer options to the East Central European countries. Owing to the instability in the East, the countries in the region started to attribute a lot more significance to NATO, which they considered as the only pledge of security. Feeling the increasing uncertainty of the "race", Viktor Orbán, a Hungarian opposition politician[20] stated in 1994, that joining NATO was more urgent than joining the Europen Union because security was more important than well-being. The regional foreign policy of collaborating neighbour states was, as it were, replaced by 'European policy' and 'NATO-policy'. To sum up the developments of the second period, Valerie Bunce was right when she claimed that "the major reason why regional co-operation among Poland, Hungary, the Czech Republic and Slovakia declined after 1992 was that the structure of power in the international system changed and, with that, the interests of the Visegrád states and the incentives they had to co-operate with each other."[21] The old, pre-1989 dissident dream of Central Europe, as a self-liberating civil society and the ever-closer co-operation among the ex-oppositionists, soon faded away.[22]

In 1994-5 the beginning of a new political stage was delineated in East-West international relations, which was the third such change since 1989. Both NATO and the EU decided to expand to the East though without any commitment to a specific time frame. Western policy partly aimed at sustaining a normal relationship with the Russians and partly at encouraging East Central European countries in the "no man's land" to establish a closer relation with the West. A part of this policy was the extension of East-West military cooperation in the framework of the Partnership for Peace program, from 1994, and the Organisation for Security and Co-operation in Europe (OSCE) from 1995. The European Council was also extended and even Russia was accepted as a member. The Western EU (WEU) offered associate membership to some ECE countries. It was during the January 1994 NATO summit that the commitment for a future NATO enlargement was first announced. Developing the conditions for a minimal level of co-operation also facilitated a more definite attempt to create peace in Bosnia. In November 1995 US foreign policy forced a peace agreement between the

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representatives of Croatia, Yugoslavia and Bosnia-Herzegovina at Dayton. All this made it possible to send peace Implementation Forces (IFOR) to Bosnia and Croatia which also relied on international co-operation. The Balkan war, temporarlily, came to an end.

A more active US presence and a policy relying more on persuasion and "gentle force" also played a part in the conclusion of the Slovak-Hungarian bilateral basic treaty in March 1995, which was ratified by the Hungarian Parliament as early as the spring of 1995 and at the beginning of 1996 by the Slovak Parliament. Nevertheless, the issue of the Gabcikovo-Nagymaros hydroelectric dam that Slovakia had inherited from a 1977 treaty between Hungary and Czechoslovakia, was still far from being solved even after the September 1997 judicial decision at the Hague. Further bilateral treaties were signed between Romania and Ukraine, between Hungary and Romania. Multilateral regional cooperation was overshadowed by the newly initiated policy of bilaterial treaties. Western pressure also played a part in these events, encouraging competition and division, but also in others, for example Greece recognized Macedonia and in Romania the extreme nationalists were forced out of the ex-communist government coalition. With the victory of non-communist centre-right parties in Romania (November 1996) and Bulgaria (April 1997) the "long transition" of these countries ended up as well. In March 1997, the European Commission approved new orientations for the PHARE program (a project originally created to support reform in Poland and Hungary but nowadays containing 14 members) in order to convert it from a demand driven program to an accession driven one, preparing the countries of East Central Europe for membership in the EU. Together with the "Technical Assistance to the Commonwealth of Independent States" (TACIS) which is a program for supporting reform and promoting stability in the post-Soviet countries, the PHARE\TACIS Democracy Program for Central and Eastern Europe added up to 27 million Ecu in 1996 to strengthen democratic institutions and policies.[23]

After the decision of the NATO summit in Madrid, in summer 1997, to open the doors to three newcomers, Poland, Hungary, and the Czech Republic (all from the Visegrád group), efforts for co-operation were revitalized among the three. Their governments quickly agreed to hold regular meetings for foreign and defence ministers in order to harmonize the steps, which needed to be taken. This certainly could not have happened so

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fast without their previous co-operation inside the Visegrád framework as well as their entrance into the OECD, which had already taken place in 1996. Other countries, like Slovenia and Romania continued their efforts to get closer to NATO together with other countries, such as post-Meciar Slovakia and the Baltic states. These countries all hope to be accepted in the second round of NATO enlargement. Opponents of the NATO decision feared that it might further divide the region and cause unnecessary tensions. However, this proved to be untrue since those countries, which were invited and not invited are equally interested in maintaining the process of enlargement. In fact, Hungarian-Romanian foreign policy relations have been eased considerably.[24] It came as a shock, however, to the three new NATO member states that just twelve days after their official acceptance in 12th March 1999, they had to face up to NATO involvement in the Kosovo crisis, an almost three months long war between the NATO and Yugoslavia.[25]

NATO and the EU are still popular in most of the Central European countries[26] as many people think that NATO guarantees peace and the EU (in the long run) will ensure well-being. Notwithstanding the pessimism, which is undoubtedly present in those countries, the United States and Western Europe are still popular, the IMF and the World Bank, however, are much less popular.[27] The East Central European reconciliation and co-operation process urged by the West has a good chance to be fulfilled, particularly if we bear in mind developments in the past few years. But this process is still at an inchoate stage and it is too early to judge its outcome.

The Problems and Processes of Integration

The obstacles to the integration of the European structures have different sources. The countries of East Central Europe are still struggling with the establishment of an effective state administration. They have to establish a modern, meritocratic civil service with well-paid professionals who are able to implement the policy of the state in an efficient and impartial manner, following rational-legal bureaucratic norms. The creation of an efficient system of local and regional government seems to be crucial as well.[28] Democratic federalism requires full internal democracy, while democracy cannot be maintained without a functioning state. Linz and Stepan are right when they say: "Democracy is a form of governance of a state. Thus, no modern polity can become democratically consolidated unless it is first a state."[29] State-building, however, requires an increase in social trust towards the state. Without such trust the reduction of corruption and the

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establishment of an efficient taxation system cannot be achieved, though these elements, among others, are crucial in economic stabilization as well as ensuring the popularity and legitimacy of the new democracy.

This period of state building is taking place in parallel to nation-building, in countries such as Croatia, Slovakia, Macedonia, Estonia or Moldova, and is not very conducive to the construction of new federative structures. Nation-builders are not always tolerant of pluralism. The advantages of federalism are, for instance, more effective conflict management, a chance for better protection of minorities and territorial interests, respect for diversity, search for balance between autonomy (diversity) and sovereignty (union), and finally, a better representation of interests in the society.[30] But these ideas have not been carried into practice in East Central Europe so far. Most governments in the ECE are tending to homogenize their population's cultural and political identity instead of supporting diversity by "federalizing" national politics. Instead of conflict management, most of them are seeking conflict resolution along majoritarian principles. Instead of defending and supporting minorities by including them in the "body politics" they are emphasizing the "national" dimension of statehood by practising extremely strong internal nationalist policies.[31] The idea of consociationalism or power sharing (which is crucial to the realization of all federal ideas) presupposes an existing political community and, as Schöpflin points out, moves in the direction of deterritorialization.[32] However, examples from different parts of Europe show that, sometimes, consensual approaches, due to different local political cultures and other factors, do not work and this might lead to aggressive, exclusivist "solutions".[33]

In this situation ethnic minorities (especially the Roma communities) are to remain clearly on the loser's side. In the context of state policies which were described as "nationalising states" and "external national homelands"[34], the newly independent states try to strengthen their identity through the combination of two principles: *ethnos* and *demos*.[35] These "ethno-democracies" (majoritarian democracy based on ethnic principles) or "ethnocracies" (semi- or pseudo-democratic rule based on ethnicity) are not even seeking to assimilate their minorities, as European liberal nationalists did in the 19th century. Instead, they simply want to exclude them from "the nation". Consequently, by identifying the concept of nation with the state, these countries do not offer equal social status for their co-patriots as

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citizens of the same state with a different ethnic origin.[36] The fact about the chances of federalism in the post-communist Europe is that as long as the idea of the internally multinational state is not accepted by the governments of the region (replacing the idea of ethnically homogeneous nation-states) the federalist idea will remain a dream. Presently, the major impetus for federalism comes from external, not internal, Western pressure. Debates on federalism or confederation are viewed in practical terms by many as a negligible part of the attractive "welfare package" represented by the EU.

This, politically "in-between", situation underlines the importance of a diverse civil society, local initiatives, and more broadly the need for democratic political culture in the whole region: First, for internal reasons, to empower citizens able to control their own state; secondly, from the viewpoint of international cooperation since in the temporary lack of an effective state, they can push local or regional governments to cooperate with their counterparts from another country in the border regions. A relatively successful euro-regional cooperation can be found along the German-Polish border.[37] To cite another example, such cooperation exists (but on a smaller scale) between Western Hungary, Eastern Austria and Eastern Slovenia. Beyond existing personal labour relations, created by Hungarians during their daily migration to different Austrian firms as well as by Austrians who are investing in Hungarian agriculture and the service sector, there are inter-regional plans to develop road and train connections and infrastructure in general. Almost all the post-communist democracies in Central Europe are eager to build highways as quickly as possible in order to get "closer" or feel "closer" to Europe. This urgency has been extremely helpful to some lucky counties, such as Győr-Moson-Sopron country in Northwestern Hungary, which could benefit from this development. This region has the lowest rate of unemployment (about 4 per cent), and one of the highest rates of economic growth in the country. Local entrepreneurs from the western trans-Danubian region of Hungary are making profits from their cross-border businesses. Since Austria joined the EU, cross-border cooperation has been even more encouraged and the INTERREG 2 - PHARE CBC program offers Győr-Moson-Sopron, Vas and Zala counties new, co-ordinated developmental possibilities. "Many microregional developmental and co-operational organisations can be found in the region, which also extend over the county borders. With changes in large and small towns in the region their dimensions are rearranged as well."[38] The case of Hungarian-Romanian regional relations between Eastern Hungary and Transylvania is increasingly similar, especially since

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the ratification of the bilateral treaty by the two countries and the peaceful transfer of power in Romania, which occurred in November 1996.[39]

Some obstacles to further regional cooperation in East Central Europe are the following: First, the relationship is unclear between East Central European regionalism and European integration, so East Central European countries are not willing to establish some forms of regional cooperation which could be used as an excuse by western countries to keep them away from the EU; Secondly, decentralization and self-governance in East Central Europe is far from the West European level, so local governments have much more limited legal-technical grounds to act independently; Thirdly, joint members of the EU could not receive financial sources from the EU for their own regional development and their own sources can not allow rapid changes.[40]

Besides, the question of national minorities living outside the borders of their "homeland" still means political tension between the given countries rather than a potential for developing economic exchange across the borders. For Hungary, as for many other countries which have national co-patriots outside their borders, like Yugoslavia, Croatia, Romania, Albania (not to mention Germany, Russia and Turkey), this issue could have turned out to be a destabilizing one, but it was, maybe surprisingly, much less the case in Hungary's relationship with Romania than with Hungarian-Slovak relations. Contrary to Romania, Slovakia is a young state with a new nation-state building identity and with less experience in independent foreign policy making. Moreover, in Slovakia, unlike in Romania, Hungarians live in the vicinity of the common border where they compose the majority of the population, which is not so much mixed.[41] They are a minority in Slovakia but a majority in the Slovakian border region on the Danube. That is probably why, especially in the first years after it regained independence, the Slovakian government felt uneasy about how to manage the problem of its Hungarian minority, which was regarded as a potential basis for ethnic subversion. For instance, Prime Minister Meciar did not enter into negotiations with his Hungarian counterpart on rebuilding a bridge over the Danube between the cities of Esztergom and Sturovo, bombed at the World War II, because he was not very enthusiastic about facilitating transborder cooperation between minority and majority Hungarians.[42] The case of the Gabcikovo-Nagymaros dam (between Slovakia and Hungary) was also not simply a technical or environmental issue but a symbolic, ideological, and political one. For Hungarians this dam was a symbol of outdated communist

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prestige investments, which they were fighting against during the years of the change of regime, while for the Slovaks this became a symbol of national strength, independence, and sovereignty. No wonder that it ended up as a legal case in the Hague where the judges finally decided in favour of Slovakia in 1997.

Another interesting example of trans-border issues was special legislation in Hungary, which caused some tensions among Central European states, but also between Brussels and Budapest. To tackle the problems of ethnic minorities living outside the state borders, the Hungarian Parliament passed a so-called 'Status Bill', in June 2001, which provides some extra rights for ethnic Hungarians living in neighbouring countries. The controversy around the Bill became apparent when the EU prevented the implementation of this law for the Hungarian minority living in Austria. Since Austria is a member state of the EU, ethnic Hungarians with Austrian citizenship are automatically EU citizens. The EU officials argued that it was incompatible with EU standards to distinguish between EU citizens on ethnic grounds. This clash between an applicant country and the EU on the issue raised questions concerning the Hungarian government's (not just politically but legally) different approach towards its neighbour states accordingly to their membership or non-membership of the EU.[43]

Despite developments in some areas of trans-border cooperation, one should not confuse the concepts of decentralization, regionalism, and regional cooperation with federalism. Decentralization or regional cooperation might be a tool for future federalization of the central powers, but one cannot predict this outcome automatically. Moreover, the EU itself is a "moving target" with competing and shifting identities.[44] Despite the efforts of the federalists, Europe today is not a federation of different, democratically organized territorial units but a confederation of sovereign, democratic states.

The problem of EU integration lies not only in the relative underdevelopment of the East Central European countries, but also in the willingness of the states represented in the EU to modify their decision-making structures in order to create room for the newcomers.[45] Many critics of the present EU system expressed their desire for the inclusion of more participatory and republican elements into the rather obscure and 'alienated', highly institutionalized and anonimized decision making process.[46] As András Inotai has pointed out, a crucial and very quick restructuring of the economy and foreign trade occurred in the countries of

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Central Europe: "More than 70 per cent of Polish, Hungarian and Slovenian exports are directed to the EU. Geographic reorientation in the last decade was accompanied by substantial market share gains for the candidate countries in total EU extra-regional imports."[47] As Inotai observed, candidate countries in Central Europe have already created the micro-economic conditions for institutional integration into the EU.[48] Informal development thus just preceded the formal, institutional changes.

In the late 1990s, two groups of countries were invited by the EU to join accession negotiations. At the Luxemburg summit of 1997, the 'first round countries' were invited (Cyprus, the Czech Republic, Estonia, Hungary, Poland and Slovenia), which was followed, in the Helsinki summit of 1999, by the invitation of the 'second round countries' (Bulgaria, Latvia, Lithuania, Malta, Romania, Slovakia). By late 2000, however, it became clear that the advantage of the 'Luxemburg group' is relative, and countries from the 'Helsinki group', which show convincing development (as Slovakia, Lithuania, not to mention Malta) can 'catch up' with the first group.[49]

In their summits in Berlin and Nice in 2000, and, most recently, in Göteborg in June 2001, the leaders of the EU increasingly, but also cautiously, committed themselves to the idea of completing the enlargement process in the foreseeable future. Bilateral negotiations between the EU and the candidate countries have developed rather smoothly, and the 'frontrunners' all have the chance to complete their negotiations by the end of 2002, and to be able to join the EU by 2004 in order to participate in European Parliament elections in the same year. This optimistic scenario can only be attained by a few countries because there are huge differences among the candidate countries, say, between Slovenia and Romania, in almost every respect.

In the summer of 2001 the crucial question was whether Poland could make the 'first round' or not. There are economic arguments (mostly concerned with Poland's large agrarian sector), which suggest a slower pace, but politically it does not seem to be possible. The discussion about Poland makes the decision on the first round of entrant countries uneasy. It is no wonder that many actors prefer to obscure these points, as well as the differences between the applicant countries. It seemed at that time, that those West European politicians who were talking about the 'Big Bang' (i.e.

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the accession of 12 states at the same time), did not really want enlargement at all. Rather, they seemed to prefer postponing it indefinitely. By the end of 2001, however, a new approach to a 'Big Bang' had gained influence among the member states. It seems that enlarging the Union with 10 applicant countries at the same time (excluding Bulgaria and Romania for the time being) is going to be a more acceptable option instead of „picking up" 3-4 applicant states every second year. Both sides must calculate the declining popularity of the enlargement project both in the member states and the applicant countries.

Concepts and Debates on Enlargement and Integration

Notwithstanding the desire for European integration and all the discussions about it, one question is still obscure: What kind of Europe is this all about? Will it be the union of states, nations, or citizens? Pierre Manent has asked the question: 'Does 'Europe' mean today the *depoliticization* of the life of peoples -- that is, the increasingly methodical reduction of their collective existence to the activities of 'civil society' and the mechanisms of 'civilization'? Or does it instead entail the construction of a new *political* body, a great, enormous European nation?'[50] Is there sovereignty beyond the nation-state? Is supra-national democracy viable without nations? No doubt, contrary to the practice of confederation, the original idea of European integration was that "federal institutions were to relate direct to the citizens, not just to member governments. The main powers within the federal context were to be focused on defense, currency, trade and enough tax to sustain the necessary expenditures. Other powers were to remain with the democratic institutions of the federal states: 'self-rule' as well as 'shared rule', now known as the principle of subsidiarity."[51] In practice, however, the EU has a rather dualized system of governance. On the one hand it is becoming a "multilevel bargaining system" with its principles of subsidiarity and solidarity, while on the other hand, it is a "market-regulatory regime" where monetary policy is strictly insulated from the political bargaining system.[52] The question remains: What shape will the structure of the EU take when the East Central European countries are integrated?

The Single European Act ratified by the countries of European Community in 1987 made an attempt to form a political community out of the member states to prepare them for a future European political union.[53] The Maastricht Treaty both accelerate and deepen this process at the same time, while it did not specifically speak about the enlargement. In the

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meantime the East Central European countries became associated members of the EU. The nature and dimension of the Union, however, has not been clearly defined yet and there are still different views as to the future of the Union. Those who are skeptical about a unified Europe believe in a European federation divided in terms of space, time or content, while others try to adhere to the original idea. Recent debates at least have created an opportunity for public discussion over the contents and forms of reuniting of Europe on a larger scale. Here I will treat five major approaches from debates at the turn of this century, as future perspectives.

1. *The concept of 'concentric circles'*. According to one influential concept, the Union will have a "hard core" of those member states that can meet the requirements defined in the Maastricht Treaty and an outward ring of those countries that can only later join in. This "concentric circles" concept of Europe has been regarded in East Central Europe with skepticism, because it is understood as a new division between "first class" and "second class" Europe. The newly independent and democratic states in East Central Europe certainly require more convincing in order to give up some of their recent achievements in order to go "beyond the nation state" as the EU is presently envisaged.[54] Recently, German foreign minister Joschka Fischer expressed his vision of a federalized Europe, in which, however, he still maintained the idea of 'core' suggesting that a group of more advanced countries should take the position of '*centre of gravity*'.[55] This approach has received mixed reactions[56] and has also been criticized harshly from different directions. By taking the 'eastern perspective', Jan Zielonka formulated his criticism in the following way:

> The concept of 'core' goes hand in hand with the concept of 'periphery'. They are like two sides of a coin that cannot be separated. Those countries that form the core are on the one side of the coin, while those unwilling or unable to join the core are on the other side. Clearly, the contrast between the core and the periphery does not need to be great; but if there is little difference between the core and the periphery, why does one need a core in the first place?[57]

If Hungary, and the East Central European countries in general, wish to be rid of anything, it is unquestionably their peripheral or semi-peripheral status in Europe.[58] They want temporary derogations during the negotiations on different issues in defence of their economy but they view a second-class status in the outer circle of the 'concentric cirles' of Europe as clearly

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unappealing. They are afraid of a 'centre of gravity', which has not just happened to be strong, at the expense of the periphery, but has even been designed that way.

2. *The 'multi-speed' concept.* According to another concept more time has to be given to those countries that are slow in catching up but in such a way that it does not prevent countries which are already prepared for membership from deepening their integration. This is the "*multi-speed*" concept of Europe, which received a more positive reaction among candidate countries, because this idea might allow them some time in readjusting the least competitive areas of their economy. This approach is less fixed and more centered on temporality. To be fair, Fischer's approach combines the 'centre of gravity' argument with flexibility and openness to the newcomers by saying that it should just be "an interim step", and the 'centre of gravity' must not remain an excusivist circle. He added, following Genscher, that "no member state can be forced to go further than it is able or willing to go, but that those who do not want to go any further cannot prevent others from doing so".[59]

3. *The concept of 'a 'la carte'.* The advocates of the third approach say that the option should be open for every member state to choose from the "menu" of the EU program at their discretion depending on the content of the agreement they want to participate in. This 'a 'la carte' concept of Europe, however, would not be enough either for the newcomers or for the present members of the EU. This can undermine the idea of building a European political community and EU citizenship. If there are no commonly accepted regulations the implementation of this approach could easily lead to paralysis of the Union and towards its possible disintegration.

4. *The concept of 'flexible integration'.* The fourth concept is somewhat similar to the third one but on the whole it can be considered as a compromise synthesis of all the concepts as it says that the Union should mean a unified market for all the member states. As far as other issues are concerned, however, it should be up to the countries whether they join the different separate agreements such as the agreement on the common policy of police co-operation, visa or refugees (Schengen agreement), European Monetary Union (EMU) or the Common Foreign and Security Policy (CFSP). This is the 'flexible integration' concept of Europe. Judging this concept from their point of view, the countries of East Central Europe find themselves in an ambiguous position. On the one hand, they want to reach full membership status in order to be "on the safe side", on the other hand, many of them are not yet prepared to meet all the required membership

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criteria. Flexible integration might mean easier access to the EU for the countries of East Central Europe, which can negotiate deadlines for joining different EU enterprises, and therefore they can commit themselves to bringing about further progress.

5. *The concept of immediate full membership.* Finally, the advocates of the fifth concept, though their number is shrinking, still emphasise the importance of rules that are generally valid for all member states. Some candidate countries would like to prefer this solution whatever it costs, while others are more cautions in their approach. All in all, it has not been decided yet to what extent the EU will constitute an international (between states) or supranational (above states) organisation. The nature of full membership is a hotly debated one, especially since some member states have already opted out of some closer forms of collaboration (Denmark and EMU). Will the future EU be the "United Europe of States" or the "United States of Europe"?[60] If the latter case is somehow to be implemented, the question of "statehood" (namely, how to preserve democracy beyond nation states) will again appear on the agenda.

For a long time these issues have been discussed "above the heads" not just of the citizens of the candidate countries, but also the citizens of Western European states. Given the lack of sufficient information for their citizens, national governments, bureaucracies, political and business circles have taken a more "pro-Europe" stance than their citizens both in the East and the West.[61] Citizens express their reservations and disappointment, by regularly sending "anti-European" representatives to the European Parliament. For many of them, voting for the European Parliament is simply a protest vote against their own government. The very concept of representation would be questionable in the lack of responsible vote.[62] People voting on referenda and others (like participants in the new, protest mobilizations in the post-Seattle era) are also expressing their reservations on the idea of a non-accountable European government. What people know in East Central European countries is that initial Western enthusiasm has abated and once again decisions which concern them are to be made without their input.[63] Countries wishing to join the EU are not fully concerned with various issues of federation: This will most probably develop only when they become full members of the Union. By joining the EU and other Western interstate organizations for that matter, they are

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primarily trying to find solutions to their economic, social, and security policy problems in the long run.

What Jean Monnet expressed more than fifty years ago for Western Europe seems to be a valid program, *mutatis mutandis*, for the new Central European democracies as well.

There will be no peace in Europe if states reconstitute themselves on a basis of national sovereignty (...) European countries are too confined to ensure prosperity and essential social developments for their people. It follows that European states should form themselves into a federation or a 'European entity' which would make them a joint economic unit.[64]

Today, the reunification of Europe is not just the dream of some naïve, "supranational state builders", but a realistic option, which can be implemented politically in a few years, and can fully be realized economically within a few decades.[65] This requires courage and *virtú*, as Machiavelli used this term, from major political leaders in Western Europe, who should not miss *fortuna*, the historical moment, which is, finally, at hand. The revitalized debates[66] over the future of an enlarged and integrated EU, between federalists and confederalists, liberals and republicans, national and "supranational democrats", are contributing a lot to the search for a compromise, for a proper solution which is acceptable to all participants. For Hungarians, and the people of other countries in East Central Europe, it is quite disappointing to listen to endless talk about "Eastern Enlargement" instead of "reunification" and "integration".

After a couple of decades, the major debates should not just be about the technocratic and bureaucratic "manageability" of the continent, but they should also focus on the idea and "philosophy of Europe". At the end of the day, after EU accession, the image of Europe will be fundamentally different for countries and peoples of East Central Europe, as well. This image will probably not be based on the division between "them" and "we" (living inside or outside the "Schengen Wall") any longer, but will simply mean "we" as embracing all Europeans. Europe can hardly be a global player with narrow, strictly protectionist policies. Europe cannot overcome its 20th century totalitarian past by keeping the Wall within itself.

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Endnotes

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[11] Valerie Bunce, "Regional Cooperation and Integration in Post-Communist Europe: The Visegrád Group", paper presented at the conference on "Europe, Central Europe, and Germany: Perspectives for the Future" Bratislava, Slovakia, March 7-9, 1996.

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[14] See for instance, Adam Michnik, "New Evolutionism" in A. Michnik, *Letters from Prison and Other Essays*, Berkeley: University of California Press, 1987., Grzegorz Ekiert, *The State Against Society: Political Crises and Their Aftermath in East Central Europe*, Princeton: Princeton University Press, 1996., Grzegorz Ekiert, "Rebellious Poles: Political Crises and Popular Protest under State Socialism, 1945-89", *East European Politics and Societies*, Vol. 11. No. 2. Spring, 1997, pp. 299-338.

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[16] Herbert Kitschelt, "Formation of Party Cleavages in Post-Communist Democracies" *Party Politics*, Vol. 1. No. 4. 1995. pp. 447-472.

[17] Ibid.

[18] Cf. Christopher Cviic, "Re-Connecting the Southern Flank" in Christopher Lord, ed., *Central Europe: Core or Periphery?*, Prague-

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Copenhagen: Copenhagen Business School Press, 2000. 67-86.

[19] Alfred Stepan, "Toward a New Comparative Analysis of Democracy and Federalism: Demos Constraining and Demos Enabling Federations", paper presented at the 17th IPSA World Congress, Seoul, South Korea, August 17-21, 1997.

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[21] Valerie Bunce, op.cit., p. 31.

[22] Cf. Iver B. Neuman, "Forgetting the Central Europe of the 1980s" and Maria Todorova, "Isn't Central Europe Dead?" both in Christopher Lord, ed., *Central Europe: Core or Periphery?*, Prague-Copenhagen: Copenhagen Business School Press, pp. 207-218 and pp. 219-231.

[23] Anselm Skuhra, "Democratization in Central and Eastern Europe: The Democracy Programme of the EU", paper presented at the 17th IPSA World Congress, Seoul, South Korea, August 17-21, 1997.

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[28] John Eatwell et al., *Transformation and Integration: Shaping the Future of Central and Eastern Europe*, London: Institute for Public Policy Research, 1995.

[29] Juan J. Linz and Alfred Stepan, *Problems of Democratic Transition and Consolidation*, Baltimore- London: The Johns Hopkins University Press, 1996. p. 7.

[30] Alain-G. Gagnon, "The Political Uses of Federalism" in Michael Burgess and Alain-G. Gagnon, eds., *Comparative Federalism and Federation*, New York-London: Harvester Press, 1993. pp. 15-44.

[31] Carlos Flores Juberias, "Electoral Legislation and Ethnic Minorities in Eastern Europe: For or Against?" in Robert W. Mickey and Jonathan Stein, eds., *Ethnicity Unbound: The Politics of Minority Participation in Post-Communist Europe*, New York: IEWS, 1997.

[32] George Schöpflin, "Culling Sacred Cows? State Frontiers and Stability", *Brown Journal of World Affairs*, Vol. 4. No. 1. Winter-Spring. 1996-7, pp. 197-204.

[33] G. Raymond and S. Bajic-Raymond, "Memory and History: The Discourse of Nation-Building in the Former Yugoslavia", *Patterns of Prejudice*, Vol. 31. No. 1. 1997. pp. 21-30., For a broader understanding of this issue, cf. Maria Todorova, *Imagining the Balkans*, New York: Oxford University Press, 1997.

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[36] János Kis, "Beyond the Nation State" *Social Research*, Vol. 63., No. 1. Spring, 1996. pp. 190-245.

[37] Iván Illés, "A regionális együttműködés feltételei Közép- és Kelet-Európában" [The Conditions of Regional Cooperation in Central and Eastern Europe], *Társadalmi Szemle*, Vol. 52., nos. 8-9. 1997. pp. 57-65.

[38] János Rechnitzer, "The Main Elements of National Planning Strategy in Northwest Transdanubia" in Jody Jensen, ed., *Transborder Cooperation Between Western Hungary and Eastern Austria*, Budapest-Kőszeg-Szombathely: Institute for Social and European Studies, 1996. pp. 24-30.

[39] Ronald H. Linden, op. cit.

[40] Iván Illés, op. cit.

[41] Lászkó Páti and Pál Dunay, "Hungary's Relations with the Former Socialist Countries, 1989-94" in Béla K. király and András Bozóki, eds., *Lawful Revolution in Hungary, 1989-94*, Boulder: Social Science Monographs, New York: Columbia University Press, 1995. pp. 413-451.

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[43] István Riba, "A végek dicsérete" [Praising the Frontiers], *HVG*, June 23. 2001.

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[49] Cf. Milada Anna Vachudova, "EU Enlargement: An Overview", *East European Constitutional Review*, Vol. 9. No. 4. Fall 2000. p. 64

[50] Pierre Manent, "Democracy Without Nations?" *Journal of Democracy*, Vol. 8., No. 2. April 1997, p. 96.

[51] John Pinder, "The New European Federalism: The Idea and the Achievements" in Michael Burgess and Alain-G. Gagnon, eds., *Comparative Federalism and Federation*, New York-London: Harvester, 1993. p. 45.

[52] Thomas O. Hueglin, op. cit, p. 15.

[53] Kálmán Kulcsár, "Az európai integráció és Magyarország" [The European Integration and Hungary], *Külpolitika*, Vol. 1., Nos. 3-4., 1995. p. 27.

[54] Martin Holland, *European Integration: From Community to Union*, London: Pinter, 1993.

[55] Joschka Fischer, "From Confederacy to Federation: Thoughts on the Finality of European Integration" in Christian Joerges, Yves Meny and J. H. H. Weiler, eds., *What Kind of Constitution for What Kind of Polity?*, Florence: Robert Schuman Centre for Advanced Study, 2000. pp. 19-30.

[56] See for example, Tanja A. Börzel and Thomas Risse, "Who is Afraid of a

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European Federation? How to Constitutionalise a Multi-Level Governance System" in Joerges, Meny and Weiler, eds., *op. cit.* pp. 45-59.; Augustín José Menéndez, "Another View of the Democratic Deficit: No Taxation Without Representation" in Joerges, Meny and Weiler (eds.), *op. cit.* pp. 125-138.; Helen Wallace: Possible Futures for the EU: A British Reaction" in Joerges, Menz and Weiler (eds.), *op. cit.*, pp. 139-149.

[57] Jan Zielonka, "Enlargement and the Finality of European Integration" in Joerges, Meny and Weiler (eds.), *op. cit.* p. 153.

[58] Today, these countries are the backyard of (Western) Europe, which function as 'gatekeeper' to the West. Cf. For instance, Milada Anna Vachudová, "Eastern Europe as Gatekeeper: The Immigration and Asylum Policies of an Enlarging EU" in Peter Andreas and Timothy Snyder, eds., *The Wall around the West: State Borders and Immigration Controls in North America and Europe*, Lanham: Rowman & Littlefield, 2000. 153-171.

[59] Joschka Fischer, op. cit. p. 29.

[60] Cf. Charles Leben, "A Federation of Nation States or a Federal State?" in Joerges, Meny and Weiler, eds., *op. cit.* 99-111.

[61] It was most visible in a recent referendum in Ireland (May 2001), when citizens voted against the Nice Treaty of December 2000, which had included support for enlargement. Popular turnout on that referendum was, however, 32 per cent, only.

[62] Recently, Romano Prodi, Head of the European Commission suggested to introduce a 'European tax' in order to raise voters' consciousness and responsibilty on EU affairs.

[63] László Tolnay, "A növekvő euroszkepticizmus okai" [The Sources of the Rising Euroskepticism] Vol. 1. Nos. 3-4., 1997, pp. 146-56.

[64] Jean Monnet is quoted by Ernest Wittrich, *After 1992: The United States of Europe*, New York-London: Routledge, 1989. p. 24.

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III. SESSION

Turkey and the EU: From Candidacy to Membership

Chair Person : Martin Sajdik

Volkan Bozkır

Assist. Prof. Dr. Çiğdem Nas

Prof. Dr. Meryem Koray

Assoc. Prof. Dr. Muzaffer Dartan

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2001 REGULAR REPORT AND TURKEY-EU RELATIONS IN THE AFTERMATH OF THE LAEKEN SUMMIT

Volkan Bozkır*

Following the announcement of Turkey's candidacy at the December 1999 European Union summit in Helsinki, a pre-accession strategy was implemented in Turkey in the same manner as the other candidate countries. The publication of the Accession Partnership, the Framework Regulation and the National Programme for the Adoption of the *acquis*, formed the three pillars of the aforementioned strategy, and confirmed *de jure* Turkey's official candidacy for accession to the European Union.

Fulfilment of the political criteria is a pre-requisite for accession negotiations for Turkey, as it is for other candidate countries. Meeting the economic criteria and the alignment with the EU *acquis*, on the other hand, may be realised in part during the accession negotiations, or even after Turkey's full membership. Therefore, Turkey's priority must be to implement the political criteria.

The commitments in the National Programme, especially in the "Political Criteria" chapter, mostly correspond with the European Union's expectations from Turkey, as stated in the "Accession Partnership". However, there are some differences between the two documents regarding the abolition of the death penalty, individual and cultural rights, freedom of expression and the adoption of European Union standards in democracy.

On 13th of November 2001, the European Commission released its 2001 Regular Report on our country and the Enlargement Strategy Document for the thirteen candidate countries, including Turkey.

Turkey's recent level of progress with regard to the political criteria, based on her critical reforms and advances on alignment, are given extensive coverage in the 2001 Regular Report. In this context, the

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amendment of 34 articles of the Constitution, achieved with the support of all the political parties represented in the Grand National Assembly of Turkey, is evaluated as an important step forward. However, the Report emphasises the need for swift enactment and enforcement of the harmonization laws necessary for the implementation of these constitutional amendments.

The 2001 Regular Report underlines the fact that the Copenhagen Criteria have not, despite certain areas of progress, been fulfilled. Even though the Report refers to important areas of recent progress, especially in human rights, including the reduction of the pre-detention period, (which so often gave credibility to allegations of torture) to the European norm of four days, it also draws attention to remaining inadequacies in the fields of human rights and democracy and mentions a series of deficiencies that need to be corrected.

What must be borne in mind is that the Regular Report covers only the period up to September 30th, 2001, whereas the National Programme's short-term priorities have been given until the end of March 2002 for completion.

The Report also refers to Turkey's shortcomings under the economic criteria. It notes that the two recent economic crises have handicapped Turkey's capacity to make the necessary advances. However, it emphasises that part of the Turkish economy is capable of competing with the EU due to the implementation of the Customs Union.

The meeting in Strasbourg also adopted the Enlargement Strategy Paper of the European Commission concerning the thirteen candidate countries.

The Strategy Paper takes a collective view of the thirteen candidate countries, including Turkey. It states that a decision will be taken by the end of 2002 to accept a group of countries as full members in time for their participation in the 2004 European Parliament elections. It states that Bulgaria and Romania need more time to reach their medium-term targets under the economic criteria and that Turkey does not yet fully meet the Copenhagen political criteria. Thus, the Strategy document notes that the final evaluation on the remaining ten candidates will be made in the light of the 2002 Regular Reports.

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The 2001 Regular Report distinguishes itself from previous ones with its careful efforts not to cause controversy and not to create artificial distinctions between the candidate countries. The increased effectiveness of coordination within Turkey after the establishment of the Secretariat-General for European Union Affairs, the enhanced exchange of information between Turkey and the Commission through the activities of the 8 sub-committees created under the Association Committee and the conveying of more comprehensive official data to the Commission in forms compatible to the Commission's usage may be listed as some of the reasons for the difference in approach from previous years.

Our request to begin the screening process was not accepted in the Regular Report. Instead, an analytical examination of the *acquis* was proposed. Turkey will try to gain positive results from this still ambiguous new process.

Turkey-EU relations arrived at a critical point in the aftermath of the Laeken summit. The Laeken summit reached vital conclusions for Turkey. The most important of all is the acceptance that, within the enlargement process, the time for the opening of accession negotiations with Turkey is drawing near. The reference to accession negotiations signals that a political and psychological barrier between the two sides is being overcome. For the first time since Helsinki, the EU has given Turkey a clear perspective at such a level.

The second important development recorded in the Laeken conclusions is the decision to include Turkey in the Convention established, with the same rights and obligations as other candidates. This decision to include Turkey in the Convention on an equal footing reinforces the perspective and credibility of our candidacy.

One can argue that Turkey's compromise on the European Security and Defence Policy and the beginning of talks between Messrs. Denktaş and Klerides in the spirit of a new sense of optimism have helped the Laeken summit to take positive decisions. Yet, it would be unfair not to emphasise that Turkey's performance since the Helsinki summit in meeting both the political and economic criteria have contributed to these decisions.

Twelve candidate countries, apart from Turkey, are rapidly travelling down the path to full membership. Ten candidates, with the exception of Bulgaria, Romania and Turkey, have been cleared for possible memberships

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as of 2004. There is the possibility of Bulgarian and Romanian accessions in the year 2007. If Turkey rapidly takes the steps needed to meet the Copenhagen political criteria, her inclusion in that 2007 enlargement will be possible.

Most of the measures needed to fulfil the Copenhagen political criteria are extant in the National Programme. However, in addition, we have to adopt EU norms on the death penalty and on individual and cultural rights. A series of harmonization bills drafted for the implementation of the constitutional amendments are currently before the Council of Ministers. The harmonization package is soon expected to be submitted to the Parliament. The enactment of the aforementioned harmonization laws shall align our national legislation with European norms to a great extent.

We have certain expectations from the European Union on the long and arduous road to accession. Namely, the financial assistance, which has not been provided over the years should be made available and also that the recent objectivity in criticisms of Turkey should be continued. In the constructive post-Laeken environment, progress on these areas will contribute to increased confidence regarding the European Union within Turkey and in particular will improve the possibility of taking further steps towards fulfilling the political criteria.

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TURKEY-EU RELATIONS AND THE QUESTION OF IDENTITY

Çiğdem Nas*

Today Europe is on the verge of becoming a truly integrated geographical space. The European Union (EU) started out as a project involving the pooling together of coal and steel resources among six west European countries. It then expanded to cover other areas of economic activity. It survived economic and political crises such as the "empty chair" crisis of 1965 and the period of economic downturn in the 1970s. The project made a leap forward with the Single European Market initiative championed by Jacques Delors, and later on with the Maastricht Treaty that established the 'European Union'. The policy scope of the EU extended to cover foreign policy, justice and home affairs and economic and monetary union. Economic and monetary union and the common currency are in operation in twelve EU member states. The aim of creating an ever closer union is being realized with every passing moment. Concomitant with the internal changes the EU is also widening its geographical scope by finalizing the accession process of ten central and east European and Southern European countries. Three other countries including Turkey are on the waiting list.

The member states of the EU share common themes regarding their history and heritage. Their social and economic development processes have intersected at several instances in the past. However cultural and historical specificities have also drawn them apart. They have been rivals and enemies more often than partners. Most member states are former imperial powers. They shared the world's resources and used them to instigate a process of unprecedented development, industrialization. They became the birthplace of many revolutionary movements such as the Reformation, and the Renaissance. They pioneered such groundbreaking developments as the birth of the nation-state, industrialization and the

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advent of representative democracy. Following the close of the nineteenth century, they began to recede in the face of newly emerging powers in the East and West. The twentieth century has been witness to two major world wars, revolutions, occupations and totalitarian dictatorships. After the Second World War, EU countries had to engage in the task of postwar reconstruction. While Germany was submerged in a reappraisal of the Nazi era, the holocaust, defeat, and division, Britain had to come face to face with the abandonment of its super power status. France the prime defender of the status quo had to admit to the miscalculations of the Versailles settlement and realized that peace and security in Europe depended on Germany's inclusion into the system. The decolonization process and the task of repositioning Europe in the postwar global system necessitated a transformation of the traditional state structure in Europe. The states of Western Europe have come together within the framework of three communities pooling their resources in a partnership involving the partial transfer of sovereignty.

The endeavor to integrate Western Europe also spilled over to the political and social domains. The Europe of markets was also a Europe of peoples. The integrated Europe brought forward the urgency of instigating a European identity. This project articulates the existence of a common European heritage and outlook that transcends national differences. As part of a political discourse it expresses the message that the common references denoting Europeaness are important and should be emphasized. However the suggestion of a common European identity does not go as far as declaring the existence of a European people or European culture. Rather the existence of peoples making up Europe or cultures making up European culture may be a proposition that reflects the current situation more accurately. The concept of 'European identity' is being transformed under the effects of the European integration process. EU citizens' perception of 'Europe' is surely being shaped by current developments. The Europeanization of several policy areas, the concept of European citizenship including such rights as free movement, and voting in European elections, the use of a common currency, common programs such as the EU's educational programs, as well as regional and social policy initiatives under the structural funds are creating a socialization process especially for new generations of Europeans. Being an EU citizen produces specific benefits and may alter the predisposition of an individual from a local to a supranational level. The experience of such benefits in particular and the integration process in general also create a 'Europeanization' effect denoting the difference between Europeans and non-Europeans. Thus

common historical and cultural references that are peculiar to Europe may be used to denote 'Europeaness'. In addition one may talk of history in the making as the integration process works to homogenize the EU-area and create a region more harmonized in itself. In that process national differences within the EU may become less important in the light of an emerging common identity.

The applications for membership by the EU candidate countries imply that they want to become a part of the European integration process by sharing the burdens and the benefits. The enlargement process is a means whereby the EU is shaping its eastern and southern periphery in accordance with its own priorities. In this sense the EU also defines being a European state according to certain criteria. Countries excluded from the enlargement process will be those, the 'Europeaness' of which is in question. The EU is thereby creating a 'postmodern empire' based on consent rather than a macro nation state. The determination of Europe's borders in this sense is concomitant with the delineation of outsiders and insiders. EU membership is almost equal to being a European state in the East and South. While one of the conditions of membership surely must involve being a 'European' state in the geographical sense, the EU is also able to make a country a 'European' state by accepting its application for membership. In the latter case being a 'European' state is taken to mean a part of the new Europe that is being shaped by the EU.

Historically speaking, Europe in the first instance means a region that has established a particular civilization. Traveling back through history, the unifying influence of the Roman Empire and Christianity stand out as the basis of this unit. Religious unity was broken by the Reformation and the onset of Protestant denominations particularly in Northern Europe. The intellectual basis is served by Christian theology, and Greek thought that has inspired the European intellect since the Renaissance.

The enlightenment marked the overbearing effect of rationalism on European thought. With the effects of rationalism, the advent of science and technology European countries embarked on an unprecedented process of development. This process, called modernization, transformed the countries of Europe from rural, subsistence economies and feudal patriarchal political systems to industrialized democratic systems. The modern polity was being developed with increasing levels of mass political participation and channels of representation. The particular political systems, which were created such as feudalism, absolute monarchy, the nation state,

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representative democracy and the welfare state, capitalist production and the industrial revolution are developments that have made Europe what it is today.

Europe also exported modernity to other parts of the world through colonization and increasing interaction and emulation among peoples. It has shaped the rest of the world in its own image. It exported technology and know-how, modern means of production, democratic institutions, as well as its cultural products such as classical music, opera, and novel. The European way of doing things became synonymous with the process of modernization that most countries began to go through.

These factors signify the concept of Europe. Historical developments have culminated from the core states of Europe, influencing some more than others. The nucleus of European civilization has extended its influence to the margins of Europe. Historical points of convergence, common experiences and the development of a particular appraisal of the world, humanity and life itself went beyond underlying cultural and ethnic differences.

Europe also rests on differences and rivalries. European culture and civilization were shaped not only by Christianity but also by Egyptian, Arabic, and Ottoman influences. Local ethnic differences have also characterized European countries' specificities. In the words of Agnes Heller Europe takes the other, transforms it and makes it its own[1]. European history is a history of specificities and differences. What drew these countries together have been external threats and the need to defend themselves against the threat by pooling together common efforts. The threat mostly came from the East in the form of Arabic and later Ottoman invasions, and later on from the Soviet Union and the Eastern Bloc. After WWII what drew European countries together was primarily the need to defeat their own weaknesses and reverse the trend towards the demise of their power.

In addition to technology and industrial production the cultural products of Europe- the novel, music and the arts- and European values such as rationality, individual rights and democracy are no longer within the exclusive preserve of Europe. European civilization has become a universal civilization. The last great incubator of the European novel came from Russia, a country that was not deemed a European state by many. Communism which is a political ideology developed by European

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philosophers survives in political form in an island far away from Europe, in Cuba. The champion of democracy is the US a non-European power. Secularism has been adopted by a predominantly Muslim country: Turkey.

Owing to the proposition that European identity should rest on a particular conception of Europe, what differentiates and singles out Europe from other areas cannot be culture or religion. It cannot be a myth of a common past and a homogenous culture. European identity is based on forgetting as much as remembering. European identity cannot be something, which will replace national identities. It may be a political supra level of identity based on the perception of belonging to a community of Europeans.[2] Europe should be based on a mutual sense of trust, sharing the same values, and ability to communicate effectively.[3] Common understandings, values, norms and interests will constitute the basis of a liberal community. In this sense Europeaness is an inclusive concept. The factors that make the difference between being European and not on the margins of Europe involve sharing a particular set of values, socio-economic development, and societal organization.

The new phase of enlargement is bringing the EU face to face with the task of adaptation to 'more diverse' countries. Countries that have been insulated from developments in the core of Europe are about to become members of the EU. Western Europe is about to integrate with Orthodox Europe. Further East the cultural world of Christianity meets Islam. In Ole Waever's understanding as one moves towards the periphery one meets lesser Europe's.[4] Europe gradually becomes vague; it mixes and modifies. Europe melts into Asia. Between Europe and Asia one finds Orthodox Christianity, Islam, Balkan peoples, Turks and Russians. However the descending degrees of Europeaness do not clearly demarcate Europe and Asia. Can Asia transform into Europe on the periphery? This is a question that successive processes of westernization in Russia and Turkey have placed on the agenda.

Turkish identity and Europe

Identity is defined in relation to what it is not. If one defines oneself in terms of being male, French and Catholic, this also means being non-female, non-German or non-British, non-Protestant or non-Muslim or non-Jewish. Identity denotes a feeling of belonging, and distinctness vis-á-vis other groups or nations. On the national level a nation's geography, language, culture, religion underpins that distinctive quality and the

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determination to preserve that quality affects a nation's relations with the outside world. Identity denotes a nation's position in the world vis-a-vis other nations and entities. It is related to how a group, in this case a nation and/or people perceives and interprets the past, the present and the future. It answers the question of "who they are", "where they come from", and "how they relate to the world". By answering these questions in a particular way a nation's identity determines its position in the world, how it reacts to and interprets events, its alliances, policies and other acts in the international system. Identity is a way of expression, of telling the world what it is, what we believe in and what we want. It is a manifesto: "Our past has shaped us, common historical experiences and relations with the outside world made us what we are today. We are what we are. And for this reason our standing in the world is that way. We understand the world in these terms, we can change only to a certain extent. What we do, how we behave is a reflection of our identity." Identity determines how a nation acts on the international scene. It shapes its decisions on what is probable and desirable. It also determines the extent to which a country may alter its position against events.[5]

From the perspective of Europe, Turkey stands on the threshold of difference. It is a country marked by a different religion, different lifestyles, and differences concerning historical conditions and state-society relations compared to what may broadly be termed 'core Europe'. Turkey or the Ottoman Empire has at least until the end of the 19th century provided the definition of the 'other' for Europe. The military might, and expansionary policies of the Ottomans and the differences in terms of religion and culture marked the otherness of the Ottomans. The Ottomans have come to symbolize the feared, abhorred and to an extent secretly envied characteristics of the other. However, the historical interaction of various European countries and Turkey provided inroads into both civilizations transforming them both in the process. The Ottomans at least since the 18th century have been engaged in an attempt to adopt European culture, science and technology as well as a European political system. The Ottoman state was defined by various writers in Europe as despotic, violent and subversive of natural law. Montesquieu called the Ottoman ruler "the oriental despot". Turks were considered as contrary to natural law, "a natural enemy of Christians"[6]. The description of the Ottomans depicted a process involving the projection of unwanted traits onto the 'other'. Authoritarian rule, violence, rage could also be observed in various countries in Europe. One need only think of the St. Bartholomew Day, or the executions of various political figures at the Tower of London, the

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pogroms, and bloody battles fought in Europe to see that. Europeans also found different 'other's throughout the centuries such as the Russian and Austro-Hungarian Empires, at times calling them 'Turks in disguise'.

The military confrontation and rivalry with the Ottomans, coupled with the Ottomans religious and cultural differences and expansionary policies could be the factors underlying the European view of the Ottoman and the Turk. The fear of difference and change also underlies the contemporary xenophobic and racist movements that are gaining ground in various European countries. The immigrant is today's other posing a threat to the common culture. He/she symbolizes 'the new invaders'. Increasing levels of immigration into Western Europe coupled with the xenophobic and racist reactions to immigrants pose the threat of fragmentation and compartmentalization of societies.

Since the late Ottoman period, standing vis-à-vis Europe has been one of the main problematic issues of Turkish identity. Europe symbolizes a different worldview and way of living. It was first a weaker opponent. Europe beyond the Balkans was called "the land of the franks". After the 17th century Europe began to make leaps forward. With consecutive explorations it established its hegemony over different parts of the world thus relegating the Ottoman hegemony over trade routes to the East of secondary importance. The rise of the nation-state in Europe brought about increasing, centralization and bureaucratization. The new monarchs that were in competition with each other developed standing armies and weapons technology. Mercantilist policies and the raw material and resources coming from the colonies marked the basis of the take-off by the West European nation-state. The Ottomans could not keep up with the developments in western European countries. Europe set the standard and came to embody contemporary civilization.

Following the 17th and 18th centuries the decline of the Ottoman Empire and the rise of industrial Europe led to attempts by the former to catch up with the latter. The Ottomans tried to import aspects of modernity, a product of 19th century Europe. The process mostly depended on practical necessities. The products of European civilization, technology, institutions and methods were adopted as a remedy to stop further decay of the Empire. The reform process based on emulation of Europe started first in military technology, engineering and medicine, and spread to other fields such as education, judicial and administrative systems. In the meantime an intellectual transformation was experienced in the minds of the educated

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classes. Europe became the 'Mecca' of the Enlightenment type of 19th century Ottoman intellectual. Since the Tanzimat two strands of opinion have accumulated regarding Turkey's relations with Europe: Those upholding westernization and the adoption of European values and lifestyle, and those that oppose emulation and underline the distinct nature of Turkish civilization.

The former school of thought considers that the Ottomans should adopt European ways in order to reverse the decline. The Ottomans should accept the guidance of European culture and science and change its conception of the world accordingly. An intellectual says: "Civilization is the European civilization. There is no other one". Such intellectuals were also fascinated by European culture and lifestyle. A character in a novel by Ahmet Mithat, Sururi Efendi, goes to a French-style café and utters: "This is what they call life".[7] A fascination with Europe goes together with a contemptuous attitude towards traditional sections of society and the oriental lifestyle. Europe came to be a symbol that embodied treasured values most of which were related to the Enlightenment such as dignity, freedom, rational thought, and beauty.

The latter school of thought adheres to the Islamic tradition and way of life. Intellectuals from this camp ridicule and criticize the Europeanized sections of society. They are of the opinion that European science and technology should be adopted but not its culture or way of life. Ziya Gökalp a writer who greatly influenced Turkish nationalism made a distinction between civilization and culture: According to him the Turks may become a part of European civilization while at the same time preserving their culture.[8] Mehmet Akif Ersoy in the lyrics of the Turkish National Anthem expressed a scornful attitude towards Western civilization: 'The monster with one tooth left called civilization'.

The process of westernization that had started in the Ottoman period took a new turn with the proclamation of the Republic. The war of independence against European powers led to a successful conclusion and nullified the Treaty of Sevres. The new Turkish Republic was founded on the basis of a unifying principle of Turkish nationalism, purporting to embrace other ethnic groups. Being a modern nation-state, the new Republic existed on the same footing as European nation-states. Ataturk's reforms transformed Turkey from a theocratic, multiethnic empire to a secular nation-state. The Arabic alphabet, Islamic garments, Islamic law and education were abandoned to be replaced by their European

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equivalents. The new generations were to be educated in accordance with European culture. European music, literature and philosophy were adopted at an increasing pace as manifestations of the elite culture. Religion was restricted to the private sphere. Ethnic and local particularities were to be buried under an overarching national identity.

The period following the foundation of the Republic was a time of great instability, economic downturn and regime breakdown in Europe. Fascist parties took power in Italy and Germany; the champions of the liberal democratic nation state, France and Britain found it extremely difficult to maintain the system; Most Central and East European countries were governed by monarchies or authoritarian dictatorships. In this time of great turbulence the foundations of Europe were shattered. Fascism overtook democracy; protectionism overtook liberal free trade; Mr. Hyde overtook Dr. Jekyll. Europe was losing its essence. Modernity produced its negation. In this atmosphere the foreign policy of the new Turkish republic was active neutrality. The basic aim was to maintain the principles and borders set by the Treaty of Lausanne.

The inter-war era witnessed a systemic transformation of the world stage. The changing European balance of power system and global transformations that were to occur as a result of the emergence of new powers, the Soviet Union and the United States, resulted in the disruption of the status quo by the Nazi invasion of Poland in 1939. WW II marked a systemic transformation and hegemonic change in the world. The post-WW II order was to be shaped according to the balance of power between the two super powers, the US and the Soviet Union. Turkey was included in the Western bloc in the post-WW II era. It became a member of European organizations such as the Council of Europe, OECD, and NATO. These developments are further moves in Turkey's westernization process. They marked Turkey's inclusion in the post-war European state system with the exception of the most closely integrated organization, the European Communities. In 1959 Turkey lodged its application for associate membership with the EEC. Westernization was a generally accepted policy choice for Turkey at that time. During the signing ceremony of the ensuing Ankara Agreement, the president of the Turkish Republic said: "With this Agreement we are convinced that we have transcended a serious stage in Turkey's route to westernization, which is a behavior that had been made into a national policy by the beloved Ataturk". The daily newspaper Hürriyet in its commentary on the signing of the Agreement wrote the following: "This event marks the most definite step in and the most

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beneficial result of Turkey's efforts at westernization and becoming an equal member of the western world (equal in rights) for 150 years".[9] This understanding demonstrates the determination involved in Turkey's efforts at becoming part of Europe.

During the 1970s, Turkey experienced problems that largely resulted from instability in the global economic and political system. Closer relations with the EEC such as the lowering of tariff barriers were criticized by both the Left and Right of the political spectrum. Turkey's priority at the time was industrialization and development. The development of the country was to be enhanced by the implementation of protectionist policies rather than a liberalization of trade. In particular, representatives of the newly emerging industrial sector expressed their anxiety about trade liberalization with the EEC. While Turkey, under US leadership, attempted to build a market economy, economic considerations were given priority.

Under the effects of industrialization, urbanization, migration, increased political participation and ensuing social, economic, and political problems, Turkish society and politics underwent a transformation process that is still continuing to this day. Changes in the social and economic structure had immense consequences such as alterations in the distribution of power. New groups with alternative worldviews and a desire to increase their share of resources and influence in the running of the system were becoming increasingly vocal. These new loci of power exerted pressure on conventional structures and institutions. In asserting their version of the truth, they maintained along traditional cleavages in society that were rooted in Ottoman times such as the dichotomy between traditionalists and westernists. Changes in society resulted in the questioning and demystification of the ideal of Europeanization.

An anti-western pro-Islamic movement that had its antecedent in Ottoman intellectual life attained a renewed eminence. Modernization, urbanization and migration brought about an increased level of political participation. The traditional culture of the masses became more visible and politically significant. Nationalist, conservative and Islamist parties, such as the National Order Party succeeded by the National Salvation Party and the Nationalist Action Party became part of the political system in the 1970s. Such themes were also increasingly being adopted into the discourse of center-right parties such as the Justice Party. According to them Turkey should not become a member of an organization composed of Christian countries. According to an intellectual of the period, even if we burn all the

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Korans and knock down all the mosques we cannot change the image of the Turk in the eyes of the Europeans.[10] Another ideologue of the nationalist political wing mainly perceived the EC as a conglomeration of Christian countries. He wrote the following on the issue of Turkey's adaptation to such an organization: "Such adaptation can only be one-sided. The Turkish nation will gradually lose its identity. It will adopt Christian European culture. In that case integration may be realized. But then Turkey ceases to exist".[11] The slogan adopted by the charismatic leader of the National Salvation Party, Necmettin Erbakan, is instrumental in giving a clue as to their outlook. He twists the title 'Common Market' by making use of the double meaning of the corresponding word 'Ortak' in the Turkish language. It means both 'common' and 'partner' or 'associate'. Talking of the Common Market, Erbakan used to say: "They are the partners, we are the market". It may be observed that the Islamist front did not base its political discourse only on cultural arguments but also on a criticism of economic domination by the West.

On the left of the political spectrum the EEC was perceived as a tool of imperialism. According to one intellectual, Turks only superficially understood Europe and never fully comprehended the underlying social and economic factors that shaped Europe. The Islamic community culture and Ottoman state tradition prevented Turkey from becoming a European country. A member of the Executive Council of the Turkish Workers Party commented as follows: "The Common Market is a capitalist community and seeks to strengthen the capitalistic process. However, we are of the conviction that Turkey cannot develop in the capitalist system...We are against the Common Market since it is based on capitalist development and aims at putting Turkey on such a path".[12]

Anarchy and disturbances in the 1970s and the military coup of 1980 further damaged the aim of integration with the EC. Relations with the EC were suspended. In the aftermath of the coup d'etat Turkey experienced a transition to liberal economic principles on 24th January 1980 in accordance with the economic decisions taken just before the military coup on 12 September 1980. With increasing political participation together with a clamp down on the radical Left and changes in the distribution of wealth within the society, religious and traditional values attained a new visibility. The preferences and values of the common citizen rather than elite values became politically significant. New interest groups and political parties took part in politics with the aim of aggregating the interests of the rising groups in society. The conventional acceptance of the aim of modernization and

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inclusion into European structures were increasingly being called into question. The traditional periphery of the political system threatened the hegemony of the center and its values. The periphery wanted to shape the future of Turkey in the image of an Islamic rather than secular, a Middle Eastern rather than European country. The system and premises of the republic were challenged not only by the traditional and local groups but also various other segments of society. Criticisms of over-bureaucratization, corruption and inefficiency were voiced in addition to condemnation of the secular, westernizing state. The political patronage relations, corruption, budget deficits, shortly all that was deemed usual was being reevaluated. Turkey experienced the pains of metamorphosis.

In this period, harsh criticisms also came from Europe. The EC increasingly took a disapproving and judgmental attitude towards Turkey. Criticisms mostly concerned problems in democracy, human rights violations, and the situation of ethnic groups. Relations between Turkey and the EC took on the characteristic of a vicious circle. The EC as represented by its political leaders and parliamentarians kept on criticizing practices in Turkey, making the point that Turkey was not yet fit to become a member of the EC. On the other hand public opinion in Turkey became increasingly frustrated and upset about the ongoing criticisms. It was obvious that the political and social conditions in Turkey hindered an overnight elevation to European standards. The ongoing discord led to the growth of resentment against the EC in Turkish society. The EC's good will and sincerity were contested. Refusals and rebuffs caused disappointment with the project of Europeanization. Relations with the EC were not perceived as a rational process of bargaining. Turkey's rejection was interpreted as implying an exclusion on the basis of differences of religion and culture. What the EC's ongoing criticisms meant to the majority of the population was a bitter denial and lack of appreciation on the part of Europe regarding Turkey's efforts at westernization.

At the present time, various interpretations of Turkish identity influence Turkey's standing vis-à-vis Europe. Conservative, nationalistic and militaristic elements of society are close to the following view: "There is no other friend to the Turk than the Turk himself/herself." Turkey is a regional power. Its interests with European countries clash rather than converge. Western countries are trying to divide the country. The underlying factors are a sense of aloofness, being misunderstood, and being subject to unjust treatment. On the other end of the political spectrum one can witness a more conciliatory attitude towards the EU. This view posits that Turkey should

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take all appropriate steps to becoming a member of the EU; otherwise it will lose a vitally important opportunity.

A middle way may also be discerned. This reflects a central tradition that may be traced back to the foundation of the Republic: Adopting a policy of westernization in spite of the imperialistic or hostile policies of Western countries. Despite being occupied by the military forces of European countries such as France, Britain, Italy and Greece after the First World War, the newly founded Turkish Republic adopted a political, legal and social system along European lines. Having in mind this streak in Turkey's attitude towards Europe may be helpful in understanding Turkey's policy toward the EU. By and large Turkey is a country that seeks closer ties with the EU but is reluctant to make the required sacrifices. Turkey's vision of itself is with Europe. Nevertheless, Turkey also does not lose sight of its historical experiences and memories of its place in the world. Another facet of this vision is related to the differences between core European countries and Turkey regarding standards of living, levels of industrialization and production. Although Turkey's future lies with Europe there are important gaps in levels of development and geo-strategic realities that put a distance between Turkey and core Europe. Memories of a glorious past contrast with current realities. At times Turkey's relations with Europe assume the character of a mirage that lies on the horizon. Turkey is striving to reach that destination but once it is there the illusion moves further away.

Demystification of the European ideal does not necessarily mean that integration with Europe is a forsaken aim. Despite its problems and weaknesses Turkey is a European country in terms of its political and economic system and values. The Welfare Party which took an anti-European stance at least in the recent past, applied to the European Court of Human Rights when it was banned by a decision of the Constitutional Court. Each and every segment of the population is becoming slowly aware that prosperity, democracy and security for all can only be guaranteed in a Turkey, which is firmly anchored in Europe. For Spain Europe meant not returning to civil war or dictatorship; For Central and East European countries it means security and stability; For Greece it meant overcoming its peripheral status; For the UK it meant coming to terms with the reality of a foregone world power status. For Turkey it means welfare, democracy and stability.

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Results for Turkey-EU Relations

Since the demise of the strategic division of Europe into two blocs, the question of "where does Europe end?" began to be voiced more often. Especially when the issue is Turkey's membership of the EU, this debate becomes more critical. Is Turkey a European country in terms of its geography, history, and culture? Do Turks share the values and understandings that shape European identity?

One can discern a sense of vagueness and indecisiveness on this issue. Both Turkey and its European counterparts are experiencing a dilemma. Turkey's probable membership causes concern in many member states. The Turks that have symbolized the other in history continue to cause a sense of apprehension and anxiety. In Turkey the predisposition to Europe is precarious. As discussed above, Turkey is a country that was founded as a modern nation-state based on the European model. Despite various problems it is a parliamentary democracy. Since the end of the Second World War, it has participated in almost all European organizations. In terms of political system therefore, the formal European structures are present in Turkey. This is not to hide the fact that Turkey is still a problematic democracy. Although the structures are in place the functioning of the system may display peculiarities and anomalies that tend to be witnessed in Third World countries. Examples may be high levels of corruption and clientelism, problems in human rights, and lack of transparency in government. Turkey is aware of these problems and is striving to alleviate them. It should also be borne in mind that each political system has its own peculiar nature which is due to unique historical, and cultural factors. The problems discussed above are also experienced in other European countries that are current members of the EU.

A second important point regarding Turkey's Europeaness is the cultural aspect. Turkey's historical development, differences in societal organization and above all religion differentiate it from other European countries. Historically the development of a strong bourgeoisie and the separation of the Church from state affairs provided the foundation for political and cultural progress in various European countries. The power of the absolutist state was gradually curbed and contained by societal forces. In the Turkish case, the general pattern has been the overbearing presence of the state with regard to all aspects of life thereby stifling the growth of a strong civil society. Religion has also played an important role in the shaping of societal

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relations and values. In this sense Turkey represents a different line of historical development and societal organization.

It should be taken into consideration that Turkey and the former Ottoman Empire have been geographically and politically a part of Europe since at least 1856. Despite cultural and political differences it would be difficult to exclude the Ottomans from any account of European history. Although referred to as the other of European identity, European countries have never been united against the Ottomans. They have made alliances that changed according to strategic considerations. For example, maintaining the existence of the declining Ottoman Empire to check the southwardly expansion of Russia was a priority of Great Britain's Near East policy until the end of 19th century. Although cultural interaction was limited, cultural influences from the Ottoman Empire penetrated European food, music and literature. Although tolerance against other religions was not a primary characteristic of European societies, Christian, Jewish and Moslem peoples lived side by side in an atmosphere of religious tolerance within the Ottoman Empire. Rather than trying to subdue and annihilate the other, Ottoman society experienced an acceptance of the other. Therefore exclusion of Turkey from definitions of Europe on cultural and historical grounds is dubious and lacks supporting evidence.

In line with the ideal of Westernization and modernization Turkey lodged its application with the EEC in 1959. However, relations that were initiated then did not culminate in membership. Four phases of enlargement have taken place since Turkey became an associate country to the EEC in 1964. The fifth one is currently moving ahead. Turkey could not qualify in any one of them. The never-ending story of Turkey-EC/EU relations has caused frustration in Turkish society. This frustration may also be the symptom of an underlying dilemma of Turkish identity. Turkey is located in between Asia and Europe, and thus has problems in defining where it belongs to. Although Turkey, systemically and politically is part of Europe there are doubts as to its European credentials. In Turkey those segments of public opinion that find the EU biased, and hostile against Turkey are not few in number. The EU is accused of supporting forces such as the PKK that aim at destabilizing Turkey. The relationship with Europe has been one of yearning and disappointment. It is an ideal that has not yet been attained since Turkey is still behind European standards. Europe's high standards and the conditions of membership to the EU such as the Copenhagen criteria imply to the Turkish citizen that Turkey should strive to reach those standards. However rebuffs on the part of the EU cause a sense of

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disappointment. The oscillation between ideal and reality and the tension created by a constant need to reach European standards may be one of the main causes of the 'Turkish Angst'.

Turkey's road towards the EU is a painful one. EU membership necessitates a wholesale transformation. It will be the continuation of a process that has already started and that will affect the role of the state in society, modes of production, the structure of societal institutions, political representation, and social relations at large. Europe has come to be a mirror in which Turkey sees its deficiencies and inadequacies. A dividing line between Turkey and Europe lies in economic and social differences. Turkey suffers from the backwardness of its industrial base, large agricultural sector, ailing economy, low level of competitive power, problems in social welfare, education, uncontrolled migration and urbanization. Such problems have to be dealt with in Turkey's quest for European credentials. Turkey needs political creativity to be able to include itself in the evolving European project. Turkey should trigger its potential, its multicultural diversity, educate its young population, increase and modernize production, and make its administration efficient and transparent. The result of Turkey's efforts should culminate in EU membership a status, which is bound to shape Turkey's place in the changing world system of the 21st century.

While EU membership will necessitate a reform process in Turkey, Turkey's membership will also alter the EU and its role in the global system. The EU will come to include a country that will be the second largest Member state with a strategically important geographical location. It is a country carrying the legacy of many civilizations and a multiethnic Empire. Turkey's inclusion will enrich the EU in many ways. The EU will embrace a diverse country and in this way will have the opportunity to reconsider its Euro-centric worldview. Lying along the new frontiers between the West and the Third World, -that is between the 'have's and the 'have not's, between the democratic and the autocratic, the privileged and deprived etc.-, Turkey's inclusion is vital for stability and security in Europe.

Pluralism, cultural and ethnic diversity will create a synergy that is going to shape the future of Europe. In this process common values will form the basis of an emerging identity. Turkish identity is also a part of this emerging conglomeration. Turkey certainly has a place in the cultural plurality and political identity of the new Europe. Politically the Ottomans had been a part of Europe since the 1856 Paris Treaty. The process of

westernization since the Tanzimat and its effects altered the shape of Turkish society to a considerable extent. This process naturally concludes in Turkey's full membership in the EU. When six countries came together to found the European coal and steel community 50 years ago, they did this despite an atrocious war they had fought with each other and that had ended only six years previously. What brought them together was an appreciation of their common fate and mutual needs and interests. Today the same applies to the issue of Turkey's prospective EU membership. Turkey and the EU need to come together on the basis of common values and interests.

Turkey's participation in the newly emerging Europe depends on the enhancement of a common communicative space. Common values, common understandings, shared ideals will underpin the essentials of this space. Identity is as much about the future as it is about the past. Common perceptions and visions are important in the convergence of Turkey and Europe. It is certainly true that Turkey's integration with the EU will be problematic due to Turkey's relatively low level of development, its size and its cultural differences. Turkey's integration will mean change, ambiguity, and unpredictability for the citizens of the EU. It is, nevertheless, also a necessity born out of geography, history and current realities. Nowadays talk of a clash of civilizations should not blur the perception that identities are not always divisive but also fluid and unifying. They are complicated and multi-layered. Today's Europe is home to 12 million Moslems. The identities of second or third generation Turkish immigrants some of which are university-educated, run their own business or are deputies in the German, Dutch or Belgian parliaments cannot be reduced to religion or ethnicity alone. Classifying those culturally different as the other does not fit this complex picture. Europeaness is a new process of identification, which is prone to multifaceted influences and changes. Quoting Agnes Heller: "European peoples are old however Europe is new". New Europe is being shaped on the basis of common values and visions of the future, while preserving particularities. This new entity should be able to go beyond the limitations of primordial affiliations.

Talking of the new Europe, an anecdote told by Pocock, a historian from New Zealand comes to mind[13]. The non-native population of New Zealand, those that arrived from Europe or other Polynesian islands was called 'tangata waka' by the native population. This phrase meant: "Boat people that still remember the journeys that have brought them there." This phrase may be carried to the new Europe. All the peoples constituting the new Europe may be likened to boat people. They carry their cultural baggage

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with them. They have specific national histories and reference points that make up their identities. Each has expectations and anxieties about the times they live in. They come from different points however common perceptions and interests cause them to meet at the same place. Each society will be able to contribute to this new endeavor in its own specific way. It will change Europe and in turn it will change itself.

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RETHINKING ON THE FUTURE OF THE EUROPEAN SOCIO-POLITICAL MODEL AND SOME CRITICAL QUESTIONS

Meryem Koray*

Introduction

"Moral acceptance of rights (especially rights that are valued and supported, and not respected in the form of constraints) may call for systematic departures from self-interested behaviour. Even a partial and limited move in that direction in actual conduct can shake the behavioural foundations of standard economic theory.

The impoverishment of economics related to its distancing from ethics affects both welfare economics (narrowing its reach and relevance) and predictive economics (weakening its behavioural foundations)." Amartya Sen[1]

The nineteenth century was a century of social conflicts, while the first half of the twentieth century was a destructive and dramatic period for the whole of Europe. The second half of the twentieth century ushered in a period of reforms and compromise for Western Europe while Eastern Europe suffered due to various economic, social and political inadequacies. The twenty-first century has started with new challenges and the search for new responses involving the whole of Europe. We know that Western Europe set upon its course of 'enlightenment' nearly five centuries ago and has experienced outstanding developments in subsequent periods. Today it would seem more appropriate to classify this development as a process of "Europeanization".

Concurrently, there have been some conflicting ideas about the special history of Western Europe: Has this been a "sui-generis" development or not? Neither this "sui-generis" quality nor the background to these common features can be denied easily. Therefore "Europeanization" or the "European tradition" is quite suitable concepts to explain developments in

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Western Europe in the light of some disparities with the rest of the "Western" world. Undoubtedly, there are a lot of historical and social factors that can explain this "European tradition", and the compounds of this tradition or model are various.

The existence of a "European tradition" is the basic assumption that underpins this article. It is viewed as a concept with which we can define and discriminate the uniqueness of the Western European experience, and with which we can also determine a relevant position for discussions about the future of the European Union (EU). Although the discussions related to this tradition are mainly concentrated on the welfare state regimes (the very pragmatic materialization of this tradition), the European tradition goes far beyond welfare statism and can easily be seen in the socio-political understanding and structuring which created a very unique political life and social administration. In this paper I tend to use the *"European tradition"* or *"European model"* in the same sense and as a definitive notion, and I attempt to discuss recent developments and problems in the EU around this concept.

First, it must be stated that, not only the European welfare state, but also this entire tradition is sending some negative signals today. The pressures of the global market are creating enormous dilemmas for the European tradition: The supremacy of the global market versus diluted politics, the rise of the right versus an inadequate left, the dissolution of a relative equilibrium between societal powers versus the empowerment of the capital, widening inequalities at the national and regional level versus weakened social welfare provision and so on. It is quite possible to see that the lack of political solutions and the worsening of social conditions cause, first, disappointment and disinterest regarding politics among the masses, and second, the rise of the extreme right. Although a political gap and legitimacy crisis have not been yet seriously felt in this model to date, the deterioration of the socio-political balance, the increasing distrust regarding politics and the resort to extreme options are quite apparent in Western Europe. Therefore the discussion of problems concerned with the European welfare state is not solely issues of the welfare state, but rather issues of the European model.

Secondly, the survival of the model mostly depends on the available responses to be found in politics or in political economy. It is obvious that a new perspective in political economy and some fundamental changes in the essential paradigms are urgently required at the moment, like the need

for a new balance between politics and economics, like a new social welfare contract, like the insistence on the entirety of human rights and for all (including an acceptance of the importance of the socio-economic rights), and like the defense of human rights not only against the political authorities but also against the global economic order. From this point of view the EU seems the most probable organization to produce the possible political and economic solutions that will ensure the survival of the model. Therefore discussions concerning the future of the EU are directly related to the discussions about the future of the European tradition.

And finally we have to remember that there have always been conflicting social movements and also somewhat radical alterations to the structuring of this tradition. The model has been the outcome of these conflicts, but also of innovative and democratic decisions. For instance, can we deny the extraordinary character of the emergence of liberal ideas in feudal society; the declaration of freedom, equality and brotherhood in a society where there had been discriminations and absolute authority was considered essential; the claim for labour rights in a period when the exhaustion of labour was seen as the freedom of labour? So, we can be somewhat hopeful also for today, and expect that "increasing conflicts" and "multi-dimensional discussions" would produce more innovative ideas for the future and these solutions would not terminate but enrich the European tradition. Although it is not known whether the EU or the member states can manage to find the way ahead for this model, the issue needs to be discussed within this kind of framework.

The "European Tradition": The Role of Politics and Social Administration

Does the European tradition mean more than the European welfare state and if so what? Briefly, I tend to accept the European welfare state as an outcome or rather as a "dependent variable" of the European tradition. If we accept technology and ideology as the definitive factors in shaping the social developments, we find here a "synthetic ideology" and its importance in politics. This dominant ideology, which highly affected the evolution of such a tradition or model in the twentieth century, is rather a combination which can be labeled a "liberal and social democratic synthesis". The evolution of such a synthesis depends on the historical and social developments rooted in previous centuries encompassing the economy but also politics; economic developments but also social administration; ideologies but also pragmatic approaches. Although Gosta

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Esping-Andersen indicates this characteristic as only the "social democratic model" of the welfare state and says that "the model is a peculiar fusion of liberalism and socialism" (Gosta Esping-Andersen; 1990; 28). I suggest that; *firstly, this fusion exists in different degrees in every model of the European welfare state; and secondly, it is not only a specific character of the welfare state, but it is also a particular characteristic of the European tradition.*

It is very well known that the rise of liberalism and capitalism, the enlightenment and human rights, citizenship and democratization, some other historical and social dynamics of industrialization and democratization such as the growth of the labour movement, its empowerment in trade unions and in politics, such as their more or less effective roles in politics created some unique structures and influences on the European experience. For instance; *a) a relative equilibrium between the social parties in the socio-political system, b) economic and political institutionalization of the social conflict, and c) the transformation of this conflict into social reforms primarily by political means can properly be identified as unique features of this tradition which were shared to different degrees in every country in Western Europe.* And it would be more appropriate to term this political and social structure as a "liberal and social democratic synthesis". The compounds of this synthesis may differ in various systems; but in general, this amalgamation is a decisive and a divergent factor of the European tradition. Neither similar political structures nor similar approaches to social administration have occurred in any other developed country till today. Indeed, despite lengthy class struggles, and as a result of very divergent conditions, the emergence of such a broad political spectrum, politicization of the labour movement, and therefore the social meaning of citizenship did not occur in the United States of America (USA) and politics never assumed comparable dimensions.

As a matter of fact, it was only in this region that class struggle and social conflict were transformed into powerful institutions on both sides like socio-political institutions and political bargaining. As Hyman indicated, the capitalist economy did not totally solve, but achieved the "institutionalization of the interest conflict" between capital and labour (Richard Hyman, 1977), and this institutionalization became quite obvious in Western Europe where this change was accomplished by shifting the conflict into politics and by granting some benefits to labour through the institutionalization of social rights. As Regini put it, "'The strategy of

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government by agreement', with the major interest organizations, is usually explained in terms of the need for Western European states to solve a series of problems associated with advanced industrialization". And these problems are outlined as follows: first, there is the impossibility of averting class conflict through the outright repression of union activity as well as the need to shift this conflict into the political arena; the second problem is the increasing demands of interest groups; and the third one focuses on the need for economic growth (Marino Regini, 1986, 63). Therefore beside the broad spectrum of the political parties in this model, more democratic and more participative steps like tripartite institutions are required to create a contract between the three parts as governments, employees and employers. Indeed they were implemented in almost every country in Western Europe and these measures played more or less important roles especially after the 1950s. As a result, a strategy that is usually referred to as "democratic-corporatism" became an essential part of the socio-political systems in the European tradition.[4] These institutions and strategies created an environment where the main social parties enjoyed relatively equal power, and this political and social equity transformed the social struggle between the social powers into social consensus. Today, while corporatist tendencies have decreased in some countries following the changing conditions of the 1980s and the 1990s, they have also increased in some others such as Italy, Spain, even in France. These countries have discovered the functional roles of these strategies and tend to have more "concerted" strategies against increasing economic restrictions (Serofino Negrelli and Etorre Santi, 1990; 164; Jorid Estivill and Josep M. de la Hoz, 1990; 291). Moreover we also see, to some extent, the extensions of these "democratic-corporatism" and integrative strategies at the EU level: in institutions designed to create social dialogue such as the Social and Economic Council.

In this connection, not only political democracy but also the politization of working class and its demand for social-democratic reforms, which were often outlined in different formulations and in different discourses, became an influential factor in the structuring of the Western European model. Social reforms not only aimed to raise the material conditions of society but also to enrich and to empower civil society. Obviously, this was primarily the main goal of the social democratic parties that came to power in various countries in Western Europe, especially in the second part of the twentieth century; but it was also more or less an unavoidable policy choice of all parties that confronted with the masses and with the reality of increasing political power of the working class. For instance, Jens Alber is

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right to indicate that while labour governments had the highest propensity to adopt unemployment insurance systems in the period from 1905 to 1963, liberal parties also played an active role in the development of the basic laws and especially in the acceptance of assistance schemes (Jens Alber, 1990,172-176). On the other hand, while the socio-economic conditions required such formulations, it became also possible through the Keynesian policies to create a sustainable growth under the specific conditions of this period.

The social democracy that emerged as another key element in socio-political developments in Western Europe is usually described as a compromise between capitalism, socialism and democracy. Its origins and goals were greatly affected by socialism, its ways and policies were mostly located in parliamentarian democracy and economic solutions came from the Keynesian economy (Adam Prezeworski, 1985; 35-46). This kind of amalgamation does not belong only to continental Europe, it is also found in the Anglo-Saxon tradition. Fabian Socialism emerged in Great Britain at the end of the nineteenth century and highly affected social policies in this country and can be said to represent another version of such a compromise. This school of thought had "definitely abandoned the revolutionary idea and advocated instead 'evolutionary' socialism through constructive legislation; according to them, socialism was identified positively with 'state action' or collectivism, and negatively with laissez-faire individualism"(Phil Lee and Colin Raban, 1988; 12-33).

On the other hand, the countries of Southern Europe did not experience this reformist progress, rather they were greatly affected by revolutionary movements on the right and left; this diversity became more definitive in their socio-political structuring till their membership of the EU. In spite of adopting some Keynesian policies after the 1929 economic crisis, and the different historical and social experiences, neither the political rise of the working class nor the acceptance of social reforms happened in the USA. However in Western Europe, the organization of labour and their reformist approaches helped them to meet up with the masses and to create a powerful alternative to liberal and conservative movements. And this unique combination created an attractive social model especially for the developing world in the second half of the twentieth century. But it must be noted that beside the historical and social experiences mostly shared in Europe, the existence of socialist regimes at the eastern borders turned out to be another supporting factor in creating such a conciliatory tradition in

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Western Europe. This tradition, which became more apparent after the fall of the Socialist Bloc, made neo-liberal policies more easily applicable.

If we look at the results of this combination and compromise, leaving aside the factors causing the emergence of such a tradition, we can identify some significant features. For instance, as a result of its synthetic character, dual importance of economics and politics with the dual preferences of liberty and solidarity, freedom and security, opportunity and equality have mostly been achieved in this tradition. As a conclusion, *the structure of the political system, the function of politics, the organization of the socio-economic system, concerted strategies, the main goals of the social administration were/are the diversified features of the Western European tradition that came into effect rather as the product of the liberal-social democratic synthesis. Additionally, social and political equity between the main social partners is more institutionalized here than in any other developed country.* Therefore *social citizenship, welfare regimes and socio-economic policies became the essential characters of this tradition or political amalgam.* And if we accept this kind of correlation, then the problems as well as the solutions become more apparent today.

As a consequence of the combination with socialist thoughts or collectivist approaches and supportive measures, this tradition can also be distinguished by its ethics of solidarity. Maybe, Marshall's vision that related the future of the welfare state to its ability to combine the egalitarian morality of socialism with the material prosperity of capitalism (Martin Hewitt, 1992, 31) has not totally been achieved, but ethical concepts like equality and solidarity with practical implications such as minimum standards became the core issues in the European welfare states for a long time; and even today after some backward steps have been taken away from welfare policies, it would not be right to proclaim their death in this tradition. On the other hand, if we want to interrelate this tradition with the main schools of thought in Western Europe, we can assert that, *this tradition can be defined as the compromise between the priorities of economic liberalism such as competition and productivity, the importance of human rights and the rule of law, of political liberalism, and also the ethics of solidarity of socialism.* As a result of this compromise, not only the political or social system but also the economic system was relatively affected by social aims especially at the distribution level, and whether it is termed as the "social market economy" or "developed capitalism", the economic system here was comparatively "socialized".

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Undoubtedly, these political amalgam and socio-economic solutions were not only the results of some principled demands such as a fairer or more just world, but they also came into being and were accepted due to their supportive features regarding economic growth on the one hand and social consensus on the other hand. Undoubtedly, the rationalist-functionalist approach is one of the key characters of the Western political world, and it can also be viewed as the main architecture of this compromise of two different ideologies; but what I am trying to argue is that functionalism in politics in the European tradition is more or less clouded by ethical considerations emerging from the political structure which itself depends on a relative equilibrium between different interests. As a result of this functionalism, the compounds of this synthesis vary a lot according to conjunctures as can be observed obviously in the backwards steps away from welfare statism after the 80s. Nevertheless it is not totally wrong to say that dependent variables like social welfare and social citizenship and concepts such as equality and solidarity are still, principally and practically, maintaining their relative importance in the European tradition even after some alterations that took place during the 1980s.

The European Union as a Continuity of the European Tradition

The EU can also be interpreted as a product and pragmatic answer of the European tradition at the transnational level, and carries out, to a great extent, similar characteristics. The EU is a "politically-made" project, and also reflects the functional approach of Western Europe after the pain of two world wars. It can be said that it represents a creation of common experiences and values, and another amalgam of different purposes at the transnational level. Although there are conflicting approaches regarding the evolution and functioning of the EU from neo-functionalism to social constructivism, there is no doubt that much more stimuli emerged from the specific features of Western Europe. They share specificities, ranging from security problems to historical interdependence, from the acceptance of liberal democracy to the similarities of welfare models, as the main motives supporting transnational cooperation. As Wallace indicated (Helen Wallace, 2000; 49-51), the major goals of the EU and its institutional structures also reflect some features of the European tradition.

First, The EU is defined as a "multifaceted picture" and the institutions as a "junction-box": It is a kind of amalgam of two levels of governance and a mixture of self-regulation and cross-agency coordination, and the policy process functions like a junction box, that is concentrated on a point of intersection, interaction, and filtering between country based institutions

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and processes, and the wider international context (Wallace, 2000; 7, 36). Briefly, the role of politics, democratic resolution, concerted policies, and also political bargaining continue in this project at the transnational level. Indeed, though economic priorities occupy a substantial importance in EU policies, politics retains the dominant role in evaluating and in reshaping this unique project. And this politically-made story is continuously gaining new textures through political decisions. For instance, we see how the meetings of the European Council increasingly became the venue for "history-making decisions" as Wallace puts it, citing Peterson (Wallace, 2000; 20). From the Rome Treaty to the Maastricht Treaty, from Amsterdam to the Laeken Summit, this project has continued to gain substantive features following political decisions. Today, again the European Convention seems to have an important potential in producing new history-making decisions for the future.

In fact, whether it is called intergovernmental or transnational policy, policy decisions are taken as a result of a participatory process involving consultation and negotiation. Beside consultation and participation at the national level and their influence on the ministerial meetings of the EU, the advisory and regulatory bodies in the European Commission, the functioning of the European Parliament, the consultative institutions at the EU level create such a great negotiating platform that widened political bargaining seems to be an essential character in these decisions. Social dialogue and tripartite bodies also play a part at the EU level, and socio-political compromise goes hand in hand with the functionalism of economic priorities. Therefore all these multilateral dimensions and collaborative efforts, the functions of the institutions, the decision-making processes, and the roles of the socio-economic partners seem largely consistent with the European tradition.

Secondly, although economic and political doubts gave way to the emergence of the economic community (a very functional start), the Community could not only be a " common market" even at the beginning. "Europe is more than just a geographical entity. And it is more than a 'common market'"(Stephan Leibfried, 1993; 133). Therefore, in spite of the basic desire to achieve the common market, there was also an intention maybe very modestly, to develop sustained solidarity among the member states and among the citizens therein. That means the social dimensions of the European model were not totally excluded from this basically economy-oriented project, and maybe not exclusively but partially, social administration also came onto the scene. Although some institutions like

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the Regional Development Fund or the Social Fund can be evaluated as the outcomes of the functionalist approach, and some further attempts like the Social Charter and the Social Protocol of the Maastricht Agreement can be regarded as deficient. the fact that regional and social solidarity carry comparative importance in the policies of the EU cannot be overlooked. On the one hand, a great proportion of the EU budget was allocated to cohesion policies; on the other hand, the EU helped directly and indirectly to increase the welfare standards of all members. For instance 37 percent of the EU budget in 1998 and 30 percent in 2002 was allocated to structural funds for promoting cohesion among the member states (David Allen, 2000; 244). And The European Social Fund, which was established at the beginning of the Community, kept expanding its coverage to combat increasing unemployment: for instance around 17 million people in the Community benefited from activities funded by the EU during the period 1989-1993 (EU, 1993; 10). Furthermore, it is obvious that employment policies have increasingly become an EU domain, and seem to be passing from member states control to the EU especially after the Treaty of Amsterdam (1997).

Undoubtedly, differences between the members' systems and the desire to preserve autonomy in social policy have meant that an integrated social policy has not been desired by member states to date. Leibfried introduces a clear vision here (Leibfried, 1993, 138): While he mentions three dimensions of citizenship (civil, political and social citizenship) following Marshall, and compares the EC and USA integration models, he comes to the view that only the unity of markets was achieved in the EC. But thereafter Leibfried has argued in this and in other studies that integration of markets would gradually evolve into social integration with particular "spill over" effects which limit national social policy autonomy in the member states (Leibfried; 1994; 241; 2000, 45; 2000, 268). On the other hand it cannot be forgotten that this kind of integration only means more converging standards for protected or covered groups of employees, but does not mean an institutionalization of socio-economic rights for all. Therefore social integration in the EU requires wider ranging and multi-dimensional discussions from the angle of the institutionalization of socio-economic rights for all.

To this point I have tried to define my approach as one in which there are some distinctive features of the European tradition which become transparent in all social systems with definite political and social institutions, and the welfare state is the main embodiment of this model in

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the social sphere. On the other hand the EU reflects a similar extension of this tradition and has become another unique outcome of this tradition. In this connection, the social dimension and welfare policies are to be accepted as the dependent variables of this tradition. Undoubtedly there are some variations in policies, and different models are emerging in this area; but the principal part of this tradition such as the combination of liberal and social democratic thoughts, and the role of politics in reconciling the conflicting interests between the social partners seem more fundamental to understanding the European model, and these dimensions are also coming into light with the use of considerable joint procedures in the functioning of the EU. Therefore discussions on the welfare state are greatly interested in the European tradition and the maintenance of this model. And today, *changing economic conditions have impacted not only the European welfare state, but also the European model. The most vulnerable part seems to be welfare policies. On the other hand only independent variables like politics can find relevant answers for the problems emerging today, and from this point of view the EU seems a more suitable level in which to discuss these issues.*

The Achilles ' heel of the European Tradition: The European Welfare State

It becomes necessary here to discuss the development of the welfare state in Western Europe in order to clarify its relation with the European tradition and today's conflict. The emergence of the welfare state is attributed to two fundamental developments: Mass democracies and the growth of capitalism. But the real development of the modern welfare state, however, is linked to the "increasing demands for socio-economic equality or to the institutionalization of social rights and to the relative development of civil and political rights" (Peter Flora and Arnold J. Heidenheimer, 1999; 22). Here, politics on one side, and citizenship on the other side became key issues. As Marshall indicated, citizenship gained an expanded content with the development of mass democracy:

Citizenship is a status bestowed on those who are full members of the community. All who possess the status are equal with respect to the rights and duties which this status is endowed with. Marshall distinguishes between three elements of citizenship: a civil element, providing rights to ensure individual freedom; a political element, centered on the right to participate in the exercise of power; and a social element, primarily constituted by the right to share a minimum level of economic welfare,

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social security and cultural heritage" (Peter Flora and Jens Alber, 1991; 40).

Indeed, neither the structural/systems approach (which argues that industrialization is a principle element), nor the institutional approach (which stresses the impact of democracy) can solely explain the development of the welfare state (Esping-Andersen, 1990;13-16). With the effective use of parliaments, the working class had emerged as the main agent in creating the welfare state. Political democracy constitutes the opportunity for workers to pursue some of their interests; and they, as citizens, can process such claims through the political system (Przeworski, 1991; 11). As indicated above, social democratic thought, not only as a political organization but also as an appropriate instrument behind social administration and welfare policy, played a great role in establishing a compromise between capitalism, democracy and working class, and uses politics and the state as an active agent to institutionalize social rights. There is no doubt that, this compromise has never allowed the abolition of democracy and human rights, but it also does not mean a road towards socialism. As indicated by Flora, it should be interpreted instead as a complementary process in the evaluation of a relatively coherent tripartite structure consisting of capitalist market economy, democratic mass polity, and the welfare state (Flora, 1985; 12).

In sum, with the institutionalization of conflicts between capital and labour, with political instruments like democracy and the welfare state, and, of course, with the supportive economic conditions, Western Europe found a very suitable environment in which to create a long social compromise, to enrich democratic institutions, to achieve economic growth and to complete its tradition. Especially after the 1950s, sustained economic growth facilitated the expansion of social spending and public expenditures; public expenditures rose to nearly half of the gross national product and social expenditures reached to one third of GNP. As a result of such an allocation of great amounts to social needs, state activities were greatly changed, and the state as well as the market became the essential provider of some needs. As Esping-Andersen has said, basic needs became greatly de-commodified and the degree of the de-commodification of the needs became the differential part of different welfare regimes. He acknowledges the importance of the acceptance of social rights, but also emphasizes the granting of them.

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Above all, it (social citizenship-MK) must involve the granting of social rights. If social rights are given the legal and practical status of property rights, if they are inviolable, and if they are granted on the basis of citizenship rather than performance, they will entail a de-commodification of the status of individuals vis-à-vis the market...De-commodification occurs when a service is rendered as a matter of right, and when a person can maintain a livelihood without reliance on the market...(And from this point of view), the Scandinavian welfare states tend to be the most de-commodifying; the Anglo-Saxon the least." (Esping-Andersen; 1990; 21-23).

Without ignoring the significant differences among the models in the European welfare states, we can clearly say that welfare states in Western Europe generally found favorable conditions in which to improve the institutionalization of social rights after the 1950s and till the 1980s. In this period, the welfare states in Europe, with the support of favorable economic conditions, achieved a certain standard of social security, access to free health and welfare service, free education up to a certain age, a minimum income, housing subsidies and near full employment. Poverty has not been totally abolished but greatly regressed, and socio-economic gaps were diminished. And more significant is the fact that the role of politics and the social dimensions of citizenship were largely achieved.

But after the mid-70s some serious problems occurred: Growth was hampered by crisis in the world economy; structural changes in employment led to an increase in unemployment; some restrictions came about as a result of increases in health and pension expenditures related to the changing age structure; and overall inefficiencies impacted negatively on welfare state policies. On the other hand, while tax burdens lessened support for welfare expenditures even among white-collar workers, more important is the fact that marginalization of social problems with the success of the welfare policies also caused less interest and commitment concerning social welfare policies (Hugh Heclo, 1990; 397). And as a conclusion, the importance of the welfare state and social citizenship in Western Europe, led to serious debates among academicians and politicians in almost every European country.

Discussions Concerning the European welfare state

Indeed since the mid-1970s there has been increasing discussion concerning the welfare state in Western Europe. Basic discussion is

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concerned with the adaptability of the welfare state to internal and external changes. On the one hand, doubts and opposition to the welfare state, especially after the 80s, emerged with the increase in an ageing population, increasing unemployment, and the need to provide for the support of the poor in Europe. It was increasingly asked whether the welfare state was capable of handling growing social problems. Or was it failing and creating serious obstacles to sustaining growth and competition within global markets? On the other hand, the 1980s were also years in which the globalization of the markets empowered the mobilization of capital, and caused growth and employment shortages in developed regions. Parallel with globalization, structural changes in the economy brought about decline in industry and growth in services. This structural change with the implementation of new technologies created serious alterations in the labour market, in working conditions and in every developed country.

But while these problems were common problems for the developed world and gave rise to serious debates everywhere, the European tradition and the European welfare state was impacted more directly by these changing conditions. First, due to the importance of politics and political bargaining, changing conditions in the national and international economy affected this model more deeply. The shift in the socio-political equilibrium between the social partners caused a significant transformation in this tradition. Governments oriented their main policies towards neo-liberalism; moreover, parties on the left tended to change their basic assumptions and became rather indifferent in the face of liberal approaches. Additionally while capital was strengthened to a great extent due to its international mobilization capacity, labour relatively lost the economic and political bargaining power, which had been such an important element of the European tradition. The once powerful trade unions lost their members, most of them were compelled to accept more flexibility and lower standards in the working conditions which was an unfamiliar situation for them; and more significantly, the trade unions were more or less forced to abandon their claim as standing for the working class, and mostly became just representatives of their members. That is, the comparatively offensive role of labour as a socio-political partner in Western Europe was greatly changed, and it became rather defensive and restricted.[1] And while this changing position served to protect, to a certain degree, some privileges for organized labor, it did not guarantee the extension of welfare policies to the members of groups who were in real need of them. Similarly, the main agenda of political parties on the left was structured around discussions to finding new solutions for the

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increasing problems of growth and competitiveness, not around finding new answers for increasing social problems like unemployment.

If we turn to discussions regarding the European welfare state, we see that radical critiques emerged from neo-Marxists and neo-liberals. For Critical Theory, as Habermas stated, there is essentially a legitimation crisis in advanced capitalist countries because the state no longer meets the needs of society, and the crisis of the welfare state is structured around contradictions such as the ambiguity of state interventions, such as conflict between compensatory functions and the reification functions of the welfare state, like opposition between personal needs and the needs of the state (Martin Hewitt, 1992; 94-117). The Political Economy approach (O'Connor) sees a legitimation crisis arising from tensions between the accumulation demands of capital and the mounting expectations of the people (Hewitt, 1992; 96).

Some neo-Marxist authors often indicate the role of the political compromise that created the European welfare state while they discuss economical and political changes in the current conditions. For instance Elmar Altvater, Otto Jacobi, Claus Offe, Adam Przeworski analyse the main political and social impulses behind the European welfare state in their different studies, and most of them proclaim the end of this Keynesian or social-democratic consensus.

'Organised capitalism' which is the result of the historical process of 'the masses entering the state' through their organizations, of concentration processes in the economy and of increased public expenditure, is to be disorganized and replaced by the free play of market forces... Indeed a new phase of prosperity like that which occurred up to the mid 70s will remain a bad illusion. Thus a compromise between the classes which was safeguarded by the interventionist and welfare state can no longer have the same basis as before." (Elmar Altvater, Kurt Huebner, Michael Stanger, 1986; 27)

Two alternatives can be deduced from this point of view: One is the revival of market forces at the expense of the welfare state; the other is the emergence of an offensive for the growing politicization of production, maybe with the creation of counter-forces such as the empowerment of trade unions. For instance Otto Jacobi restates the 'cyclical' thesis and states that trade unions cannot be reduced in the long run to a social force, which can safely be ignored. (Otto Jacobi, 1986; 58) This approach is also

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shared more or less by Habermas and Offe who say that the welfare state is an important part of advanced capitalism, one that it cannot afford to relinquish (Martin Hewitt, 1992; 109).

On the other hand, the neo-liberals do not tend to qualify any need stemming from the market and it is very questionable for them to insist on concepts like equality or security that destroy freedom and create privileges in the society (F.A.Hayek, 1995; 167; M. Friedman, 1980; 144). Additionally there is much criticism by neo-liberalism on the side- effects of the welfare state. These side effects can be summarized as the widening of state power, the lessening of freedoms, the increase of the tax burden, the deterioration of markets and the wasteful use of public resources (Arthur Seldon, 1985; 62-65). In this connection, though the intention is not to relinquish welfare policies, a decentralized structure in welfare policies with an increasing emphasis on the role of the family and groups and private, voluntary welfare strategies, and more market solutions, are regarded as constituting an alternative to the European welfare state.

Authors who are deeply involved in welfare state studies like Peter Flora, Gosta Esping-Andersen and Stephen Leibfried usually seem more positive regarding the future of the European welfare state, but focus on some significant revisions to welfare policies. For instance Flora discusses the welfare state as one that in the current historical macro-constellation has reached its 'limits to growth' beyond which it would undermine its own bases: The market economy and mass democracy (Flora, 1985, 27). But he also adds that "the period since the mid-1970s has not (yet) been characterized by a dismantling of the welfare state but rather by attempts to limit its further expansion in a period of economic restraints" (Flora, 1985; 23). Mishra shares a similar view: "Social policy, in its manifold variation across 'capitalist' countries, will remain a feature of the postmodern age, but the post-war 'welfare state' as a distinct expression of social policy- a 'settlement' between capital and labour in the West as a response to the challenge of radical socialism-will have passed into history" (Ramesh Mishra, 1993; 36). For some authors, economic growth and the expansion of the welfare policies have caused some failures for the welfare state. For instance Heclo identifies the last stage of the welfare state as "reformulation" and indicates three basic developments in this stage for the failure of the social policies. He argues that while the dangers of social insecurity remained, they became less shared or in other words largely individualized, but the demands were quantitatively and qualitatively expanded and gave way to some disappointments, and finally sustained

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growth gradually devalued the political commitment necessary to sustain social policy (Heclo, 1990; 396-397). In spite of some backward steps in policies and in spite of the vulnerability of social policy to any economic downturn in the 1980s, he argues that the welfare state will produce "lusty evidence to the contrary" and "will show the strength of the underlying welfare state commitment- an affirmation of the importance of the refusal to choose absolute priorities among the basic values of individual liberty, social equality, and economic security" (Heclo, 1990; 404).

Esping-Andersen also discusses some changing conditions in Western Europe and indicates the need for some radical alterations in understandings of the welfare state. He identifies and discusses three main problems in welfare state discussions, such as the global economy problem, the limits of a redistributive welfare state and the political problem of consensus building (Esping-Andersen, 1997, 237). He mentions the generally accepted fears that globalization will decrease social standards, and then focuses on the negative results of globalization especially on low-skilled workers. According to him, "Europe opted for a labour-exclusion strategy, subsidizing less productive workers to leave the labour market; North America and Britain favored market deregulation" (Esping-Andersen, 1997; 239). On the other hand while he defines the egalitarian principles of the postwar welfare state as "workerist egalitarianism", he discusses the need to reflect on some alterations in this egalitarianism, redistribution and also social citizenship today. For him the need to find a new combination of education and pro-active income maintenance and to build up a new political consensus for an alternative post-industrial of social citizenship and egalitarianism is crucial (Esping-Andersen, 1997; 243-245). Like Esping-Andersen many other authors argue the need for more flexible and dynamic combinations in welfare state understanding and for implications such as more decentralized welfare policies, individually and collectively shared social responsibilities, the transformation of the welfare state mainly to social investment state (Anthony Giddens, 2000; 19-28; Pierre Rosanvollan, 1993; 223-241). Martin Rhodes asks the question whether there is a third way between 'Eurosclerotic' high unemployment and low levels of income inequality and the US model of competitiveness, job creation and social polarization or not, and also discusses the need for a third way that will be able to adjust accumulation/legitimacy challenge (Martin Rhodes, 1996; 319).

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In conclusion, although there is fiery debate about the European welfare state, welfare policies in Europe survive in spite of some political and structural restraints, and the support of society for the welfare state largely continues. Moreover, it is claimed that "whatever its weakness or inequities, the welfare state did succeed in helping to smooth the social and political pains of a dramatic economic transformation", and "also demonstrated, in the 1980s, its capacity for organizational adaptation", by using these years as a way to explore different strategies of surviving (Rudolf Klein; 1993; 12). On the other hand the need for some reductions or some essential changes in social policies is frequently stated. Undoubtedly the responses of the European welfare states vary to some extent according to the welfare model. But, as Rhodes stated, despite their diversity, these welfare regimes are responding in similar ways to analogous problems like modifying funding arrangements mainly by reducing the burden of costs on employers, like tightening regulations and qualifying conditions, like increasing restrictions on targeting (Martin Rhodes, 1996; 318). It is emerging that "the necessary response is a decisive shift from welfare state inspired by Keynes to one inspired by Schumpeter-(workfare state) in other words, a welfare state oriented to competitiveness" (Rhodes, 1996, 318). As a result, it is obvious that the changing philosophy behind welfare policies is more important than reductions in social expenditure.

In this connection, it is not the results but the ideological and structural withdrawals, and the general impact of the internal and international changes that have been more striking on the European welfare state. *Maybe these effects do not yet entirely break the traditional compromise between economics and politics, between capital and labour, between economic prerequisites and social administration in this tradition, but they do greatly suppress them.* And the dimensions of this suppression seem to define the future of the European model. On the one hand, though there are quite different evaluations in these discussions, a dramatic change and regression in the policies of the European welfare state is not envisaged. On the other hand the institutionalization or de-commodification of social rights is strictly excluded from discussion. Human need satisfaction and/or improved social conditions have become greatly dependent on the market. For instance, no reliable solution concerning the right to work has appeared on the political agenda.

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The Turning Point of the European Tradition and the European Union or the Limits of the Model

It is clear that the future of the welfare state in Europe is not yet apparent and at the moment there is a preference for dealing with practical problems rather than theoretical discussions. For instance while the globalization of markets and changing socio-political conditions would seem to undermine the European tradition, discussions have concentrated on welfare policies. However, politics is losing its influence upon economics; the political and social equilibrium between the social powers created by political and social democracy is being abolished; and social citizenship is being questioned; namely, the main institutions of the European tradition are threatened by internal and external pressures. Therefore, there is a conflict not only between globalization and the European welfare state, but also between globalization of the markets and the essential structures of the European model.

Undoubtedly, the effects of globalization vary according to the economic sovereignty of countries, and developing countries are more effectively discouraged from building up or repairing national social policies under the pressures of the global market. But it is not possible for developed countries to avoid entirely the depressive conditions created by the globalization of the market, and these pressures have become more striking in the European tradition because of the developed socio-political solutions inherent to this model. De-standardization, de-regulation, polarization are likely to be irregular features of this model. So, the EU faces today two main challenges which are to a great extent interrelated: The first emerges from conflicting demands; how can it be possible to maintain a European social model in spite of adjustment problems to the global market? The second comes from the need to create a more integrated Europe in spite of diversified conditions in the enlargement process. It does not seem so easy to reconcile two conflicting demands: On the one hand the importance of traditional socio-political structuring and the conciliatory role of politics between the social powers; and on the other hand the increasing hegemony of economics within the current globalization process. That is, accumulation/legitimacy crises seem more evident in this tradition.

Additionally, although this challenge seems more likely to be solved at the EU level than at the national level, the restrictions of the existing structure and global pressures make this policy-making difficult. The

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current enlargement process is not only leading to economic, political or procedural problems. It raises a core question related to the continuity of the tradition within the enlargement process that also needs to be answered. While diversification in the social policies and fragmentation of social citizenship seem helpful for the adaptation of the EU to global markets, a significant degree of polarization is neither desired nor possible. Consequently two problems seem inevitable: How will it be possible to sustain economic integration by allowing flexibility in the social models? And how will it be possible to maintain the European model within the diversified socio-political systems of the new members? It is clear that one of the core issues for the future of the EU is about the possibility of having one European welfare state or having different models. Leibfried discusses two possibilities for the future of a European welfare state in his article: One is to have a 'transnational synthesis' of national welfare states, which accepts 'European social citizenship'; and the second is to have 'fragmented social citizenship', which leaves policy-making in the social area to the member states (Leibfried, 1993; 133). But it is also important to discuss the limits of this fragmentation, especially within the consequences of the last enlargement.

In spite of increasing economic hegemony, discussions around social integration are inevitably reaching the EU's political agenda. But, while there are some functional necessities that make social integration more unavoidable, there are also some contrary tendencies. It is known that member states are generally reluctant to permit integration in social policy and they wish to keep some variations in labour standards, social security provisions and in social protection measures. On the other hand convergence in social standards is increasingly becoming an inseparable part of economic integration. As much as the integrative force of the single market is being enhanced, the emphasis on social benefits is becoming less distinct. "The EU's social dimension is usually discussed as a corrective or counter measure to market-building, but it has proceeded largely as part of a market building process" (Leibfried, 2000; 277). A single market requires similar social rights and policies much more than are required by separated markets. Conversely the global market is creating similar effects but in the opposite direction: In brief, working conditions in the global market tend to converge at lower levels and create restrictive tendencies for developed standards. Indeed, the current process of globalization means also to a great extent "the globalization of the labour market", and while this globalization represents enormous possibilities to develop alternative combinations of the workforce, the main weapon of the welfare states has

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become "flexibility" (Meryem Koray, 1997; 758). Therefore, the real threat to social policies comes not only from divergences among the member states but also from the globalization of the labour market and from comparable alternatives in this market. Hence it is perhaps the case that not the entirety of standards or the whole labour force are influenced by these effects but distinct levels emerge in the labour market and social standards tend to get polarized. Where are the solutions?

If we look at recent tendencies, firstly, it can be observed that more fragmented and reduced social policies are a marked characteristic of EU policies, and the solutions are envisaged more from economic recovery than from social policy. These sentences come from the Green Paper: "The welfare State now has to evolve towards an optimal balance between public, private-collective and individual provision, involving new partnership in both the financing and delivery of services and recognizing the need for the state to regulate the overall system" (Green Paper, 1993; 34). And although both social and economic integration are seen as important, the solution to social problems like job creation is primarily anticipated from economic growth: "Continuing social progress can be built only on economic prosperity, and therefore on the competitiveness of the European economy... Europe needs to move towards an efficient, quality-based economy with a high rate of investment in new technologies" (White Paper, 1994; 12). Recent strategy in the EU can be outlined as the transition to a knowledge-based economy and society, the development of lifelong learning policies, the modernization of the European social model by investing in people, the application of macro-economic policy mix conducive to favorable growth prospects, which will thereby enable the EU to reacquire the conditions for full employment, and to strengthen regional cohesion (European Commission, 2000; 14). It is perhaps too early to argue that the previous welfare state model involving entrenched social rights (in the main, Western and Northern European states) has dissolved as mentioned by Kuper (Bernd-Otto Kuper 1994; 136), and social goals like full employment and social cohesion have totally disappeared from the political agenda. But their "dependency" on the economy, instead of dependency on politics, has become more apparent.

For instance it is known that the continuance of structural unemployment is viewed as the core problem facing the European welfare state. Hence, job creation is seen as the top priority in the White Paper, and in the subsequent reports of the European Commission. Similarly all meetings of the European Council have declared the need for sustained

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economic growth with more and better jobs. For instance the European Council of Lisbon in March 2000 declared the need to set a goal of full employment in Europe in an emerging new economy, focused on more active employment policies, and indicated some concrete improvements for the future (The Declaration of the European Council of Lisbon, 2000). But in spite of the general acceptance of the struggle against unemployment, it is not clear that really active employment policies or radical measures have been adopted in the member states except for some recent regulation in France. Increasing "employability" seems to be the essential part of employment policies (EU, 2000). It seems to have been forgotten that it is not just the global markets but also technological improvements that have made it harder to create new jobs for everyone and "employability" is nothing more than a fragile concept within existing conditions. Instead, the only "realistic" solution seems to be the reduction of working hours. The need for the reduction of working time as a remedy against increasing unemployment and diversification of human needs of the employees has long been under discussion. Under the pressures of globalization these demands have fallen off the agenda even in the policies of trade unions. By contrast more flexible and polarized employment conditions have been implemented in order to increase job creation as practiced in the USA. Only France has implemented a general reduction in working time since the beginning of 2000, while more modest working time reductions have been adopted in the other member states through collective bargaining.

Certainly, some alternative strategies have been proposed in order to solve the crises of the welfare state and employment. For instance, it can be observed that the demands for more flexible employment gradually mean de-regulation and de-standardization in working conditions. However the demands from employers for more flexible employment and more flexible rules can also be transformed into the adoption of more flexible and more humane conditions for employees. This may lead to more satisfactory conditions in working life for the highly qualified or core workers but at the cost of increasing unemployment and at worsening the conditions of the less qualified or marginal workers. And while the trade unions have generally tried to retain protective measures for their members and to adapt themselves to changing conditions, polarization in the workforce has become an essential characteristic of the labour market. Therefore it is possible to observe that there are some proposals like a new understanding regarding the right to work, like a more flexible combination of times to be employed or unemployed, and like the

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maintenance of a certain basic income for everyone which will enhance individual opportunities to participate in working life or to leave employment (Karl Hinrichs, Claus Offe and Helmut Weisenthal, 1997; 264-265).

The close link between the maintenance of income and employment has been separated in this proposal and the core involvement of social welfare embodied by the realization of the right to work has been altered to take account of the diversified alternatives for social citizenship. But there is no doubt that the realization of such flexible employment greatly depends on a more just allocation of existing jobs, and requires more fundamental alterations in the classical economy. And today, the acceptance of a multi-dimensional social citizenship, and considerable flexibility in working life seem almost fantastic. However, the "workfare state" of Schumpeter can only be made possible by ensuring work for all; additionally, globalization of the market can only be achieved through protective and compensative measures of welfare policies that are supported by international standards. As Rieger and Leibfried pointed out, national governments increasingly recognize the mutual dependence of national social policy and open international markets, but whether governments will be able to meet these dual needs is not known (E. Rieger and S. Leibfried, 1998; 380). Nevertheless it is very well known that a realistic and coherent answer can be found only at the global level. And if national borders and protectionism are not wanted, either welfare compensation or a more improved welfare understanding like a fairer share in the distribution of the existing jobs seem conditional.

As a consequence, we can indicate some characteristics in recent developments: First, the hegemonic character of global economics seems to have secured domination of the ideological and political commitments to welfare understanding in Western Europe. Therefore, it is clear that not only welfare policies but also the legitimacy of these policies has become greatly tied up with economic recovery. We can see that issues like whether the welfare state and competition or the welfare state and the global market are compatible have emerged as priority items of debate. Undoubtedly welfare policies were always affected by economic prosperity in Western Europe and occurred also as an outcome of sustained economic growth. But their main source and legitimacy were contingent on the political system and the relative equilibrium of the social partners. Today the commitment to welfare in Europe is tending to disappear from "social

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rights" and from "social citizenship" as in many other countries in the world, and they are mostly becoming dependent conditions of the market. Secondly, the victory of the market means their capture of social systems, and the withdrawal of politics particularly from the social welfare sphere. While the strong welfare system is being maintained, fundamental concepts like equality and solidarity and the understanding of the morally justifiable society of the social welfare model have also been increasingly weakened in this region. As a result politics has lost its power to compromise between the different interests and its ability to ensure social consensus. A rather useless, or inefficient legitimacy crisis has become unavoidable. Therefore, the first issue that needs to be raised concerns not only the legitimacy but also the supremacy of politics for citizens. It is known, as Pauly has clearly stated, that "the solution, like the problem, is inherently political, in spite of the anti-political language of the global market" (Louis Pauly, 1997, 150). And while the final solutions seem available only at the global level and in global economic policy, there are some possible means in which also the European welfare tradition can smooth the adjustment problems of the globalization process for politics. Thirdly, at the present time, while the European welfare states and the EU seem to be involved only in temporary and limited solutions, they are also aware of the need for new policies. Indeed, today the European welfare state is unable to find any way to adopt, more or less, liberal solutions and embrace flexibility. However, the desire to retain the European model is generally alive. And it is very well known that social policies possess critically important political and social consequences.

At this point, it is important to see whether the EU can provide some alternative measures, regionally and also globally, concerning the problems of the global market, and reach a new compromise between economics and politics. In spite of the concentration on economic improvements, it is known that political considerations also play an influential role in the policies of the EU. In order to maintain its survival, the EU is compelled to find available answers for the future and for the whole of Europe. What kind of future is envisaged for the EU and for the European model? What kind of problems exists on the European level? How are global pressures perceived and what kind of remedies is being suggested? Is there any need for a new European consensus against the increasing problems of globalization and enlargement? Certainly there is a need to pose several questions. From this point of view, the Laeken Summit (15.12.2001) seems crucial. This meeting decided to establish a Convention in order to discuss the future of the EU. The Laeken Declaration reveals a primary

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focus on the institutional and functional problems of the EU. Although the Laeken Declaration only puts forward the need for a more democratic and more efficient EU, this intention, and some other considerations mentioned in the declaration, plus the structure of this Convention can be interpreted as an intention to reach a new European consensus.

The Laeken Declaration and the Limits of the Discussions for the Future

In the Laeken Declaration, the European Union admits first that the Union is at a crossroads. Although the story of integration up to now is judged to have been a successful one, it is also stated that because of more extensive goals such as the ongoing unification of Europe, the Union faces various challenges which come from changing conditions within and beyond the borders of the EU(Laeken Dec. 2001; 1). There are twin challenges for the Union, one within and the other beyond its borders. Within the Union, the European institutions must be reformed; beyond its borders, the EU is confronted by a fast-changing and unstable world order. Therefore firstly, there is a need to deal with the democratic challenges within the Union, and secondly the question is how to develop a more responsible role in the global community. Additionally, the EU is quite aware of the fact that a new political consensus is required to deal with increasing problems, and multi- dimensional discussions are the necessary precondition for reaching such a political consensus. The European Convention is being asked to reflect on this demand.

The Union needs to become more democratic, more transparent and more efficient. It also has to resolve three basic challenges; how to bring citizens, and primarily the young, closer to the European design and the European institutions, how to organize politics and the European political area in an enlarged Union and how to develop the Union into a stabilizing factor and a model in the new, multi-polar world.(Laeken Declaration, 2001; 2)

Undoubtedly the embrace of more democratically-oriented reform is the prerequisite for more well-balanced policies in every society. Hence, the EU's need to remove the democratic deficit is inevitable if more satisfactory solutions are to be found. But the more critical question is not mentioned. Is it possible to be more democratic, more transparent, and more efficient in governance without more improved social conditions and within a context of growing inequalities. For instance neither the social

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dimensions of democratization, nor related concepts such as socio-economic rights or social citizenship are mentioned in the Declaration. The EU seeks rather to find the available answers for "good governance". However good governance seems impossible given the increasing distrust regarding politics. It is clear that the democratic problems are not only related to institutional deficiencies. By contrast, there is a legitimacy crisis due to the inefficiency of politics. And this inefficiency may not create but can feed or strengthen nationalism, fanaticism, racism, and terrorism which have all become major problems confronting the world community.

It is quite obvious that a process of integration involving the different traditions and less developed economic and social conditions of Eastern Europe seem to represent a highly problematic issue for the EU. On the one hand it is rather difficult to maintain and to develop the goals of the EU project by excluding the rest of Europe. On the other hand some significant alterations are required in the basic policies of the EU in order to cope with the accession of these less developed states. But global economic pressures have weakened the available political possibilities and the political responses of the European tradition at the Union level. We see that economic priorities have taken precedence over the social dimensions of this tradition like full employment and the political institutions are not creating well-balanced policies. The empowerment of economics over politics, the priority of growth and competition against social policy, and the hegemony of the market against solidarity are interrelated with the growth of individualism and nationalism (as the national version of individualism) against cohesion, and the misuse of liberty against social responsibility. They are creating severe dilemmas for the European tradition. And now while the old solutions are not functioning well and neo-liberalist tendencies are extending all over the world, the European tradition is obliged to find more conciliatory solutions. The EU seems to be the only means of securing more inclusive and permanent solutions for all. But, given the pressures from globalization and enlargement on the one hand, and the restrictions from institutional and functional weaknesses on the other, the EU has really reached a crossroads. Nevertheless, the establishment of a European Convention appears to be rational and useful. If this Convention really functions well, some further steps can be expected in not only renewing the EU institutions but also renewing the European model.

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Meanwhile the EU wants to play a significant role in the global community and to find alternative solutions that are consistent with its model.

What is Europe's role in this changed world? Doesn't Europe now that it is finally unified, have a leading role to play in a new world order, that of a power able both to play a stabilizing role worldwide and to point the way ahead for many countries and peoples? Europe as the continent of humane values, the Magna Carta, The Bill of Rights, the French Revolution and the fall of the Berlin Wall; the continent of liberty, solidarity and above all diversity, meaning respect for other's languages, cultures and traditions. The European Union's one boundary is democracy and human rights... In short, a power wanting to change the course of world affairs in such a way that benefits not just the rich countries but also the poorest. A power seeking to set globalization within a moral framework, in other words to anchor it in solidarity and sustainable development.

These sentences aim to chart not only a new way forward in a changing world, but also a way that should embody a response for more solidarity in the world. We know that the ethics of solidarity is the central distinctive feature of the European tradition. These considerations ensure that the Union should recognize the need for solidarity and cohesion not only in the EU but also worldwide and intends to play a positive role in developing such a world. Whether it is a declaration of ethical doubts or a repeat of the functionalist attitude, it is quite clear that the EU is aware of the need for a moral framework in which globalization can operate and also for a more integrated Europe.

Despite the declaration of a need for a moral framework, a real sense of solidarity in the face of current globalization can not be easily expected in the political decisions of the EU. Primarily the "colonization of the socio-political realm" by the global market can only be handled at the global level and by fundamental changes in economic policies. Secondly neither the member states nor the EU itself seem fully willing to change the rules of the existing market economy. They are generally winners, in the globalization process. But on the other hand, the EU is one of the important actors in this global community and the Union is a more accessible organization that can produce some political solutions, at least for the region.

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Therefore discussions about these topics in the EU carry a certain importance that applies particularly to new members of the EU. And if a broad political consensus is required to find more innovative responses, the establishment of the European Convention can be interpreted as a rational and functional step in this direction. Nevertheless, given the social and regional inequalities and the imbalance in power between the social partners, it seemed unlikely that this Convention will be able to secure a real bilateral consensus. As mentioned above, although there are severe limits on the scope of discussion concerned with abandoning welfare policies in Europe, it is not probable that a general recognition of European social citizenship will enter the agenda of these discussions. However the peoples of every EU member state need the guarantee of social citizenship, for instance the guarantee of a job.

In his discussion of the importance of the tradition that synthesizes "democracy and solidarity", or of "civil and social rights", Leibfried has also indicated that he is not very hopeful regarding the maintenance of this tradition at the European Union level. He finds grounds for probable developments towards social integration in the developing framework of the single market (Leibfried, 2000; 45). But this integration may not mean the development of social citizenship if market effects are not balanced by political interventions or by the protection of the entirety of human rights for everyone. It is not only a matter of similar provisions in social security; it is also a matter of the attainment of human rights like "the right to work" and "the right to development". This requires the institutionalization of the entire range of the human rights. Despite increasing inequalities at the national and international level, market-based solutions can promise only the adjustment of provisions for the covered groups, but do not guarantee similar rights for the unemployed, for immigrants, for the low skilled workers, and for the masses in the potential members of the EU. Briefly social integration in the EU cannot just mean the adjustment of existing systems; it must take into consideration the institutionalization of socio-economic rights for every citizen.

While this approach requires a significant alteration in economic policy, the conditions that would permit the adoption of such a change seem not to have developed yet. Difficulty arises from the fact that this alteration will mean a new compromise between economics and politics, which will engineer the conflict between employed and unemployed, between high and low skilled workers, between high and less developed regions, into compromise through politics. And, since the legitimate source

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for this kind of alteration lies in the acceptance of the entirety of human rights, and the only way to give birth to the entire spectrum of human rights is through politics, then politics needs to be clearly conceptualized by the market. Certainly, the EU and discussions at the EU level on these topics are of considerable importance for the EU members and citizens, but it is necessary to define the matter correctly, and to discuss the problem in the appropriate framework. From this poir of view, there is a requirement to accept not only the European welfare state but also the response of the European model to the challenges that come from the global market and the appropriate responses can be found only in recourse to an enhancement of the European model. Today, as in the past, there is a need for some changes in economic policies, for the acceptance and empowerment of the whole spectrum of human rights, and the need for compromise-based solutions by politics. If human rights are accepted as the essential characteristic of the existence and liberty of the human being, the acceptance and defense of such rights against not only nation-states, but also the global economic order would seem to be inevitable. And we are once again confronted by a significant question: Is the EU an appropriate platform in which to raise such claims and discussions? Here, the main characteristics of the European tradition assume decisive importance. If these characteristics function well and if Europe desires to retain its tradition, the EU would appear to be a convenient sphere in which to tackle these questions; perhaps not for social-global problems, but rather social-regional problems and inequalities. But the more critical question is whether more democratic, more innovative, more just, more solidarity-oriented perspectives and responses can emerge from today's Europe. Nobody knows whether today's Europe can create powerful markers for its future, and for the future of human-civilization as it did in the past. Nevertheless when we remember developments in the past we can postulate the inevitable emergence of alternative ideas and solutions.

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TURKEY-EU RELATIONS WITH PARTICULAR REFERENCE TO THE CUSTOMS UNION

Muzaffer Dartan*

Introduction

Turkey's relationship with the European Union (EU) dates back to 1959. This relationship has subsequently followed a trend of ups and downs and gained a new momentum with the inception of the Customs Union (CU) process in 1996. In recent times, the declaration of Turkey's "*candidate country status*" to the EU by the EU Council at the 10-11 December 1999 Helsinki Summit led Turkey to reacquire hopes concerning EU membership. However, full-membership depends on the candidate countries' ability to fulfill EU conditions that proposes restructuring in the political, economic and institutional fields, namely the Copenhagen criteria. There is a commonly held opinion that Turkey can achieve harmonization with the EU easier in the economic field as a result of the CU. It should be emphasized that the required reforms concerning issues of democracy, rule of law and human rights, which constitute the core of the political criteria, are not being achieved as a result of EU enforcement, but are being achieved in the interests of Turkish society.

However, in addition to the political criteria stated in the Accession Partnership (AP), announced by the EU Commission on 8 November 2000, that shows how and when to comply with the Copenhagen criteria, and given the condition of reaching a solution regarding the Cyprus problem in line with United Nations and EU demands, perhaps it would be more

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appropriate to say Greek demands enforced by the EU, for full-membership to the EU has provoked reactions in Turkey. Turkey has prepared a National Programme for the Adoption of the Acquis (NPAA) in compliance with her own priorities, taking the APD as the basis for progress like every other candidate country, and the Council of Ministers accepted this document on 19 March 2001.

The route of accomplishing of EU membership necessitates a national mobilization around the NP. For this reason, the Government and the Parliament must assume a great responsibility. Furthermore, the social support of all professional associations, non-governmental organizations, universities and press associations are necessary for the success of the NP, which is essentially a social project.

Turkey's candidate status to the EU should be thoroughly discussed by Turkish public opinion in order to obtain public support. It will be fruitful to state openly all the opinions concerning Turkey's accession to the EU. Three main groups are affecting this process: First, there are the people who say "*Yes, to the EU*", second, the people who say "*No, to the EU*" and third, the people who say "*Yes, to the EU, but...*"

The *first group* is led by major businessmen and capital owners who aim at full integration with the EU as soon as possible in the unipolar world of globalizing capital; some parts of the Islamic community which think that the February 28th process, that prevented the religious political parties from becoming too effective, will only end upon EU enforcement; members of minority groups who think that they will be able to express their cultural and political identities better in the EU (in particular minority groups other than the ones defined in the Lausanne Peace Conference); the political parties that have driven the country into crisis situations as a result of their bad political economic programs; liberal and left-wing intellectuals who think that they will be able to better defend their ideas; people who want a civilian and functional state that will serve the citizen instead of a commanding, traditional state that perceives the people as subjects and lastly, the human rights lobby again in this context. All of the sectors that can be categorized as members of this group have different aims and interests. However, the common point that all of them share is the belief that they can achieve their goals only under the EU umbrella. According to the people in this group, the necessary political and the economic reforms will be successfully completed with the start of the negotiations for full-membership between Turkey and the EU and thereafter, the country will experience considerable progress.

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Consequently, a rapid fulfillment of the Copenhagen political criteria is required in order to start the negotiations for full-membership. The Aegean and Cyprus issues are additional hurdles for Turkey that may complicate the process of integration.

The problem is the establishment of a relationship where the date to start negotiations for full-membership is made dependent not only on meeting the political criteria. The inclusion of provisions regarding the resolution of the Aegean question and the acceptance of a possible Cypriot membership to the EU without a resolution of the problem in the Presidency Conclusions of the Helsinki European Council place additional obligations on Turkey which amount to the imposition of the Greek view on the resolution of these issues. It should also be noted that Turkey is placed in a disadvantageous situation without any guarantee of eventual EU membership[1]. Unfortunately, the imposing attitude of Brussels is supported by a small but effective group inside Turkey which can be defined as the "*Yes, to the EU*" camp, however, which in fact has a policy of "*Give, get rid of.*" According to these people; "*We should hurry up. Full-membership will be at risk if negotiations for full membership do not start in 2002. If we stick to our policy in Cyprus, EU membership might be in danger. Then it will not be possible to explain this decision to the future generations.*" However, people who hold this opinion should also make clear how they will explain this to future generations. How will they be able to explain it if Turkey has not been accepted to the EU in the future despite having given up Cyprus; namely by accepting the Greek case.

The "*second group*" comprises both the extreme right and the radical left, which both display a commonality of opinion in their stand against the EU even though they have different understandings of the world, and is joined by the civil bureaucracy which thinks that it will lose much of its power following EU membership. The extreme right expresses the view that not all of the Copenhagen criteria but rather some specific issues such as those, which concern minority rights conflict with the traditional state structure of Turkey. The radical left, on the other hand, opposes EU membership based on arguments concerning anti-imperialism, national independence and the struggle against the hegemony of monopoly capitalists, suck in a psychological perspective, which is isolated from time and space. However, these groups should not merely oppose the EU, but also determine an alternative model of modernisation, wealth acquisition and

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increased productivity. They should clearly define their strategies and develop their plans and programs to achieve their goal and should submit their projects to Turkish society.

The *third group* consists of some sections of the small and medium sized capital owning class who think that they shoulder a heavy burden of particularly the current application of the CU; some intellectuals, either liberals or leftists; secular, republican intellectuals who focus on Atatürk's aim of "contemporary civilization" in today's conditions and some of the labour unions. The people in this group first gather around the principles of minimal democracy and fundamental human rights, namely the Copenhagen criteria, even though they have different political aims and societal demands. In other words, the people belonging to this group do not have any worries about the "*Copenhagen political criteria*."

The people in this group have serious doubts about the EU's good will, objectivity and honesty concerning Turkey-EU relations when compared with the EU's attitude towards the other candidate countries, as well as Turkey's serious shortcomings. In fact, the fundamental difference between this group and the other two groups is the method of approaching Turkey-EU issues. The "*Yes, to the EU, but...*" group evaluates the espousals of EU supporters such as: "*When we become a member of the EU, our welfare will increase to such amounts and we will consume that much*" as "*dishonoring and deceptive.*" In addition, the members of the same group are also against the arguments of the "*No to the EU*" group such as: "*Membership to the EU means the end of our national unity and territorial integrity*" on the ground that they run counter to the realities of our times.

Under these circumstances, pressure is being exerted on the public at large to say yes to the EU without any general debate on the issue. In such situations, it should not be forgotten that those who acted rapidly and said, "*The CU is an urgent step towards full membership*" have caused debatable outcomes in foreign relations and foreign trade as a result of bad negotiations in the completion process of the CU. The repetition of such mistakes should be avoided as the "*Yes, but...*" group points out. Thus, if the EU had been honest concerning Turkey's full-membership with the EU, then it could have been effective in removing the worries of the "*Yes, but...*" group. To achieve this end, it would have been enough to determine a date for full-membership and a start to the process. The EU could have left the resolution of the Cyprus and the Aegean problems until after full-membership but equally could have demanded the reforms foreseen in the

scope of the Copenhagen criteria to be satisfied before full-membership. The EU should demonstrate political will in order to start the process.

The fact that in Turkey, "*a large section of society considers EU membership as positive and desirable*" has been made clear by various public opinion polls. Yet, it is also a fact that a majority of the people who want Turkey to become a member of the EU, know very little about the EU. So how can this contradiction be explained? The picture that the "*Yes, to the EU*" group presents to the people is as follows: "*They will take us to the EU if we accomplish EU demands. Accordingly, the Turkish people will wander across to Europe and will find jobs there. In addition, EU funds will come to Turkey each year in considerable amounts, the rate of growth will increase, structural reforms will be realized, unemployment will decrease etc.*" Such thinking was also espoused and defended before the introduction of the CU. It is highly probable that a large section of Turkish society supports EU membership based on the benefits that will be derived from "*free movement of labor.*" Yet, there is no discussion about the fundamental changes that harmonization with the EU acquis will bring about in Turkish society. In addition, many are unaware that the free movement of labor will only be possible after Turkey's accession to the EU.

Thus, the people who say "*Yes, to the EU, but...*" oppose the following two extreme opinions: First, "*We will disappear if we enter the EU, the Turkish Republic will come to an end.*" Second, "*We will become rich if we enter the EU, the EU will revitalize us.*" These groups argue that EU membership is a goal to accomplish but it is wrong to create an expectation in Turkish society that all of the problems will be "*automatically*" solved following EU membership. In other words, "*Turkish society will first rely on its own strength and will demonstrate an effort for the betterment of its living conditions. EU's contribution through providing resources and acting as a center of power can be complementary to that effort. Hence, foreign dynamics as well as the internal dynamics will facilitate the reform process in Turkey.*"

A discussion platform involving the expression of different views on EU membership is necessary to be able to make rational decisions regarding Turkey-EU relations. A public debate on the issue will provide the "political will" necessary to realizing the National Program on Adoption of the Acquis (NPAA). This public debate should include not only Turkey-EU relations

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but also institutional developments within the EU. The opinions expressed until now mostly concerned Turkey. Therefore, it can be said that they represented "*only one side of the coin*".

"*The other side of the coin*" is the current discussions in Europe about the "*Future of Europe*". These discussions have not impacted significantly on Turkish public opinion. However, the issue of whether Turkey is going to be a member of the EU in the future depends substantially on the decisions that the EU will make about the future. In this respect, the Convention that is formed in order to discuss various views about fundamental issues concerning the future of the EU and that is due to complete its proceedings in March 2003 is also important for Turkey. As the EU Council decided at the Laeken Summit held on 14-15 December in Belgium, the advisory decisions taken by the Convention will take their final shape in the Intergovernmental Conference that will start at the beginning of 2003 and last until the first half of 2004. During this period fundamental decisions about the future of the EU will be taken. These decisions will also be highly important for the candidate countries. Turkey is represented in the preparation process of the Convention, like the other candidate countries. Therefore, the way that the Convention shapes up will affect Turkey-EU relations. The performance of the Turkish representatives will be of key importance to the process.

The effects of the "*internal and the external dynamics*" on Turkey-EU relations are jointly handled in this article. However, it will become apparent that internal and external dynamics assume differing levels of priority in particular periods.

This article is composed of three sections.

In the first section, the development of the EU from its foundation to the present is described briefly.

In the second section, the effects of the CU on the Turkish economy are discussed. Turkey is the only country to have signed up to the CU with the EU without being a full member of the Union. It would be wrong to consider the CU just as a free trade agreement that will remove protectionism and economic barriers. Such a perspective would lead us to evaluate the issue only in terms of the negative effects of competition. The CU must firstly be viewed as a process of mutual solidarity and integration with a perspective of economic bloc formation. Hence, the various effects of the CU, a process

that should be treated together with its political, social and economic effects, have not been discussed thoroughly and seriously by Turkish public opinion until now.

The third section contains a general evaluation concerning the effects of the CU between Turkey and the EU.

European Union: From Economic Union to Political Union?

The European Economic Community was initially established by six countries (West Germany, France, Italy, Belgium, Netherlands, and Luxembourg) and the number of member countries increased to 9 in 1973 with the accession of the United Kingdom, Ireland and Denmark to the Union. The accession of Greece, Spain and Portugal in the 1980's and Austria, Sweden and Finland in the 1990's made the EU into a large market comprising fifteen member countries with a total population of 375 million. Finally, the Union has taken considerable steps regarding its institutional structure. It transformed itself from an economic union to a political union following the Maastricht Agreement signed at the beginning of the 1990's.

Today, there are thirteen candidate countries for EU membership: Poland, Hungary, the Czech Republic, Slovakia, Slovenia, Estonia, Latvia, Lithuania, Malta, the Greek Cypriot Side, Bulgaria, Rumania and Turkey. In the 2001 EU Commission progress reports issued by the EU Commission, it is stated that 10 candidate countries excepting Bulgaria, Rumania and Turkey should become members in 2003 in order to take part in the European Parliamentary elections that will take place in June 2004. Furthermore, these reports state that the candidate countries should try harder to fulfill the Copenhagen criteria in the shortest possible time frame.[2] It is estimated that Bulgaria and Rumania will be eligible for membership in 2007 at the earliest and that Turkey's accession will take place last of all.[3] The first wave of accession will comprise ten states with a total population of 75 million. That excludes out Bulgaria, Romania and Turkey, with a combined population of 95 million (See Table 1).

Table 1: Fundamental Economic Indicators of EU Candidate Countries

1999	Population (1000)	Total Unempl. Rate (%)	GDP (Billion £)	GDP per Capita (£)	Exports (Million £)	Imports (Million£)	Inflation Rate (%)	Growth Rate (%)
Bulgaria	8 800	14,6	11,6	1 400	3 389	4 371	0,4	2,4
The Czech Republic	10 287	9,5	49,8	4 800	23 408	24 925	2,1	-0,2
Estonia	1 437	11,7	4,8	3 300	2 893	4 270	3,3	-1,1
S. Cyprus	855	3,4	8,5	12 800	312	1 132	1,4	4,5
Latvia	2439	13,9	5,7	2 400	1 626	2 780	2,4	0,1
Lithuania	3 700	14	10	2 700	2 787	4 486	0,8	-4,1
Hungary	10 043	7	45,4	4 500	22 312	24 984	10,1	4,5
Malta	379	5,5	3,4	8 800	1 907	2 736	2,1	4,6
Poland	38 654	13	144,7	3 700	21 933	36 756	7,3	4,1
Romania	22 456	6,2	31,9	1 400	7 586	9 270	45,8	-3,2
Slovakia	5 400	17,1	17,7	3 300	9 598	10 637	10,6	1,9
Slovenia	1 988	7,7	18,7	9 400	7 582	8 831	6,1	4,9
Turkey		7,3	173	2700	30562	46772	62,9	-6,4

Source: Eurostat

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The EC had stipulated the free movement of goods within the framework of the CU and the application of the Common Customs Tariff (CCT) to third countries from the outset. It subsequently adopted the European Single Market on 1 January 1993 as a result of the process that started with the European Single Act legislation in 1987. This allowed the free movement of other productive forces in addition to the free movement of goods among the members of the CU. At the Maastricht Summit on 10 December 1991, additions were made to the Rome Treaty and the scope of the Founding Agreements was enlarged. The Maastricht Treaty, which was signed on 7 February 1992 and put into effect in November 1993, established the EU. Hence, the EU is engaged in successfully handling "*deepening*" and "*widening*" issues as a result of progress concerning the economic, political and social integration since the Rome Treaty and the enlargement process which comprises 13 candidate countries.

In other words, the EU has become a legitimate candidate to act as one of the strongest global actors that will shape the new international order. The EU is a dynamic structure, which is able to renew and improve itself as a response to changing needs and conditions and in which the powers of the member states are centered on common targets, common interests and the principle of solidarity with a view to uniting Europe in the early days of the 21st century. Within this framework, the EU has not just directed its efforts to preserving the competitive power of its economy and improving it, but also started a period of restructuring to determine the weak links in the EU's political and social direction and to find solutions to these problems. The first concrete discussions concerning these matters were held at the 2000 Intergovernmental Conference when the preparations for the Nice Treaty were still going on. At this conference, some of the amendments achieved at the Nice Summit were discussed, various decisions concerning institutional reforms were made and issues that had yet to be agreed on were postponed until the Intergovernmental Conference due in 2004.

At the December 2001 Laeken Summit, it was decided that 'The Convention on the Future of Europe' would begin its work on 1 March 2002 in order to prepare for 2004 the Intergovernmental Conference. The Convention will prepare the necessary institutional reforms for a better management of the EU, will shape the necessary legal background (constitution) for the new stages of integration and more importantly, will conclude an ongoing debate in the member countries about the final or

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intermediate goals of integration by seeking an answer to the question: "What kind of a Union will the EU become?" Naturally, the leading EU member countries have different approaches to issues such as political union, defense and security, constitution, and social policies. For instance, in the context of the ongoing debate over the future political shape of the EU, Germany prefers a federal model whereas France defends the preservation of the nation-state. The United Kingdom, on the other hand, opposes the transfer of national sovereignty to the EU as a result of the excessive power of 'eurosceptic' thinking on public opinion.

The Effects of the Customs Union on the Turkish Economy

Following Greece, Turkey applied to become an 'associate member' of the European Economic Community (EEC) in July 1959, just one year after the establishment of the EEC. Whereas, Greece signed an Association Agreement in 1961, Turkey's relations with the Community came to a halt because of the 1960 military coup. After the completion of a series of negotiations the Association Agreement was signed on 12 September 1963 in Ankara with a big ceremony held at the Turkish Parliament and the full participation of foreign ministers from the six member states as well as the Commission President Prof. Dr. Walter Hallstein who declared that *"with this Association Agreement Turkey has tied her destiny and future to the European Communities".*[4] The Association Agreement entered into force in December 1964, after it was ratified by both the Parliaments of the EEC Member States and the Turkish Parliament and also by the General Agreement on Trade and Tariffs (GATT). The Ankara Agreement displayed the characteristics of a *"framework agreement"*.

In other words, the Ankara Agreement determines the general basis of the association relationship. The Ankara Agreement, composed of 33 articles, has transferred the right to determine principles for the customs union to the Additional Protocol, which was signed later as an application agreement in 1970. The Additional Protocol, which was put into effect in 1973 is composed of 64 articles. As stated in the Ankara Agreement and the Additional Protocol, the transition period ended on 31 December 1995. The CU entered into its final phase on 1 January 1996 following 1 January 1996 Decision 1/95 of the EC-Turkey Association Council.

In fact, this final stage is based on the CU and is a process wherein Turkey will take the necessary steps to prepare for full-membership to the EU. Article 28 of 1963 Association Agreement states that *"as soon as the*

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operation of the Agreement has advanced far enough to justify envisaging full acceptance by Turkey of the obligations arising out of the Treaty establishing the Community, the Contracting Parties shall examine the possibility of the accession of Turkey to the Community". Accordingly, we can characterise the 1963 Association Agreement in the following terms:

- The Association Agreement with Turkey was used as a form of *"pre-accession"* agreement and aimed at the accession of the associate state to the Community.

- It was also an *"association for the purposes of development."*

Although the customs union was an important aspect of the Association (which provided for not only the free movement of goods between Turkey and the EC, but also the adoption of the Common Customs tariff (CCT) and the Common Commercial Policy of the Community by Turkey), it was not only the principle of the free movement of goods, which was adopted from the Treaty of Rome. As this is a *"pre-accession association,"* the model included all the aspects of the Treaty of Rome which established the Community, not only the free movement of goods, but also the free movement of workers, the free movement of services and the free movement of capital, together with the freedom of establishment, and common policies of the Community that were present in the 1963 Association Agreement and the timetables. The calendars for their implementation were provided in the 1970 additional Protocol.

However, some commentators, newspaper editors and even *"leading experts"*, sometimes speak of *"signing an agreement in 1995 for establishing the CU"* as if an entirely new Agreement had in fact been signed. As stated above, this is not correct. In 1995 it was only an Association Council Decision, which was taken for the transition to the last stage of the CU as provided in the Association agreement of 1963 and in the Additional Protocol of 1970. In fact, as it is explained in the *"outline"* of the Association Agreement, together with the Additional Protocol (see Appendix), the timetable set out in this Additional Protocol, a period of 22 years, which commenced in 1973 with the entry into force of the Additional Protocol, ended in 1995, thus the CU was completed in accordance with these provisions. Therefore, it was not a *"new agreement"*, it was simply a *"Decision"* of the Association Council, declaring that the transitionary stage

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had been completed and that the *"final stage"* before full membership, which is based on a customs union, had commenced.[5]

The CU document which is composed of 66 articles, 17 notifications and 10 appendices that are either common or unilateral and related to some articles, foresees the free movement of industrial goods between the parties and harmonisation with the CCT of the EU.

In general, manufactured goods circulate freely within CU territory although certain non-tariff barriers exist on the Turkish side. Some long-standing trade disputes have not been solved. In particular access for alcoholic beverages is restricted and lengthy and burdensome testing is carried out on certain products (e.g. ceramics and tiles). The trade in agricultural products is inter alia still hampered by the Turkish ban on imports of live bovines and beef from the Community. This constitutes a violation of the relevant decision under the Association Agreement. It nullifies the concessions on those products granted by Turkey to the EC, in exchange for the import concessions granted by the EC on Turkish agricultural products. The issue of the application of rules of origin for Turkish tuna products is still outstanding.

The most important feature of the CU between Turkey and the EU is that, Turkey has realised the CU without becoming a member of the EU. It should be remembered that all the countries that have formerly concluded a CU with the EU have first signed a full-membership agreement with the EU and then entered the CU.

Why is the CU between Turkey and the EU important? Most countries in the world are members of regional trade agreements – customs unions, free trade areas or other preferential arrangements.[6] Over 200 regional trade agreements have been notified to the GATT or WTO to date; over 150 agreements are currently in force, and most of these have been concluded during the past 10 years. Since 1995, over 100 agreements covering trade in goods or services, or both, have been notified to the WTO.[7] The EU was also established on the basis of the CU and today, represents the most advanced level of economic integration models. Thus, the EU is currently involved in a process, which has progressed from economic and monetary union towards political union.

In addition the EU, the North American Free Trade Association (NAFTA) and the Asia Pacific Economic Cooperation (APEC) clearly constitute the current core of the world economy. While trade liberalization is taking place within these blocs, trade among these blocs is regulated. The trade volume within these blocs constitutes more than two-thirds of world trade volume. The fact that the EU's share accounts for 48% of world trade and 70% of that trade takes place within the EU only serves to underline the significance of Turkey's membership in this bloc.

The CU as an economic integration model foresees the elimination of customs duties, taxes having equivalent effect and quantity restrictions, and all of the measures having equivalent effect present in trade among the parties in addition to the application of a common customs tariff towards third countries that remain outside the Union. The fundamental principle is the free circulation of goods that are in the scope of the CU, without being subject to any kind of preventions. Therefore, common competition rules and common trade policies should be developed to ensure that all kind of discrimination will be prevented. It is only within this framework that the members of the Union will be able to produce and trade under equal conditions and in an environment of free competition. Hence, customs unions today, should be viewed in a wider sense beyond their classical definitions, and viewed parallel to improvements in the world economic environment.[8]

Since the start of the CU process with the EU in 1996, there has been an ongoing debate in Turkish public opinion over the following question: Has the CU, which was concluded before full-membership, been an advantage or disadvantage for Turkey? Leaving aside a small group which is basically opposed to the EU, the opinions of those groups which say *"yes to the EU"* and *"yes to the EU but"* should be accorded special importance. The core points around which discussions are centred can be outlined as follows:

1-Possibly the most important criticism concerning the CU is that Turkey is the only country, which has concluded the CU without becoming a full-member of the EU and the probable negative effects caused by this situation.[9]

According to this view, countries that entered the EU as full members completed the CU after a certain transition period. There is a zero tariff on

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the movement of industrial products stated in the CU, which was signed on 1 January 1995 as a Turkey-EU Partnership Council decision and put into effect in 1996. However, the 6 March 1995 document, which arranges the CU between Turkey and the CU obliges Turkey to comply with the external trade policies of the EU as well as the customs tariffs issue. In other words, Turkey guarantees that it will comply with the external trade policies of the EU determined according to the interests of the member states, although Turkey is a non-member country not represented in EU institutions. In this respect, the following issues are attracting particular attention:

a- Turkey must comply with the external trade policies of the EU (Article 64 and others);

b- Turkey must comply with the trade agreements of the EU signed with third countries to date and others that will be signed in the future (Article 16);

c- Restrictions to Turkey's preferential trade agreements with third countries (Article 16, paragraphs 2 and 3);

d- Turkey must strictly comply with past and future EU Court of Justice decisions concerning the CU (Article 64);

e- Turkey must comply with EU laws concerning issues related to the CU.

Some of the foreseen obligations are positive steps in the globalization and liberalization process of the Turkish economy. Yet, these obligations are mostly dependent on the unilateral decisions of the EU, and this has led to some draw-backs for Turkey. Turkey is not represented in the decision-making mechanisms of the EU and yet must also comply with the aforementioned obligations even if they are against Turkey's national interests. Otherwise, the EU has the right to take appropriate measures, namely it has the right to apply sanctions. The 6 March 1995 document stated that in the event of such a case, the EU will only provide information to Turkey and Turkey's opinion will merely be requested. However, the consultative mechanism envisaged for Turkey and the EU exhibits certain problems and is far from functioning smoothly, as the case of external trade policy demonstrates.

Thus, how can Turkey's political will to complete the CU be explained in an environment where the process of the elimination of tariff walls has started within the framework of GATT and in a period where Turkey's transition to full-membership to the EU was in a situation of stalemate? According to defenders of EU membership, *"Our relations with the Union were already in a poor state. Even though we have serious doubts as to whether the EU considered our membership desirable, we had to start the CU process in industrial products 22 years later as foreseen within the framework of the Additional Protocol; otherwise, the Ankara Agreement and the Additional protocol arranging our relations with the EU would legally be open to discussion and consequently, the issue of Turkey's EU membership would be put aside. More importantly, it is wrong to consider the CU merely by reference to its trade dimension. The CU constitutes a considerable step for Turkey on the way to becoming a 'European Country'. When this is the case, it would be wrong to turn our back on this 'civilisation project' when we did not start the CU process."*

Opponents of the EU had argued that, *"After the EU initiates the CU process with Turkey in the free movement of industrial products, why should they implement policies such as the free movement of labour, financial aid and Common Agricultural Policy which they believe will engender trouble for themselves when Turkey becomes a full member? In addition, Turkey will give unilateral guarantees, will comply with the customs tariffs and customs regime of the EU within the framework of the CU. Yet, Turkey will not be able to take part in any negotiation or decision-making process concerning the laws binding herself to the aforementioned. Moreover, Turkey will comply with the CU principles in her trade with third countries; in other words, from 1 January 1996 on, Turkey will comply with the agreements that the EU had previously signed with third countries for the last five year period and will guarantee compliance with all the preferential agreements to be concluded with third countries (even if these agreements are against the national interests of Turkey). Besides, no CU had been foreseen before full membership in any of the association agreements that the EU has signed with countries such as Poland, Hungary, and the Czech Republic whose full memberships are envisaged. There is a free trade process before full membership. As a result, the CU is unacceptable for the non-member state that can not participate in the decision-making mechanisms."*

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In short, people who were in favour of signing the CU before full membership argue that the CU was one of the most important milestones on the path to becoming a *"European Country"* since the *Tanzimat*. Otherwise, it was thought that the Ankara Agreement between Turkey and the EU would be questioned and this would mean Turkey was rapidly moving away from Europe. It was stressed that, the conclusion of the CU with the EU was important in that this fact demonstrated Turkey's political will. There was a strong expectation that the EU would respond to Turkey's display of determination by performing its obligations during the process of the CU and would support the development of a political will on the path to full membership.

However, the CU conflicts with Turkey's interests, according to people who oppose the opening of the CU process with the EU. Turkey has already entered the global competitive process during a period when tariff walls are falling within the framework of GATT agreements. If it is thought that the EU intends to accept Turkey as a full member, it would be more appropriate to sign a free trade agreement than the CU. The EU has taken what it wants from Turkey through the CU. In just the same way, the EU does not want to share its prosperity and thus is not minded towards Turkey's full-membership.[19] Under such conditions, the camp asks; how can one explain Turkey's transition to the third stage of the CU and Turkish dependence to external institutions on so many issues in terms of the national interest?

Therefore, the continuation of the CU for five years raises some questions. The shortcomings of the CU should be compensated for If Turkey were to experience any loss either in the economic and the political sense. This does not imply that a trade agreement would be more suitable than the CU, as some people claim in Turkey. On the contrary, attention must be drawn to the problems emerging from the CU and the need to solve them.

The CU aims to achieve the target of equal, balanced and just interest satisfaction on the basis of the principle of mutual dependence. On these grounds, it is technically possible to answer *"yes"* to the question; *"Has the CU achieved the targets which had been foreseen?"* It is also possible to answer *"yes"* partly in the economic sense to the question; *"Has the CU contributed to EU integration as stated in the Ankara Agreement?* The answer to this question in the political sense is closely related to whether the CU is perceived as a means for achieving EU membership or not. Turkey has demonstrated that she saw the CU as a means to achieving full-

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membership in the EU by signing the CU in 1996 even before becoming a full-member.

Let us now consider the EU side. Even though the confirmation of Turkey's candidate status at the 1999 Helsinki Summit has implied that the CU should be seen as a means, some of the political conditions set by Brussels on starting full-membership negotiations caused serious doubts to emerge on this issue. The answer to the question *"Are the inputs and outputs of the CU distributed equitably between the parties?"* is no. This is because the parties had different opinions concerning the CU. The Turkish side was against the CU when the issue of full membership appeared indefinite. Turkey could accept the CU only with EU financial aid and within the framework of full-membership. Turkey wanted to see that the system applied to Greece, Spain and Portugal should also be valid for Turkey. These countries had the right to complete the CU 7-9 years after they became members. These countries had the opportunity to finalize the CU by benefiting from the advantages of full-membership and consequently by decreasing their costs of adjustment. The EU wants Turkey to shoulder the burden of the CU while the EU itself does not apply its obligations towards Turkey.

Financial aid is necessary for the realization of the CU which engenders structural transformation. In fact, it had been foreseen that financial aid would be extended to Turkey and that Turkey would benefit from the preferential agreements the EU had signed with third countries when the CU document was signed in 1995. However, Turkey cannot benefit much from this financial cooperation as a result of Greece's blocking attitude. Clearly, the issue of financial cooperation has been a problematic area between Turkey and the EU. To which extent could Greece constitute a serious obstacle to the granting of financial cooperation and the solution of other problems between Turkey and the EU are matters of discussion. This attitude could also be supported, albeit in a covert way, by other member states of the EU where a political will concerning Turkey's full-membership has yet to emerge. Otherwise, it seems that the EU can easily overcome the Greek obstruction, particularly when it is considered that Greece is the weakest link in the Europe of 15. One striking example that supports this view is the fact that the EU member states and particularly Germany apply visa rules to Turkish businessmen despite the existence of the CU. More importantly, this situation is still continuing even though the European

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Parliament has passed a decision not to apply visas to the citizens of candidate countries.

How can the application of visa regulations to Turkish businessmen be explained in a period when the CU is being realized and the process of free movement of services has started? It should not be deduced that *"The free movement of goods has been achieved. The CU has been accomplished."* Turkey and the Union had agreed on the construction of a common market in real terms. That is, the free movement of capital, services and labour should also have been achieved as well as the free movement of goods. As negotiation is a mutual give and take process, it is not possible for a party to have all her demands accepted by the other party other than in very extraordinary conditions. Yet, Turkey could reach the goal of completing the CU only after making considerable concessions that were more than necessary or appropriate. For instance, the principle of free movement of labour was only limited to the betterment of the working conditions of people working in EU member countries. However, the aim of the CU is to provide competition, to reach competition under equal conditions. Is there competition under equal conditions between Turkey and the Union?

A businessman living in Germany, Cologne, can come to Turkey, promote his own product, participate in exhibitions or other activities without being subject to any restrictions. However, can a Turkish businessman from Kayseri go to Germany so easily? If a Turkish industrialist wants to exhibit his products in an exhibition in Cologne, he still has to obtain a visa. Even though things are easier for members of chambers of commerce and industry, a businessman has to go to the German Embassy in Ankara to apply for a visa, has to submit the necessary documents and then wait. If the reply is positive, the industrialist will have to return to Ankara again to retrieve his passport. (If he wants to send someone else to take back the passport on his behalf, he has to get a document of authorization from a public notary.)

If any of the necessary documents are somehow absent, their submission will also take time and the visa application can be rejected without any reason. Consequently, the Turkish businessman might arrive late in the country to which he had sent his products, and this is often the case. The visa requirement affects businessmen even more negatively in situations which require applications for urgent tenders. In fact, the visa requirement for Turkish businessmen during the process of the CU is against the related articles of both the Ankara Agreement and the Additional Protocol. The

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Turkish government has not been very effective in forcing the EU to meet her obligations in such matters as a result of Turkey's lack of representation in the decision making mechanisms of the EU.

2- The Turkish economy became an open market for the EU member countries and third countries after the CU, without the necessary preparation for international competition. This affected various sectors to differing extents and also caused the foreign trade deficit to expand.

Developments in the Turkish and the wider world economy in the period following the CU should also be evaluated when we examine the effects of the CU on Turkey's foreign trade. It would be misleading to perceive the CU as the only determining factor necessary for a correct examination of the factors affecting foreign trade. For instance, the financial crisis in the Far Eastern countries that started in July 1997, affected both the Turkish and the world economy. The financial crisis that started in Thailand in July 1997 spread quickly to Malaysia, Indonesia, the Philippines and South Korea. The negative effects of the crisis were also felt in Japan, Singapore and Hong Kong. Economic crisis was experienced in August 1998 in the Russian Federation and then in South America, particularly in Brazil. The negative effects of the moratorium that the Russian Federation declared and the controls that Malaysia started to apply on capital movements ensured that the crisis soon affected most developing countries. The Turkish economy had achieved a 7.1% rate of economic growth in industrial products in 1996 and 10.4 % in 1997 after the CU. However, the Turkish economy has gone through a period of stagnation since 1998 and the macroeconomic stability program has not been successful to date.

The effects of the CU on the Turkish economy can be stated as follows:

The level of protection on the imports of industrial products from the EU and EFTA countries was totally eliminated after the CU, whereas this level was 5,9% before the CU. In addition, the level of protection on imports from third countries was decreased to 6% from 10,8% as a result of harmonization with the CCT again, after the completion of the CU. Accordingly, there has been a rapid increase in Turkish imports. Evaluations about the effects of the CU on exports demonstrate that it would be wrong to expect an increase in exports only resulting from the CU process, except for a limited increase of exports to EU countries resulting from the elimination of textile quotas. In fact, there has been no restriction on Turkey's exports of

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industrial products since the beginning of the 1970's. Thus, there has been no significant increase in exports, other than at the normal rate. In other words, the EU member countries' elimination of the customs duties on Turkish imports in 1973 upon the signing of the Additional Protocol and the realization of the CU did not bring any new advantage to Turkey, particularly when exports are concerned.

Looking at the distribution of imports from the EU between 1995-2000, it can be observed that investment goods account for a share of approximately 29,3%, intermediate goods that are inputs to industry account for a share of approximately 55% and consumption goods have a share of approximately 14,3%. It can also be seen that the 8,8% share of consumption goods in 1995 increased to 12,4% in 1996. However, Turkey has substantially eliminated the customs duties she applied on investment goods since the beginning of the 1980's within the framework of investment promotion. Consequently, the CU did not have a serious effect on the duties applied to imports of this type of goods. The situation regarding the consumption goods is different. There has been an increase of approximately 100% on the imports of consumption goods compared to 1995. The main reason underlying this increase is attributable to the elimination of some restrictive measures such as high customs duties and quantity quotas that had been applied to consumption goods before the CU.

As can be seen from table 2, the EU was in the first rank of Turkey's foreign trade both before the CU and after 1 January 1996. The EU's share in the total trade volume which was around 45% between 1993-1995 increased to 51% between 1996-2000. It can be seen that there has been a continuous but slow increase in exports following the CU. However, a considerable increase can be observed particularly in 1996. Turkey's foreign trade deficit with the EU and third countries still continue, even though the CU has affected overall trade in differing ways.[11]

Investment and intermediate goods that provide inputs to Turkish industry constitute the bulk of Turkey's imports and this fact demonstrates the healthy structure of Turkish imports. The imports of investment goods that require high technology necessitates also the use of high technology in the production of the related goods and eventually have a positive effect on the production quality as another factor leading firms to R&D. Yet, the most important problem facing Turkish industrialists here is the lack of suitable financing opportunities that is provided to their European competitors.

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Cheap credit possibilities in the EU, advantages in other inputs and secret subsidies cause Turkish firms to face unfair competition and thus particularly hinder the imports of intermediate goods that are produced in Turkey. For instance, the foreign input in 1 unit of production in the textile sector was 32% before the CU, whereas this proportion increased to 77% in 2000.[12] Although the import of mostly investment and intermediate goods is a good sign for the Turkish economy, it should not be forgotten that increases in the imports of these types of goods that are also produced in Turkey gradually caused many small and medium-sized enterprises (SMSE) to close down, unemployment to increase and the foreign trade deficit to grow. The number of firms that were newly opened or closed down can be pointed to as the indicators of the most negative effects of the CU on Turkish industry. The number of newly opened firms was 22872 in 1995, whereas it decreased to 14600 in 1996 and to 11500 in 1997. These numbers started to increase between 1998-2001. There is a similar state of affairs in the number of firms closed down during the same period. The number of firms closed down in 1995 was 19000, whereas this number decreased to 12000 in 1996 after the CU and to 13000 in 1997. This number increased from 1998 onwards. In short, the common opinion of experts in this field has emphasized the need to evaluate the number of closed or opened firms as a consequence of the direct effect of the CU on the Turkish economy.[13]

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Table 2: Turkey's Foreign Trade and EU's Share (Million $)

General						European Union					EU's Share (%)		
Year	Exports	Value (%)	Imports	Value (%)	Ex/Im	Exports	Value (%)	Imports	Value (%)	Ex/Im	Exports	Imports	Volume
1993	15,348	---	29,429	---	52,2	7,288	---	12,950	---	56,3	47,5	44,0	45,2
1994	18,105	18,0	23,270	-20,9	77,8	8,634	18,5	10,279	-20,6	84,0	47,7	44,2	45,7
1995	21,636	19,5	35,707	53,4	60,6	11,078	28,3	16,860	64,0	65,7	51,2	47,2	48,7
1996	23,224	7,3	43,626	22,2	53,2	11,548	4,2	23,138	37,2	49,9	49,7	53,0	51,9
1997	26,261	13,1	48,559	11,3	54,1	12,248	6,1	22,870	7,5	49,2	46,6	51,2	49,6
1998	26,974	2,7	45,921	-5,4	58,7	13,498	10,2	24,075	-3,2	56,1	50,0	52,4	51,5
1999	26,587	-1,4	40,687	-11,4	65,3	14,348	6,3	21,416	-11,0	67,0	54,1	52,6	53,2
2000	27,324	2,8	53,983	32,7	50,6	14,352	0,03	26,388	23,2	54,4	52,5	48,9	50,1
2000*	16,094	---	30,156	---	53,4	8,492	---	14,933	---	56,9	52,8	49,5	50,6
2001*	17,571	9,2	23,642	-21,6	74,3	9,230	8,7	10,604	-29,0	87,0	52,5	44,9	48,1

(*) January – July

Source: TR Prime Ministry Foreign Trade Undersecreteriat and State Statistics Institute.

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Supporters of the CU argue that the foreign trade deficit towards the EU is misleading and the current account is generally positive when the unobservable foreign exchange revenues from tourism, transportation and the worker foreign exchanges are taken into account. Yet, opponents of this view point to the fact that the official authorities themselves have observed that there was 57 billion dollars of foreign trade deficit in dealings with the EU during the 5 year period. In addition, it can be observed that the sharp fall in Turkey's imports during the 2 years crisis period and the increase in the exchange rate have also played a role in the relative decrease in the foreign trade deficit. Moreover, and most importantly, it can be stated that the use of revenues from tourism and worker' foreign exchanges in particular to the financing of the foreign trade deficit in Turkey instead of the transfer of these funds to them to infrastructural investments have made the CU's present way of application a debatable matter, contrary to the claims.

Supporters of the CU again, state that those firms which have closed down will be replaced by new firms and unemployment will decrease in the medium and the long run proportional to the adaptation level of the Turkish economy to the conditions of competition. However, the macroeconomic problems that has faced Turkey for a long time, the use of the country's internal and external resources in the payment of internal and external debts, the lack of foreign direct investment that was expected to follow in the wake of the CU and the lack of EU financial support needed to restructure the Turkish economy as extended to Greece, Portugal and Spain, and the lack of a harmonization program which also highlight the resources to be used in preparing the Turkish economy for international competition particularly in the process of the CU are facts that have placed Turkey in an unfavourable situation. In reality, data from the latest research conducted into the CU indicates both an increase in export performance and an inter-sectoral increase. Thus, the export increase that took place after the realization of the CU has happened in more sectors compared to the period before the CU. Forty-two

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sectors have grown such as the automotive sector, whereas 26 sectors including the textile sector were not among the sectors examined in the scope of the aforementioned research. Clearly, there is a need for more wide-ranging research on this issue.

The SMSE have an important role to play during the CU process. The reasons for this can be listed as follows: The importance of the SMSE in the economy is increasing in the EU both numerically and in terms of their share of total production. The inclination of the SMSE towards technical renewal and their elastic character in terms of consumer preferences, their rapid adaptation to conjunctural shifts, their positive contribution to balanced interregional growth and to the increase in the level of employment, their less bureaucratic structure and their contribution to the promotion of competition account for the positive factors of the SMSE. SMSE's in Turkey that constitute 99% of the total number of enterprises should be restructured and promoted in order to be able to succeed in the competitive conditions of the CU. Therefore, the support and the promotion of the SMSE in Turkey and the EU should be handled in the EU-Turkey Partnership Council within the framework of the CU.[14]

Turkey did not need to enter the CU in order to open the Turkish economy to international competition. Turkey was already one of the countries that had signed the agreements system of GATT 94.

GATT 94 is an international agreement that Turkey signed independent of EU relations and extensive guarantees were given on the opening up of the economy to foreign and service trade. Thus, GATT 94 would in and of itself already fulfill Turkey's needs by creating an economy that could adapt itself to competitive pressures.[15]

The CU between Turkey and the EU has been completed in a way that complies with the WTO rules. The fundamental aim of the WTO is to promote liberal governance of the world economy. The WTO has eliminated the quantity restrictions in trade among signatories, decreased customs duties, achieved a uniform application of rules by international arrangements in the fields of public purchases, technical barriers, services and etc. And it has foreseen the harmonization of

laws and the mutual opening of member countries' markets in order to expand and increase international trade. The fundamental component of this process is the Most Favoured Nation (MFN) rule. In other words, the trade concessions given to a member country by another are extended to other members in order to eliminate discrimination. However, there are some exceptions to this fundamental WTO rule.[16]

It should be noted that some of the protectionist measures applied by the EU applies via unilateral decisions in the process of the CU and the inability of the Turkish Government to take measures that will protect her economy because of the requirement to comply with the decisions of Brussels, or to put the matter more simply, her inability to negotiate, renders considerable harm to the Turkish economy. On this issue, it is sufficient to look at the effects of US and EU decisions in March 2002 concerning mutual retaliation on limiting the imports of steel products.[17] The U.S. President did not take the free market rules and world free trade agreements into account and considerably increased the level of customs duties applied to U.S. iron-steel imports. The reason behind this decision was the technological backwardness of the U.S. iron-steel industry when compared to the European and Japanese industries.

In other words, the U.S. iron-steel industry could not compete in the global sense and needed time for technological renewal. Consequently, tariff walls in iron-steel products were raised by approximately 30% in order to protect this sector and its workers.

Turkey was also included in the restrictions of iron-steel imports that the EU applied on the U.S. in retaliation even though this was against the CU and the Turkey-ECSC Free Trade Agreement. Turkey is one of the top exporters of steel to the EU with 2,7 million tons of steel exports. As a result, Turkey was required to comply with the decisions taken in EU institutions, where she is not represented, according to the interests of the EU member countries because of the rules of the CU. What can the Turkish Government do against this? It

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can reject, or, maybe end this unfair treatment. The important thing here is that Turkey is being treated like a third country even though she is not. Hence, as long as Turkey is not represented in the decision-making mechanisms of the EU, these unfair EU measures towards Turkey will continue in the future.

As seen above, the policy of trade protectionism does not possess any common features. The European Commission is both the authority responsible for the use of anti-dumping tools against third countries and monitors the application of the competition policy by all member countries at the same time. Therefore, the European Commission has a supervisory role. In the CU between Turkey and the EU, trade protectionist policies can be coordinated under some conditions within the framework of the CU decision of the Association Council (no. 1/95, Article 45), although there is no common policy or an impartial monitoring authority.

In addition, the tools of trade protectionism can be used between the parties. The CU decision of the Association Council (no. 1/95, Article 44) envisages that the Association Council can consider the use of trade protectionist tools between Turkey and the EU. However, the CU decision refers to a flexible formula for this to be realized. In other words, the parties refer to adoption of a level of protection equivalent to the EU level against unfair competition rather than determining the legal basis that should be complied with in order to achieve progress in this field. Within this framework, Turkey should harmonize her laws considering the internal market (particularly the rules of competition, state subsidies) and to apply these effectively as well as accepting and applying the rules related to the free movement of goods between Turkey and the EU. At present, the elimination/abolition of the trade protectionist tools is due to various problems experienced in the application of the CU.

4. An increase in foreign direct investments and aid from EU funds were some of the most important benefits Turkey had expected from the EU and the CU. However, these expectations have not been fulfilled.

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In particular, Turkey expected two resources in order to increase the growth rate during the CU process and afterwards, with the expectation of a start to full-membership negotiations. The first resource was the expectation of an increase in foreign investment in Turkey. The second expectation concerned the aid to be provided from EU funds. The Greek, Spanish and Portuguese experiments had demonstrated the importance of these two resources for Turkey. Under the same conditions, Turkey would have decreased the cost of opening up her economy, so far borne by Turkey alone. Nevertheless, these two aims have remained unfulfilled during and after the transition to the final stage of the CU in 1996.

A. Foreign investment has not reached the expected level

The leading reason why foreign investments in Turkey have not been achieved at the expected level may be economic and political instability in the country. In this regard, Turkey is listed among the most risky countries in the world, and international rating associations occasionally lower Turkey's credit rating. Hence, a report prepared by the State Planning Institute (SPI) on the basis of data provided by various international organizations states that "capital flow is prevented by bureaucratic obstructions and poor legislation", and the real cause for direct investment oriented foreign capital not entering Turkey at the expected level is "economic and political instability."[18]

More importantly, foreign direct investment manifests a globally decreasing trend. Short term speculative capital flows, however, displayed great increases since the 1990s and caused an overall increase in financial flows on the global scale. The so-called "hot money", speculative capital flows directed towards benefiting from exchange rate/interest rate arbitration is naturally not inclined towards investments in developing countries, and can lead to an important effect on the economies of such nations as it can be rapidly transferred from a country in a "delicate condition" to another. Hence, the "hot money" transferred from Turkey during the recent crisis provides a

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good example of this type of development. For this reason, the competition between developing countries for getting their share of foreign direct investments is becoming fiercer. There are various reasons why the amount of foreign investment in Turkey after the CU has not increased in line with expectations.

Turkey also supported the draft "Multilateral Investment Agreement" prepared by representatives of the OECD countries that contained radical decisions aimed at easing international capital investments.[19] Although the agreement was scaled back in the face of global reaction, a partial application of the agreement decisions has been observed. Within this perspective, the Turkish government has signed "Mutual Promotion and Protection of Investment" agreements with 57 countries and "Prevention of Double Taxing Agreement" with 42 countries since 2000. In addition, as a member of the WTO and the OECD, Turkey is allied to the "Multilateral Investment Agency" and the "International Center for the Resolution of Investment Disputes." The "Foreign Direct Investment Law Draft" which is currently being drafted aims to achieve the equalization of foreign and local investors. More importantly, Turkey has completed the CU with the EU, and holds candidate status for entry to the Union.

In particular, the foreign capital experiences of Greece, Spain and Portugal in the 1980s, following full membership to the Union provide lessons for Turkey. Spain made important steps towards the liberalization of foreign capital laws from the beginning of the 1980s, before full-membership. Spain's accession to the EC after 1986 encouraged EU investors to move towards Spain. Consequently, foreign direct capital investment that had previously been at 1.7 billion dollars increased 79% in 1986 to 3 billion dollars. This trend continued after 1986. Foreign investments in 1990 increased 225% with respect to 1986 and reached approximately 11 billion dollars. As a result, the determining factors for EU investors to invest in Spain - "liberal foreign capital laws, low labor cost, the size of national market, transportation possibilities to other markets, import potential, etc.- were also thought to be valid for Turkey.[29] However, unlike these countries, Turkey had to implement the CU before full membership. However, foreign direct capital investments were

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expected to increase during the CU and the following membership negotiations.

However, the lessons taken from the experiences of Southern European countries that became members of the EC in the 1980s were not directly relevant for Turkey since its membership could not be realized following the application for membership in 1987. Turkey was granted candidate country status at the Helsinki Summit of 1999 and included in the enlargement round with 10 Central and Eastern European and two South-east European countries. It was evaluated together with the current candidate countries and was held responsible for meeting the Copenhagen Criteria. The only country among the 13 candidate countries which has not started the full membership negotiations is Turkey. The EU's refusal to grant a date for full-membership negotiations as a result of certain political conditions is undoubtedly influencing foreign investors after the CU. Therefore, unlike the other candidate countries involved in full-membership negotiations with the EU, Turkey has not experienced a worthwhile increase in foreign direct capital investments following the CU. (See table 4)

In reality, Turkey is in a much better position than most of the other candidate countries in respect to the size of its economy and potential, and in addition to factors such as the candidacy status to the EU and the CU with the EU, Turkey has the potential to attract high levels of foreign direct investment due to her important geographical location, large domestic market, potential for a high growth rate, consumer openness to novelty, educated human resources, qualified work force and executive class and liberal capital laws.

Nevertheless, the fact that Turkey has developed one of the most liberal foreign investment laws[21], is of no consequence when one considers the lack of political will in Turkey which is needed to provide the economic and political stability that would encourage investors. This situation was also valid for the Eastern European

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countries. However, the determination displayed by the EU in accepting these Central and Eastern European countries has been effective in encouraging international capital to be directed to these countries despite remaining problems. Therefore, the EU is withholding from Turkey the support given to Eastern European countries during the candidacy process.

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TABLE 3: TOTAL FOREIGN INVESTMENT AND %GDP OF CANDIDATE COUNTRIES

	1995		1999	
	Mn Euro	%GDP	Mn Euro	%GDP
Bulgaria	69	0,7	756	6,5
Cyprus	66	1,0	642	7,5
The Czech Republic	1960	4,6	5932	11,6
Estonia	154	5,7	284	5,8
Hungary	3675	10.8	1849	4,1
Latvia	55	1,2	456	4,6
Lithuania	136	4,0	334	5,2
Malta	101	4,1	770	22,5
Poland	2797	2,9	6821	4,7
Romania	320	1,2	977	3,0
Slovakia	235	1,6	78	0,4
Slovenia	181	1,3	306	1,7
Turkey	677	0,5	735	0,4

Source : Eurostat (Mn Euro: Million Euros)

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EU countries, especially Germany have played a major role in the direction of foreign capital investments to East European countries since the beginning of the 1990s. In this context, the German government for instance, has been insuring companies -by state banks or public financial institutions especially appointed for this task- that were prepared to invest in countries where German companies are encouraged to invest, for the sake of political and economic interests.

The explanation above reveals that it would be wrong to relate the aid and foreign capital investments given particularly to Poland, the Czech Republic, Hungary and the other Eastern European countries after the demise of the Berlin Wall, only to the appropriate conditions that arose during the transition process to the market economy. As a result of multi-directional support from the EU, Poland the membership of which is evaluated as the most problematic among the candidate countries received a total of 43 billion dollars foreign capital investment during the ten year period until 2001.[22] Indeed, this interest is a reflection of "the political will" of some dominant countries in the EU like Germany which would like to see these countries enter the Union.

The politics of these countries naturally determine the EU's attitude towards these candidate countries. Mr. Verheugen, the EU Commissioner Responsible for Enlargement has answered doubts about Poland's membership, which is a "problematic" candidate country given that her area and population are bigger than all the other candidate countries except Turkey in the following terms: "*What I can say about Poland is that Poland is being done an injustice. Poland with a population of close to 40 million is the biggest country present in this process. Therefore, it is only natural for there to be problems in Poland that are absent in other countries. It is very normal for a big and strong country like Poland to face very different problems than those facing the small countries. For this reason, the negotiation meetings held with Poland are more complicated and last longer. However, it would not be right to reach the conclusion that Poland is not ready.*"[23]

Nevertheless, this political will is absent from the agenda. For this reason, foreign direct investments have not reached expected levels despite various promotion measures (current annual foreign investment in Turkey is about 1 billion dollars.) International financial institutions are also not displaying any special effort towards directing investors to Turkey.

In other words, are bureaucratic obstructions and economic and political instability the reasons why the expected increase in foreign capital entry following the transition to the final stage of the CU has failed to materialize? If we take into account the fact that Turkey has one of the most liberal foreign capital laws in the world, it would be very hard to answer this question positively, even if the aforementioned problems are present to a certain degree. On a comparison with the other candidate countries, it can be seen that the more important reason for failure of foreign capital especially European capital to enter Turkey at the expected level during the CU process was the lack of political will the EU has displayed regarding Turkey's membership.

David Barchard has analyzed the lack of political will displayed by the EU concerning Turkey's membership as follows: "*Opening negotiations, regardless of the length of time they subsequently take, would commit the EU to admitting Turkey as a member some day. Until negotiations open, Turkey does not have that certainty. It is only a potential future member. Turkey's status despite nearly 40 years of association with the EU, is unclear while that of all the other eleven applicants is –ultimately- guaranteed. If negotiations were opened, it would be a very powerful reassuring gesture to both the Turkish public and to potential investors of what lay ahead.*"[24] This situation can be understood more clearly when the EU's encouragement of investors in other countries is examined.

Another development that took place during the CU process is capital export from Turkey to foreign countries (especially to the EU countries) because of the uncertainty over Turkey's full membership. The export of capital out of Turkey via direct investments since entry to the CU has rapidly increased. By the end of 2001, it had reached a total of 5 billion dollars.[25]

B. EU financial aid necessary to assist the transition to the final stage of the CU has not been provided

The EU had previously provided aid to the Southern European Countries. The aid Greece received from the EU budget during 1981-1996 totals up to 44.2 billion Euros. On becoming members in 1986, Spain and Portugal also received significant amounts of aid from EU funds.[26] Based on the experiences of these countries, Turkey had initially expected to

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accomplish structural reforms following the CU, with aid that would flow from EU funds.

Turkey received 1.3 billion Euros in credit and 144 million Euros in aid from EU sources during the period until the Helsinki Summit (1963-1999). According to the General Secretariat for EU Affairs, the EU is going to release 4.5 billion Euros in aid to Turkey during the period 2001-2006. (It is estimated that Turkey will benefit from donations of 1 billion and 403 million Euros and credits of 3 billion 170 million Euros during the 2001-2006 period. It has also been decided that Turkey is to benefit from donations of 809 million Euros within the MEDA 2 Program that will continue until 2006 and a further 150 million Euros within the perspective of the special cooperation that will last until 2003. Turkey will also be able to use a 2 billion 570 million Euros credit from European Investment Bank sources.) According to the General Secretariat for EU Affairs, Turkey needs to receive 15 billion dollars in order to be able to accomplish the reforms stated in the NPAA.[27]

It is well-known that during the period Spain acceded to the Union, Spain was a country with a poor industry, a problematic agricultural sector, a weak financial system and most importantly an immature democracy. Consequently, the fact that Spain was a comparatively poor country below the EU average, her competition with France in the fishing and agricultural sectors, and the fear of potential waves of immigrants from Iberia to the north together with Portugal's concomitant accession disturbed the Union. However, as a result of the political will demonstrated by Spain as well as the political will demonstrated by the Union, Spain achieved great progress in the economic, political and social spheres after 1986. By using her power in the decision-making mechanisms of the Union after becoming a member, Spain was able to turn the Union's regional development policy to her benefit. The process of internalising democratic culture in societal and political terms in Spain was supported by a strong legal infrastructure (fundamental human rights, freedom of speech and the dominance of civilian political will) that developed as a result of membership to the Union.

Spanish companies became internationally renowned for their exports, brands and technology. Whereas Spain used to exemplify a centralist state structure, Spain today has implemented one of the most extensive models of devolved, local governance in Europe as a result of reforms realized at the administrative level. In Spain, the two ethnically distinct regions of Catalonia and the Basque region enjoy extensive autonomy as do 15 other regions. Financial aid from the EC as well as just being a member of the EC

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provided welfare, security and stability in Spain and reinforced the recently established democratic system. Spain sustained the reform process with a great amount of financial aid after membership to the Union. Spain also benefited from the fact that the laws of the Union were not as extensive then as they are today. Turkey faces the responsibility for accomplishing these reforms although it has started the CU process without ever participating in the decision making mechanisms of the EU, unlike Spain.

Accordingly, since the 1990s Eastern European countries have been receiving aid from member and non-member countries and from international organizations and not on the basis of mutual relations. The amount of aid released to Eastern European countries until December 31 1995 by the Union totaled to 86.5 billion Euro. (This amount excludes the aid given to Russia and the ex-Soviet Republics.) In addition, aid provided by EU member countries in the context of mutual relations has been effective in the process of reconstruction in these countries. For instance, two thirds of the aid Germany gave to Eastern European countries during 1989-1995 was directed to Poland, the Czech Republic, Hungary and Slovakia. In addition to this aid, Germany was able to secure the postponement of Eastern European countries' debt repayments by petitioning the Paris Club. In this context, Germany postponed Poland's debt of 5 billion Marks as well as extending a further credit of 4.5 billion Marks. This amount represents one third of the total contribution made by all the countries that participated in the debt postponement effort as members of the Paris Club.[28]

When the level of aid that the EU has released to the new candidate countries is compared with the aid received by the Southern European members, a continuous decline in the amount of aid is apparent. There has been reaction to this issue from the governments of the candidate countries. The same reaction has also come from dominant powers within the EU. The chancellor candidate of the German conservative parties (CDU/CSU) for the elections of September 2002, Edmund Stoiber, has expressed the following view about the aid extended to the candidate countries: *"The enlargement process should be completed rapidly and the financial support necessary for this process should be supplied as soon as possible. For this reason, financial support amounting to 68 billion Euros to the candidate countries for the 2002-2006 periods within the perspective of Agenda 2000 should be increased. Respectively, the amount of financial support designated for the*

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15 member countries during the same period is 632 billion Euros as provided for in Agenda 2000. Member countries should display solidarity with the candidate countries by providing more financial support." [29]

Stoiber is hereby calling on the Southern members of the EU which have been receiving considerable financial support from the Union budget, primarily for agriculture to make sacrifices. He is saying that these countries should not impose the burden on a couple of countries and should reduce their shares from the Union budget so that the EU can conclude the enlargement process as soon as possible. In his own words: *"Eastern European countries are naturally a part of Europe. If the Cold War had not taken place, Hungary and Poland's membership bids would not have been left until after Spain and Portugal's accession."* [30] In other words, Stoiber is telling the Southern members of the EU to sacrifice more in order to expedite the enlargement process. As a result, the huge amounts of aid Spain, Portugal and Greece received from Union funds will not be available for the new candidate countries. Turkey, on the other hand, has not received some of the aid to which she is rightly entitled as a result of her candidate country status and from the CU because, as always, the extension of this aid has been derailed by the excuse of the Greek veto.

Conclusion

The CU is the last phase of the three staged integration model foreseen on the Ankara agreement that constitutes the legal basis of the partnership between Turkey and the EU. There are still ongoing discussions about the CU, a stage of the partnership relationship that started in 1963 with the aim of full membership and put into effect on 1996 with the enactment of the CU decision of the Association Council –No. 1/95. However, discussions over the CU should not be understood in terms of a conflict between supporters and opponents of the CU. The discussions over the CU are basically taking place among people who are in favour of integration with the EU and who accept the CU with this aim in mind. (People in Turkey largely support integration except for some radical and marginal groups.) Consequently, it is possible to characterize the parties present in the CU debate as displaying two fundamental opinions - *"yes to the EU"* and *"yes to the EU but."* The problems emerging from completing the CU before full membership, worries about the fact that no full membership perspective has been given to Turkey despite the operation of the CU, *"the lack of political will in Turkey"* in the integration process with the EU, *"the lack of the same political will in Europe"* constitute the core elements underpinning these discussions.

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Discussions over the CU has centered on the various characteristics and deficiencies of the CU between Turkey and the EU which distinguish it from the other customs unions that have been entered into. The most important of these features can be listed as follows:

• According to the CU decision of the Association Council, the final period concerning relations with the EU has started as given in the Article 28 of the Ankara Agreement. This period is based on the CU wherein Turkey will take the necessary steps to prepare for full-membership into the EU. This situation is another element that distinguishes the CU between Turkey and the EU from other trade integration projects. Consequently, it should be noted that the parties to a trade integration based on the CU have to determine their trade policies towards countries outside the Union jointly and after a negotiation process. Turkey has not negotiated the common measures that the parties will apply to third countries before the enactment of the CU.

• The CU between Turkey and the EU is structurally different from a customs union in the classical sense. This difference stems from the fact that the CU between Turkey and the EU is not only restricted to the elimination of customs duties and quotas and the application of common protection levels to third countries, but also includes the harmonization of all the measures that can affect trade directly and indirectly(competition policy, state subsidies, standards and technical laws and regulations, protection of intellectual property rights) that are rooted in the aim of achieving the free movement of goods.

• The establishment of a consultation and decision-making mechanism procedure between the parties as necessitated by the common trade policy application of the customs unions is inevitable. Although it was foreseen in the CU decision no. 1/95; an operational consultative procedure was not established between Turkey and the EU at the start of the CU process. The fact that the EU did not arrange the necessary consultations with Turkey during the formation of EU laws and regulations in the aforementioned fields can be clearly observed in the process of Turkey's harmonization with the dynamic trade policies of the EU and its technical laws and regulations. Therefore, the CU between Turkey and the EU does not contain a mechanism that will allow Turkey's economic interests to be reflected in the decision-making process.

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• There is no mechanism regarding joint representation in international platforms involving the CU between Turkey and the EU. This deficiency will be clearly felt in the new negotiation rounds of the WTO. As a result of the CU, Turkey automatically started to apply common rates of customs duties from 1.1.1996 onwards that are considerably below the WTO guarantees. New discount guarantees regarding industrial products will weaken Turkey's advantages, in the EU market towards third countries particularly for determined sectors. New regulations concerning Common Trade, Competition and Agriculture on the EU's part following the start of new multi-lateral trade negotiations, will mean additional extensive concessions and guarantees for Turkey.

• It is known that the bloc of developed countries benefits more from gains in the liberalization of trade in terms of competitive power and efficiency, particularly in the customs unions signed between parties among which economic development disparities are clearly observable, and that in such types of integration (such as the association agreements that the EU has concluded with Greece, Spain, Portugal, Malta and Southern Cyprus) compensation-granting mechanisms are implemented in order to improve competitive power and efficiency. The most important of these mechanisms are technical aids, donations and the guarantee of participation in Union programs. It is not possible to say that an operational, financial support mechanism has been established following the CU regarding Turkey-EU relations.

• The EU Commission issued a unilateral declaration after the CU decision which will provide some of the financial resources needed by the Turkish industrial sector in order to adapt to the new competitive environment that the CU will create, improve Turkey's infrastructural connection with the EU and reduce the difference between the economies, regarding economic development levels and differences in the competitive powers of the parties that agreed the CU. Turkey has only been able to use a small amount of the financial aid foreseen within this framework as a result of Greece's political obstructionism. As a matter of fact, Turkey has benefited least of all from EU financial aid when compared with the other candidate countries. In addition, the amount of aid that the EU had envisaged for Turkey in her candidacy period is very low when compared with the other candidate countries.

When the effect of the CU on the Turkish economy is considered, it can be seen that the CU has played an important role in changing the Turkish foreign trade in favour of imports, even though, this has not been the sole determining factor. If the rate of company establishments/dissolutions during the 1996-2001 on which the Customs Union is accepted to have had a direct impact is taken into account, it cannot be argued that the Customs Union has positively impacted on employment in Turkey. Although it is true that the Customs Union directed Turkish companies towards R&D activities in order to be able to compete, it is unclear as to how the resource for these activities will be generated. Given the existence of the CU, the causes for the low level of foreign capital entry into Turkey when compared with the other candidate countries cannot be explained only by reference to macroeconomic values.

Although these expectations have yet to be fully realized, the positive effects of the Customs Union on the Turkish understanding of production and consumer consciousness should also be underlined. Although the question of how the required financial support will be supplied remains an unanswered question, the establishment of Turkish companies, especially SMSE and therefore their direction to R&D should be regarded as the positive effects of the Customs Union. Additionally, the legal and administrative reforms activated by the CU decision within the context of harmonization with EU technical laws and technical standards have also caused the production mentality of Turkish Industry to enter a process of change.

The Turkish NPAA also includes obligations within the CU framework. Previous and ongoing efforts within the perspective of the Customs Union are expected to expedite harmonization efforts during a period when transition to the negotiation process is envisaged to start at the Copenhagen Summit in December 2002.

An examination of the 29 chapters which form the foundation of the negotiation process reveals the presence therein of five areas mentioned in the CU decision concerning harmonization with EU laws. Through the CU, Turkey has been able to largely complete the obligations of a candidate country on chapters relating to free movement of goods and customs primarily, and also, competition, consumer and public health and foreign

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economic relations through the Customs Union. These chapters will be swiftly resolved on the start of negotiations.

Turkey is of course the only country which has not yet started the accession negotiations. The EU has determined that the fulfillment of the Copenhagen political criteria is a prerequisite before the start of accession negotiations. Turkey wants a timetable for full membership from the Copenhagen Summit that will convene in December 2002 since Turkey has satisfied the short-term political demands of the EU. At the Copenhagen summit the EU is expected to proclaim the 10 candidate countries as full-members from 2004. In fact, all the candidate countries with the exception of Turkey will become full members of the Union in the next 4-5 years.

However, it is clearly the case that the EU has not demonstrated the political will needed to start negotiations for full-membership even though Turkey fulfills the political criteria. One of the most important reasons for this is the Cyprus issue. Even though the Cyprus issue is not part of the Copenhagen political criteria that Turkey is required to fulfill, the EU wants Turkey's support for a political resolution over Cyprus. However, Turkey has evaluated this demand not as the means of securing a political resolution in Cyprus that takes the interests of both parties into account, but as a form of pressure to accept the Greek position over the island. In fact, negotiations between the leaders of the two societies on the island are continuing. However, it would be wrong to expect any resolution of the problems on the island in the short run if no pressure is exerted upon Greece to find a solution to the problem. The EU must accept its share of responsibility if the Greek Cypriots are not willing to find a solution together with the Turkish Cypriots upon the guarantee of full-membership. Turkey wants the EU to behave equally and fairly to both parties concerning the Cyprus issue. The EU needs to display such an attitude as that would be important in finding an acceptable solution to the problem which would not affect Turkey-EU relations negatively.

While arguing that the political will necessary for Turkey's full-membership has not been yet established in certain active EU member countries, Germany being the foremost; it should not be deduced that the EU is responsible for this problem and that everything is running smoothly on Turkey's part. Notwithstanding discussions about whether Turkey did the right or wrong thing by entering the CU, the display Turkey's political will cannot be overlooked. Important steps are being taken to fulfill the Copenhagen criteria.

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Three groups are having a marked impact on this process: The "Yes, to the EU", the "No, to the EU" and the "Yes, to the EU, but..." camps. The attitudes of the people in the first and the second groups are certain. The number of the people in the third group, however, is much higher than the number of people in the first and the second groups. It is not the Copenhagen criteria that concern the people in the "Yes, to the EU, but..." camp.

For Turkey's membership bid to succeed it is clearly the case that the internal and external dynamics outlined previously should complement each other. The fact that Brussels has not followed a clear policy regarding Turkey's membership has prevented the project of EU membership from evolving into a social project in Turkey that embraces all sections of society and has caused the *"Yes, but..."* group to grow continuously. In other words, the idea here is not that Turkey is doing everything right and that every kind of problem originates from the negative attitude of the EU. Turkey should work harder to satisfy the aforementioned criteria. Nevertheless, we should also consider the way in which deficient EU support regarding this process has affected the Turkey-EU relationship negatively, as well as the criticism aimed at Turkey for not implementing the necessary reforms in a sufficiently rapid manner.

We see on the one hand, an extensive public opinion campaign being run in Europe in order to provide 'material and spiritual' support to the Eastern European countries included in the enlargement process that is based on the premise that "these countries are already a part of Europe: "The Cold War was the reason that they have not previously taken their rightful place beside us". On the other hand, when Turkey is the case, the attitude is one of "Resistance in meeting some of our demands will delay your membership. Our conditions are thus; you will decide how to behave". In fact they clearly assert the following: "Full membership is your problem, the CU is enough for us." Is it possible to transform Turkey's full membership process into a wide-ranging social project given these circumstances?

In conclusion, Turkey should transform the Copenhagen political criteria, into a national project which goes beyond the prospect of full membership in the EU. There is a considerable expectation that the accomplishment of the short-term criteria will be effective in

obtaining a date to start full-membership negotiations at the December 2002 Copenhagen Summit. If Turkey has been able to implement the Copenhagen criteria, then Turkey will definitely be able to negotiate in a more effective way on issues such as Cyprus and the Aegean and be able to test the EU's political will concerning Turkey's full-membership. In such an environment, defending the case that Turkey's future is fully contingent on EU membership and saying that "Turkey will be bankrupted if full membership is not realized" is neither right nor rational. As a result, we should make all the necessary improvements required by the Copenhagen criteria regardless of whether we enter the EU or not.

APPENDIX Association Agreement of 1963

* Pre-accession Agreement
* Agreement to prepare for full membership: Association for the purposes of development

Pillars on which the association is built:

Free Movement of Goods: Customs Union, art. 10. Definition of the customs union and basic principles identical to the Treaty of Rome.

Free Movement of Workers: Art. 12. Refers to the Treaty of Rome, articles 48, 49 and 50.

Free Movement of Services : Art. 14. Refers to the Treaty of Rome, Articles 55, 56 and 58.

Free Movement of Capital : Art. 19-20

Freedom of Establishment: Art. 13. Refers to Articles 52 to 56 and 58 of the Treaty.

All the principles laid down in the Treaty of Rome (title 5 of Part III) concerning these issues must be implemented between Turkey and the EEC within the framework of the association agreement.

Common policies:

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Agriculture : Art. 11. The Association will extend to agriculture.

Transport : Art. 15. Transport provisions of the Treaty of Rome shall be extended to Turkey.

Competition (Art.16)

Taxation (Art. 16)

Approximation of laws (Art. 16)

Discrimination on Grounds of Nationality:

Prohibited by Art. 9 in line with Art. 7 of the Treaty of Rome

Duty to take all appropriate measures, to ensure the fulfillment of obligations arising from the Agreement (Art. 7)

Duty to refrain from any measures to jeopardise the objectives (Art.7/2)

Decision making : Association Council

Association Council Decisions: Have direct applicability and direct effect, ECJ Judgment, Sevince v. Staatsecretaris van Justitie, Case C. 192/89 (1990) ECRJ. 3461; 1962 CMLR 57 and subsequent judgments

Wide powers for the Association Council in Association Agreement Art. 22/3 – Similar to Art. 235 of the Treaty of Rome

"The Council of Association shall adopt decisions where, in the course of implementation of the Association arrangements, attainment of an objective of this Agreement calls for joint action by the Contracting Parties, but the requisite powers are not granted in this Agreement."

- **Accession** (Art. 28)

"As soon as the operation of this Agreement has advanced far enough to justify envisaging full acceptance by Turkey of the obligations arising out

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of the Treaty establishing the Community, the Contracting Parties shall examine the possibility of the accession of Turkey to the Community."

Additional Protocol Annexed to the Agreement Establishing an Association between the EEC and Turkey

23 November 1970

- Starts the transitional stage:

Association Agreement of 1963 (Art. 2/3) : Association shall compromise:

a) a Preparatory stage
b) a Transitional stage
c) a Final stage

Additional Protocol: Conditions have been established for passing from the preparatory stage to the transitional stage (1970)

- **Timetables :** Protocol provides the timetable for the implementation of the provisions of the Association Agreement (four basic free movements) and the conditions.

- **Customs Union :**

*** Goods in free circulation** (Art.2-6)

Customs Union

- Elimination of customs duties between the Community and Turkey (Art. 7-16)

* Adoption by Turkey of the Common Customs Tariff (Art. 17-20)

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- Elimination of Quantitative Restrictions Between the Contracting Parties (Art. 21- 30)

"Turkey shall progressively abolish, over a period of twenty-two years after the entry into force of this Protocol, the basic duties". Art. 11/1 (Entry into force : 1973 + 22 years = 1005 which is the date of the entry into force of the customs union

* " Turkey shall, ... align its customs tariff over a period of twenty – two years" (Art.18)

* The Turkish Customs Tariff shall be aligned on the Common Customs Tariff during the transitional stage. The CCT shall be applied in its entirety by 1995. (Art. 17/4)

* Elimination of Quantitative Restrictions between the Contracting Parties (Art.21-30)

* Agriculture (Art. 32-35)

- **Movement of Persons and Services:**

As in the case of the free movement of goods, substantive provisions governing the free movement of workers were stipulated in the Association Agreement (1963) and the timetable was provided in the additional Protocol (1970).

- Art. 12 of the Association Agreement: "The Contracting Parties agree to be guided by Articles 48, 49 and 50 of the Treaty establishing the Community for the purpose of progressively securing freedom of movement for workers between them". Thus, the substance of this item is provided in the Treaty of Rome. Since this is a pre-accession association, it is only natural that, just like for free movement of goods leading to customs union, free movement of workers in relation with Turkey would be based on the relevant provisions of the Treaty of Rome.

-Timetable for the free movement of workers (Additional Protocol Art. 36) : "Freedom of movement for workers between Member States of the Community and Turkey shall be secured by progressive stages in

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accordance with the principles set out in Article 12 of the twelfth and twenty-second years after entry into force of that Agreement".

Entry into force of the Association Agreement : 1964

- 1964 + 12 = 1976
- 1964 + 22 = 1986

Thus, according to Art. 36 of the Additional protocol, free movement of workers should be progressively secured between 1976 and 1986. The final date for securing free movement of workers, (similar to Art. 48 of the Treaty) was 1986.

Accordingly, as Turkey was gradually reducing her customs duties on Community industrial products (list A in 12 years, list B in 22 years which means 1986 and 1996) free movement of workers was to be implemented gradually starting in 1976 and to be completed by the end of 1986 as provided in the Protocol 6. Whereas the timetable for free movement of goods was observed with the completion of the customs union at the end of 1995, the timetable provided for free movement of workers was not enforced and no Association Council Decision was taken for their implementation. Thus, an equally important pillar of the Association could not be realized. A close observer of Turkey – EC relations, in a lengthy analysis of the balance of rights and obligations between the two Parties commented on this issue: After underlining the importance of the release of the fourth financial Protocol, which has been blocked since 1980, he pointed out that there was a need to make "an offer to a direct follow – up by a new Financial Protocol or another measure which would contribute to the compensation for the negative economic consequences caused by the denial of freedom of movement" for workers.

- **Conditions of work and remuneration** (Art.37)

"Community shall not discriminate on grounds of nationality between Turkish workers and workers who are nationals of Member States".

- **Social Security measures for workers of Turkish nationality and their families** (Art. 39)

- **Encouraging the exchange of young workers** (Art. 40): Guided by the measures adopted by the Member States for implementing Art. 50 of the Treaty of Rome.

- **Right of establishment** (Art. 41): Guided by articles 55, 56 and 58 to

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65 of the Treaty of Rome. Timetable to be determined by the Association Council,

- **Standstill clause on freedom of establishment and freedom to provide services** (Art.41/1):

" The Contracting Parties shall refrain from introducing between themselves any new restrictions on the freedom of establishment and the freedom to provide services".

This provision is clear and unconditional, and does not require any further measures for implementation. Therefore, it has direct effect. Thus "any new restriction on the freedom of establishment and freedom to provide services", after entry into force of this provision, in 1973, is liable to be condemned by the Court of Justice.

- **Transport** (Art.42): Transport provisions of the Treaty of Rome shall extend to Turkey.

- **Competition** (Art. 43): Community competition law (conditions and rules for the application of the principles laid down in Art. 85, 86, 90 and 92 of the Treaty) shall be adopted by Turkey.

- **Taxation** (Art. 44- 45): Treaty provisions (Art. 95 and the following) are included.

- **Approximation of laws** (Art. 48): Laws, regulations or administrative provisions in respect of fields which are not covered by the Additional Protocol but have a direct bearing on the functioning of the Association must also be harmonised.

- **Economic policy** (Art.49): Co-ordination of economic policies.

- **Commercial policy** (Art.53); Public undertakings (Art.57); Safeguard measures (Art.60).

Source: Kabaalioğlu, H. (1999), "Turkey and the European Union: Converging or Drifting Apart", *Marmara Journal of European Studies*, European Community Institute of Marmara University, Vol: 7, No: 1-2, pp. 116-119.

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Endnotes

[1] The provisions of the Nice Treaty regarding the new weighting of votes and representation in EU institutions after the accession of 12 countries do not include Any references to Turkey although it is officially the thirteenth candidate.

[2] "Die EU rechnet mit Aufnahme eines geteilten Zypern" [The EU envisages with divided Cyprus], *Frankfurter Allgemeine Zeitung* 16 November 2001.

[3] "Expanding the European Union: The door creaks open", *The Economist*, 17-23 November 2001, pp.27-28.

[4] Kabaalioğlu, H. (1999), "Turkey and The European Union: Converging or Drifting Apart?", *Marmara Journal of European Studies*, vol: 7, No: 1-2, p. 111.

[5] For more information, see Kabaalioğlu, H. (1999), Ibid., pp. 109-165.

[6] 'Preferential Trading Agreement's are economic cooperation agreements at the lowest level, where the member countries decrease the customs tariffs on certain goods either unilaterally or reciprocally. A 'Free Trade Association', however, foresees the elimination of the customs tariffs and quantitative restrictions in trade between the member countries. Yet, the member countries are not bound by common external trade policy and apply separate tariffs to third countries. A Customs Union, on the other hand, foresees both an elimination of customs tariffs and quantitative restrictions in trade among the member countries and application of a common customs tariff towards the third countries

[7] http://www.WTO.Regionalism_gateway.htm, retrieved on the worldwide web, 28.05.2002.

[8] The XXIV Article of GATT foresees that customs unions, which eliminate tariffs and other policy measures that can restrict trade and apply customs duties and other trade measures jointly to third countries, can include not only customs duties but also other trade policies. Therefore this article allows the member countries to make the customs duties and the other foreign trade policy tools more restricted. Hence, the customs union gives the parties of the union the opportunity to adopt a common trade policy.

[9] Here, the discussions about whether Turkey is the first country which has realized the CU with the EU without becoming a full member or not should be clarified. In

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fact, no country based its integration with the EU on a CU except Turkey and Greece. Turkey and Greece were required to prepare their economies gradually in specified periods. In addition, San Marino and Andorra, which most of us cannot locate on the European map, have first realized the CU with the EU. However, leaving aside the miniscule countries of San Marino and Andorra, Turkey can be regarded as the first country that realized the CU with the EU without a subsequent accession to the Union. This is not the case for the Central and East European countries.

[10] Former German Chancellor, Helmut Schmidt, proposes giving Turkey a special status (!) instead of full membership: "Even though the EU granted candidacy to Turkey at the Helsinki Summit, the EU should not accept Turkey as a member to the Union for reasons of rapid population growth in Turkey and cultural differences. It would have been better, if we had been honest and told this to Turkey. The relations with Turkey at the time of the EEC do not bind today's EU. The Union has evolved to a very different structure to date. The EU should make a different contract with this country on the basis of partnership, cooperation and mutual elimination of tariffs instead of accepting Turkey as a member." (Schmidt, H. (2000), *SelbstbehauptungEuropas-Perspektiven für das 21. Jahrhundert*, Deutscher Verlag Anstalt, Stuttgart-München, 2000, p.p. 224-225.)

[11] For more information, see, Küçükahmetoğlu, O. (2000), "Türkiye-AB Gümrük Birliği'nin İktisadi Etkileri" [The Economic Effects of the Customs Union between Turkey and the EU], *Economics Magazine*, December.

[12] Data of Turkish Textile Employers Union, Istanbul, 2001.

[13] *Customs Foundation* (2002), "*7 Yıl Önce/ 7 Yıl Sonra Gümrük Birliği*" [Customs Union, 7 Years Before/ 7 Years Later], presentations submitted at the Ankara Panel on 8 March 2002, p.79.

[14] Customs Union-SMSE- For more information on the issues of Competitive Power, see: Ekin, N. (1996), *Küreselleşme ve Gümrük Birliği [Globalization and the Customs Union]*, ICC Publication No: 1996: 32, Istanbul, p.p.45-62.

[15] As is known, GATT was formerly a system of agreements without an institutional structure and a system of sanctions. Although it had a center in Geneva, it was not an international organization. Later, a restructuring in GATT took place, known as the GATT 94, and the World Trade Organization (WTO) was established. As a result, GATT was transformed into a system of international trade

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rules with the power to apply sanctions to countries that are in breach of its rules. This development had a restrictive influence on trade policies of the member states.

[16] These can be summarized as follows: 1) The XXIV. Article of the WTO Agreement (GATT 94) accepts that free trade agreements and customs unions form an exception to the MFN rule. For this reason, countries that are parties to free trade agreements and customs unions do not have to expand their mutual concessions to the countries out of this preferential relationship. Thus, the CU between Turkey and the EU is an exception to the MFN rule. 2) Another exception to the MFN rule is the "waiver" possibility arranged in the XXV/5. Article of the WTO Agreement. This article accepts that, a country which gives some unilateral concessions to another country because of her problematic economic situation does not have to expand these concessions to other countries. 3) The last exception to the MFN rule is the "*enabling clause.*" Within this framework, developed countries can extend unilateral and general concessions to developing countries. The U.S. General System of Preferences, from which Turkey benefits like all other developing countries, is an example of the above situation. Another case related to this issue is related to the implementation of trade concessions among developing countries, i.e. the Protocol on Trade Negotiations Among the Developing Countries.

[17] On this issue, see: http://europa.eu.int/comm/trade, retrieved on the world wide web on 28 May 2002.

[18] SPI, *The Report of the Particular Specialization Commission on Foreign Direct Capital Investments*, Ankara, 2002.

[19] The draft of the Multilateral Investment Agreement is not only economic but has repercussions on the fundamental parameters of politics and law. The Former President of the World Trade Organization, Renato Ruggiero describes it in the following way: "*We are preparing the constitution of the global economy*". Some of the stipulations in the draft agreement that have provoked major reactions are as follows: The signatory countries will stay within the agreement for at last 5 years and will change those articles in their constitutions and other laws that do not comply with the provisions of this agreement in the required way. Countries that wish to abandon this agreement will have to comply with the rules of this agreement for 15 years. Multinational Corporations can sue the related country's government when they do not comply with the rules of the agreement, even if this is against national interests. However, the related country's government does not have a legal body to which it can apply in order to protect the country's national interests and the rights of the citizens. This means that the nation-states will have to protect the interests of the MNC's, which contradict the interests of the nation-state, instead of protecting and defending the country's national interests. For more information on this issue, see: Wolfgang Kreissl-Dörfler, *Report containing Parliament's*

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IV. SESSION

Turkey's Role in the Future of Europe

Chair Person : Özdem Sanberg

Dr. Onur Öymen

Prof. Dr. Georges Delcoigne

Byron Theodoropoulos

Prof. Dr. Mümtaz Soysal

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THE PLACE OF TURKEY IN EUROPEAN SECURITY AND DEFENSE IDENTITY*

Onur Öymen**

Although the European Security and Defense Policy dates back to Maastricht, it only became operational in 1999 in Saint Malo. Why did it actually emerge? Why did the French and the English feel the necessity to give the European Union a security and defense identity? Was there a security vacuum in Europe? There was no security vacuum in Europe in our view, nor is there one today. NATO played a highly effective role in European security. There was no deficiency or insufficiency on NATO's part which necessitated EU action to fill this gap. There was no such situation. Or is it that the EU is not effective in accomplishing some NATO missions and this EU dimension has been developed to perform the so-called Petersberg tasks which involved intervening in crisis situations and preventing them from happening when possible? This is also not the reason. We observe that the Atlantic Alliance took on missions such as intervention in crisis situations and preserving the peace besides its obligation to defend the security of the member states as stated in the new NATO Strategic Concept declared in 1999. Therefore, there is another reason behind the EU's assumption of responsibility on this issue.

What is that reason? The EU saw that it is not possible to be an effective world-wide organization on the basis of her present economic and political dimensions. Accordingly, the EU felt the need to acquire a defense and security dimension. Only then could the EU become an effective organization, both in Europe and in the world. That is why they have been pursuing this goal for the last 2-3 years.

According to the impression now existing in public opinion, Turkey is attempting to hinder this tendency and prevent the European Union from

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acquiring a defense identity. Is this true? Recent developments showed that these claims, the propaganda made by various groups in order to put pressure on Turkey, were not true. Furthermore, there is no logic to any such kind of preventive action. As a member of NATO and a candidate country to the EU, why should Turkey prevent NATO- EU rapprochement? However, when the question is posed differently, namely if we ask whether everyone is in favor of a NATO-EU cooperation, the answer will be negative. NATO and the EU are located in the same country, and have been functioning in the same city for thirty years, and had not held any, not even one common meeting during this period, until just a few months ago. Why? Did Turkey prevent this? Or, did the others create obstacles? If they are preventing such a development, why did they want to put the blame on Turkey? These are the relevant questions. A different picture emerges when we consider matters from this point of view.

The situation is different now. The necessity for closer cooperation has emerged. As the EU tried to acquire a security and defense dimension, she saw that the construction of a security and defense dimension, namely a European Army was only possible through the use of NATO assets and capabilities. Therefore the EU decided to make use of NATO powers.

The EU does not intend to form an army that will operate under the flag of the EU, to employ soldiers or to construct a new army. They are not planning this. Therefore, the EU will make use of the troops that the EU member countries have provided to NATO or the EU will make use of national troops. For this project 60 000 soldiers will thus be gathered. In fact, 60 000 soldiers are not sufficient. They are expected to serve for one year. A one year deployment means three rotations and requires 180 000 soldiers. These soldiers are to be taken from units appropriated to NATO and from national units. After the recent terrorist attacks however, there is now a possibility for NATO to activate Article V. What will happen in such a situation? What if NATO feels a need to use the units appropriated to the EU? This is the point to be taken into consideration.

I would like to contribute a further dimension to this discussion. The EU members and European NATO allies are not the same thing. The EU and the concept of Europe are sometimes being confused in similar seminars to this one held in Europe. Especially when defense issues are concerned, it is important to keep in mind the fact that six current European NATO allies are not actually EU members. Their total military power, especially Turkey's, can be compared to the sum military power of the 15 EU

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members. The number of soldiers in these six countries is half, the number of planes is one third of the EU's. The non-European NATO allies have considerable power. This cannot be ignored when reflecting on the power of Europe. The EU should cooperate with this power.

How can the EU achieve this? That is what we have been discussing for 2-2.5 years. And an agreement was reached at the Washington Summit. Accordingly, NATO would provide the support requested by the EU, however, the consent of the NATO Council would be necessary each time in order to allow the EU to benefit from NATO capabilities. Secondly, NATO would provide the EU with the opportunity of using NATO planning capabilities easily and without unnecessary complications, namely the so-called 'secured access' issue. Then, what will be Turkey's and similar countries' say in such a formulation? Will Turkey participate in the operations just by sending soldiers? Will we not have a say in the planning process, preparations and strategic administration of these operations? On this issue, it was decided in Washington that NATO-EU cooperation will be built on the present NATO-WEU mechanisms.

NATO-WEU collaboration is preferable for Turkey. Turkey participates in the planning process and preparations of the WEU. Even if Turkey and countries of a similar status are not full members of the WEU, they can automatically participate in WEU operations. Turkey can participate in the WEU meetings at ministerial, ambassadorial, military and parliamentary level. Such an agreement was reached in Washington. What happened next? The EU took backward steps in the following Cologne, Helsinki, ..., Nice EU Summit Meetings. The EU created a much more restrictive system in terms of her defense and security identity compared to the decisions taken in Washington. Turkey is against this. Turkey stated that EU behavior on this issue is against the agreement reached in Washington Summit. The 11 EU member states did not remain loyal to their pledge. Consequently, Turkey, as the country that demanded full commitment to the Washington decisions, became the country that hindered the EU. Turkey does not find this strange in the diplomatic sense. It is common practice in the media to accuse Turkey of such behavior. Yet, Turkey stood up against this. No consent from Turkey in NATO should be expected concerning any formulation which excludes Turkey.

Afterwards, they wanted to conclude an informal agreement with Turkey and asked Turkey to state her demands. The negotiations started six months ago. The process continued step by step, and now an agreement has been reached. This agreement proposes the acceptance of the decisions

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taken at the Nice Summit on a level of understanding and implementation fully compatible with the provisions of the Washington agreement. Therefore, this agreement meets Turkey's security interests. Was Turkey fully satisfied? The answer is "No". Complete satisfaction cannot be expected in any diplomatic negotiation and Turkey did not expect such satisfaction. We attempted to develop a comprehensive dialogue between Turkey and the EU on this issue.

It will not be appropriate to discuss the content of this agreement now as its final form is not certain yet. However, I can say that those conditions, which could possibly work against Turkey's security interests have been removed. What was the scenario and how could Turkey possibly achieve it? The agreement was to be accepted as an official document at the Laeken Summit. Turkey was going to ratify this document afterwards in the NATO Defense Ministers' Meeting and thus it was going to be put into effect. What happened? It was not ratified in the European Union. 14 member states said 'yes', whereas 1 member state said 'no'. Is this country a NATO member? Yes. Did this country sign the Washington agreement? Yes. Is this document more progressive than the Washington agreement? No, it is more backward. Then why does this state refuse to accept the document? This is what Turkey is asking.

The emergence of an objection within the European Union has justified Turkey's long- standing sensitivity towards the behaviour of the European Union. Therefore, Turkey's worries were not imaginary as some had claimed. Secondly, some people suggested that Turkey ought to remain silent even though she was right, and mentioned the risk of deteriorating relations with the EU and even being expelled from NATO. That actually means putting Turkey in a position where Turkey cannot defend her cause. Turkey does not have such a diplomatic tradition, nor is there any such example in the history of the republic of Turkey. Everything in the interest of Turkey should be defended. In this respect, we condemn press reports which have stated that Turkey is too rigid and should make some concessions. I wonder if there is another country where the press comments on state policies in such a manner. When a country is making such delicate moves an issue, it is impossible not to be surprised by the expression of views like 'making concessions'.

As a result, Turkey has approached her end goal after a bold and long struggle. Has Turkey been expelled from NATO? No, indeed, Turkey's esteem has increased. Did our relations with the EU deteriorate? No, on the

contrary, some positive steps were taken. The most important result of all these developments is: If Turkey finds it necessary to struggle hard for an issue in the future, she should first gain the support of her own public opinion. Our expectation is the reclamation of the national cause as in other countries. The ESDP experience demonstrates this fact.

What can Turkey possibly contribute to the EU? The EU response will be that Turkey is the weakest link and will weaken the EU. Is this really the case? The economic and less developed political nature of the EU is evident. And now the EU is acquiring a new dimension, security. Turkey would be a net contributor to the EU in the fields of defense and security. Turkey's contribution would be more than the total contribution of 10 EU member states. It is irrational to think that such a country should only take from but not contribute anything to the EU in terms of defense.

When ESDP is considered, the first issue to be evaluated is its capabilities. The result is that the EU does not possess sufficient capabilities. How can the EU accomplish this? The member states will be obliged to expand their budget. Are they expanding their budgets? No. How can they provide such capability? It is not enough just to say that present resources will be used more efficiently. Therefore, the EU needs a new capability. Who else but Turkey can supply this? Turkey should appreciate her own strengths in this field. She possesses twice the total military power of the other 12 candidate countries. That is why so much is demanded from Turkey in the field of defense and security. Turkey is ready to make the necessary contribution. However, she also wants the right to have a say.

According to NATO research, 13 out of 16 potential crises will take place in our region. Therefore, Turkey could not be a country that provides soldiers and remains silent. That was the *raison d'etre* for our struggle. We are now happy to report that an agreement has been reached between Turkey and the 14 member states. We hope that the EU will overcome its internal problems. Turkey will find her place in this organization and she will not ignore her own interests.

Under no circumstances should we see ourselves as inferior to others. Turkey is not a weak, 2nd rate country that yields to every demand. Self-criticism is good however it should not be exaggerated. We did not inherit a weak Turkey from our predecessors and we want to turn over an even stronger Turkey to our descendants.

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NEW PARAMETERS FOR TURKISH SECURITY

Georges Delcoigne*

Napoleon once remarked that a country's foreign policy was determined by its geography. In the case of Turkey this geography covers 4 regional sub-systems: the Eastern Mediterranean, the Middle East, the Caucasus, Central Asia and the Balkans.

Since Ataturk's day two core principles have dominated Turkish foreign policy:

The preservation of the territorial integrity of the unitary Republic in a search for regional stability;

The integration of a modernized Turkey with the Western political and economic system.

Some old parameters must be taken into account here:

The fact that two out of the four sub-systems are potentially explosive: the Middle East and the Caucasus, and Central Asia;

Greek-Turkish disagreement over the Aegean and Cyprus.

The new parameters of Turkish foreign policy can be stated in the following terms:

For the first time in over a century, Turkey has no common borders with Russia. One can surmise that if conflicts were to break out in the Caucasus, the international community would not stand idle: the UN, the OSCE and maybe even NATO would demonstrate their concern;

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The oil and gas reserves of the Caspian as well as the routes of access to the EU and the West have become points of tension between the States concerned and oil conglomerates;

The official designation of Turkey as an EU candidate carries despite certain constraints which can apply to Turkish economics, border disputes, regionalism, human rights and even defense and security questions. While EU influence can only be beneficial with regard to economic issues, and the full implementation of the recent human rights approach, the defense and security question (ESDP) is more complex.

If one looks at NATO, Turkey's record has impeccably acted as a long-standing member of the Alliance; in addition, as an associate member in the WEU, it enjoyed the same rights of consultation as member states of the WEU - rights that were confirmed by the NATO summit meeting in Washington in 1999. Following WEU absorption into the EU, Turkey only has to be consulted.

Although only the ten member states had full decision making rights in the WEU, associate members such as Turkey, Norway and Iceland were allowed to take part on the same basis as full members in WEU military operations to which they committed forces: full participation included of course participation in the caucuses and other bodies (Parliamentary Assembly, Institute for Security Studies and Torrejon Satellite Center) subject to the same rules as those for the WEU Council.

In Washington the NATO summit comprised of heads of state and government of the member states stated that "*they attach the utmost importance to insuring the fullest possible involvement of non-EU European allies in EU-led crisis response operations building on existing consultation arrangements within the WEU.*"

But the EU only offered Turkey participation in the day-to-day management of a EU led operation i.e. in decision shaping and operational planning but *not in decision-making*. While one can understand the EU's right to "an autonomous decision capacity" in building its Rapid Reaction Force (to which Turkey pledged four to five thousand troops) it is difficult to understand EU reluctance on excluding a Turkish role similar to that which had existed for years in the WEU; all the more so as Turkey is calculated in a very volatile region where it has been calculated that out of

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seventeen possible conflict areas of RRF deployment thirteen could endanger Turkey's security. In this case Turkey's position would also suffer from non-participation in the other WEU organs mentioned above and withdrawal from common EU activities (as in Albania for instance) although the Balkans is a region in which Turkey has an essential security interest in. It is important for Turkey to assess the cause of this EU attitude. Is it because the EU does not foresee Turkey's membership in the union or is it because of the EU's total lack of a security culture? This last cause appears to have been probable and would be confirmed by the EU's "benign indifference" towards the Caucasus notwithstanding the Demirel call for a Stability Pact in the Caucasus (1999 Istanbul Summit).

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THE EUROPEAN UNION-EXPECTATIONS AND CONCERNS
A View from Athens

Byron Theodoropoulos*

Before talking about Greek expectations and concerns as to the future of the European Union, I would also like to say a few words about the high hopes and also the disappointments we felt when we negotiated with and then joined the then European Community. The fundamental considerations, which made Greece seek full accession to the Community, were political. Having gone through the painful experience of a seven-year dictatorship we felt that returning to the mainstream of European developments was of paramount importance for our future. This is the same consideration that made Spain and Portugal apply for membership immediately after they had shaken off their own dictators. Beyond this basic political consideration, however, we had hoped that we would also derive benefits from membership, especially in the field of agriculture, where the Community had already developed a Common Agricultural Policy during the years when our association was frozen as a result of the military dictatorship in Greece. This hope was only partially realized. On the other hand we realized soon enough that becoming a full member did not offer us a menu "a la carte" and that we had to play by the rules already established by the member states. This is a fact I have explained time and again, when speaking in a number of the present candidate countries. I have told them that they are joining a club which already has established rules and that the current members will not change the rules for the benefit of newcomers. The most they will do is grant certain transitional periods to give the newcomers time to adapt.

Our own period of adaptation was not an easy process in spite of the fact that having been an associate member since 1961 we were more or less

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familiar with the workings of the Community. A pleasant surprise for those of us, who negotiated the accession of Greece, was the attitude of the PASOK party, which was in opposition during the accession negotiations and had taken a strongly negative position towards Greece's full membership. Shortly after Greece was admitted, PASOK won the elections. But after several attempts to obtain some sort of "special status" for Greece, they realized that no member could secure a "special status" membership. Therefore, they adapted smoothly to Community ways and since then have been and continue to be in favor of an ever closer and fuller process of European integration.

Nevertheless we must admit that Greece has been less than successful in taking advantage of the opportunities offered by full membership. At the time of our accession the aggregate of our economic indicators was roughly around 53% of the Community average. In the course of twenty years of membership we have advanced to roughly 67%. However, two other countries, Ireland and Portugal, which started their membership with considerably lower economic indicators, have now overtaken us and are much closer to the Community average. This is a clear sign that we should have done better and should inspire us to try and improve further our performance.

If I have taken this retrospective look, it is partly to serve as a reminder that Turkey as a candidate for accession will have to be prepared for some disappointments as to what it will gain from full membership. And also to underline the fact that being a full member is not enough in itself to secure rapid advances and improvements without efforts on the part of the new member itself. I understand that as part of the newly developed cooperation between our two Governments the appropriate governmental agencies in both Greece and Turkey are in regular contact so that we can share with you our own experience of being full members. This is, I believe, a most positive undertaking.

Now I would like to make a few brief comments about Greece's expectations and concerns regarding the further evolution of the European Union. Expectations are inevitably linked to overall concern as to whether the goals we would expect the Union to attain will indeed be reached. The goals which not only the Greek political establishment but also the overwhelming majority of public opinion would like the Union to attain are expressed in the words written in the Preamble of the Treaty of Rome in 1957, namely that the founding fathers were "determined to lay the

foundations of an ever closer union among the peoples of Europe". Since these words were written, Europe has indeed progressed to an ever-closer union, arriving as far as the adoption of a common currency. Greece has encouraged and participated in all the successive steps on the road leading to ever-fuller integration. We are aware of the obligations entailed in every step towards integration and are willing to transfer a part of our national sovereignty to the common enterprise of the Union for every step. This is indeed the essence of the integration process: namely, that the member states are willing to divest themselves of certain bigger or smaller parts of their national sovereignty in order to increase the powers of the common endeavor represented by the European Union. In older times the notion of "national sovereignty" was sacrosanct and giving away parts of it was considered unthinkable. We are, however, all coming to realize that nowadays the problems of today's world cannot be solved within the narrow territorial boundaries of one state alone and that in order to deal with the trans-border nature of these problems we all have to be prepared to pool our forces with others. We have to advance towards the fusion of our national sovereignties in order to secure the resulting benefits.

Since we hold these high expectations for a united Europe, it is inevitable that we are also concerned about the further steps, which the Union will have to take. Everybody is talking about the "European construction", but every construction needs solid architecture. Otherwise it may collapse like the famous Tower of Babel. Examining the European construction as it stands now and as it is planned for the near future we have three main concerns:

- The first is about the decision taken by the Union to proceed with both deepening and enlarging the Union at the same time. It would seem more reasonable to complete the process of deepening and strengthening the foundations of the Union, before reaching out to so many new members. Still this may have also its positive side, because it is the pressure of the forthcoming enlargement, which may force the present members to accelerate the institutional reforms, which will be necessary in a Union with double the existing number of members. There is no definite deadline for achieving either process, however one is pushing the other forward. The risk inherent in this double track procedure is that in order to accommodate one problem, namely that of enlargement, one might adopt inadequate rules for the reshaping of the institutions of the Union or vice versa. The problem of the new institutional set-up of the Union is of great interest of course, since it will define the balance among the various organs of the Union and also

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the balance among members. This will not be an easy task, since it would be necessary on the one hand avoiding the establishment of an "inner circle" of major members taking all the important decisions and on the other hand to avoid the negative effects of a vast assembly where a few or even one member can frustrate the decision-making process. As far as one can tell from the public pronouncements of the Greek Government, they are willing to support those solutions, which will ensure the proper combination of these two requirements.

- The other point of concern to us is the handling of the common European currency. The famous Stability Pact aims at containing possible inflationary pressures on the Euro and pushing member Governments into a careful and strictly enforced fiscal policy concerning budget deficits and the public debt. One might say that in times of economic growth these are perfectly sensible measures. But what about times of declining economic activity or of threatening recession? After all, monetary stability is not an objective *per se* and governments individually and collectively also have to face social problems, such as unemployment in conditions of an economic downturn. Is it admissible to entrust the handling of such problems to a body of central bankers while the elected governments will have practically no say in monetary policy and only a limited say in fiscal policy? One might have doubts about the good sense of politicians, even if elected, as to the wise handling of the economy. But one might have even more doubts about the wisdom of central bankers, who introduced the Euro at an absurdly high rate against the dollar only to see it plunge sharply; or who have been so slow and half-hearted in adapting the interest rate to present-day conditions. This lack of flexibility in managing the European currency and with it the European economy is a matter of concern of some of us in Greece.

- Finally, the third point which concerns some of us in Greece is the lopsided evolution of the Union into what has been called "an economic giant but a political dwarf". Of course some object that after all the movement towards European integration started with the European Coal and Steel Community (ECSC), which was a form of cooperation in the economic field. But let us not forget that behind the agreement on coal and steel lay a fundamentally political finality, namely to bring defeated Germany as an active member back into the European field without risking a new militaristic development. Let us also not forget that shortly after the creation of the ECSC, intensive negotiations followed concerning the formation of a European Defense Community. These negotiations were far advanced and were only frustrated by a vote in the French Parliament. It

was only after the failure to attain this political target that the six original members of the ECSC turned towards the establishment of the European Economic Community. The political objective of the European experiment was there from the beginning.

In the course of the years, however, the will towards establishing a political community seems to have fallen by the wayside. As far back as the '60s there was talk about "political cooperation", the so-called Fouchet Plan. Then in the '70s there was the Davignon Plan. And slowly, very slowly a rudimentary European political cooperation developed which admittedly did not amount to much. And then one started to talk about the common foreign and security policy. But when it came to handling serious foreign and security problems on Europe's doorstep in the Balkans, Europe was unable to handle them and had to rely on American initiative and intervention.

This European construction is a strange one. It has solidly strengthened one pillar, which is economic cooperation, unification or whatever you may call it. It has slowly but solidly erected the third pillar which includes the so-called "home and justice affairs" covering cooperation in matters such as illegal migration, illegal drug trafficking, crime, terrorism and -very importantly- the free movement of persons within the borders of the Union. This step, although not highly visible, is in a sense a significant step in the process of integration, since it indicates that in some important aspects the borders of the member states are the borders of the Union. But what about the second pillar which is the common foreign and security policy? This pillar is hardly visible. And what is more: steps have been taken to create a European armed force before we have developed a coherent and credible foreign policy. That raises in some minds the following question: "What meaning can a common defense policy have before you have established a full and effective common foreign policy?"

The next intergovernmental conference will be of decisive importance for the future of the Union. It will be a most difficult exercise for all members, big and small, as well as for aspiring members. One hopeful sign is that most realize that this is an irreversible trend and that the task of European integration will have to go on. This is a positive expectation. There is, however, also a shadow causing concern. It is the speed at which this integration process will proceed. We must realize that we live in a world where everything is moving at an accelerated pace. Unless the Union adapts to that increased rate it will fall further and further behind. This is a consideration, which the candidate countries should bear in mind as well.

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The Union is not a train waiting at the station to which they can embark at any time. It is a moving train, which they have to catch. And if in view of events the Union train decides to move faster in the next few years, catching it will require a considerably bigger effort.

Seen from Athens the further development of European integration is considered essential by practically all political parties with the exception of the communist left. This is important, because it spares us any agonizing re-appraisals of our European policies, as is the case in some other member countries. There is often talk about the "democratic deficit" of the Union in the sense that the average European citizen does not feel sufficiently consulted or somehow included in the decision-making process of the Union. This is true to a different degree in each member state. In Greece it is felt less, although if Europe progresses towards more integration it will be necessary to give the electorate a better insight into the internal workings of the Union and in some way reduce the distance between Athens and Brussels. However, it would seem that Greeks are indeed willing to deposit further elements of our national sovereignty into the common European fund in order to advance the integration process. We live in a politically sensitive environment that stretches the Eastern Mediterranean all the way to the Balkans and includes Cyprus and the Aegean Sea. What is needed is not only economic advancement but also political stability. Therefore any option for progress in European integration implies for all participants, present or future, that:

- Territorial disputes among members of the Union are not conceivable; and if they arise they shall be settled in conformity with international law and not by the use or threat of the use of force,

- The national frontiers of each member will become the common borders of the Union, with all that this implies for any form of potential aggression,

- Decisions, taken in accordance with whatever constitutional rules have been commonly agreed upon, shall be respected and implemented.

These are not overly demanding requirements; they are elementary prerequisites for the proper functioning of a Union.

This is the view of the current state of the European experiment as seen by a private individual who has some previous experience of European problems. I have no first hand knowledge of the views held in Turkey about the advantages or disadvantages, the difficulties or the opportunities of Turkey's membership, a matter of particular interest and importance to us. I am, therefore, grateful for this invitation which will allow me to learn more about the stand of Turkey, a country where I served in an official capacity for more than six years and which I have always visited many times with the same warm feelings.

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THE CYPRUS PROBLEM AND TURKEY'S CANDIDACY TO EU MEMBERSHIP*

Mümtaz Soysal**

An interest in the future of Europe is not only a minimum requirement for Turkey's EU candidacy, but also an obligation for the Turkish people. Turkey should clearly state what kind of a Europe she would like to enter and should negotiate certain issues as a candidate. I do not think that the "You can enter the EU only by accepting the acquis" rule of Europe can be regarded as permanent. I believe that the new members of the EU or the candidate countries that want to become new members should negotiate this issue with Europe in an endeavour to gain concessions from the EU on issues that concern their vital interests.

When one evaluates the enlargement process of the EU, one should keep in mind that the countries which will become members of the EU after enlargement will bring benefits to Europe. In this context, I believe that Turkey can also contribute in many ways. However, we should not only focus on Turkey's potential contribution to the EU. We should discard our anxieties and insecurities regarding Turkey's standing vis-à-vis the EU, stand proud and express the Turkish viewpoint to our European counterparts.

The main topic of my presentation is Turkey-EU relations concerning the Cyprus issue. I would like to start by mentioning a problem: The atmosphere surrounding discussions on the issue of Turkey-EU relations prevents us from clear-cut and rational reflections on the matter. It is an irrational atmosphere which I characterized as a "passion" during a recent meeting in Ankara. This is a passion caused by the issue of Turkey's EU membership. It is a situation in which you become the slaves of that passion just like the situation of someone who is madly in love, someone addicted

* transcribed text

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to alcohol or gambling. S/he can not think of anything else but that passion. The passion felt about EU membership, is preventing Turkey from thinking rationally.

This passion prevents us from seeing some of the facts in a precise way. In the first place, we have to see the indecisiveness of the EU regarding Turkey's membership. I will not dwell much on the reasons behind this fact. The reasons stem from various factors. The EU is mostly a bureaucratic body and is not yet democratic. However, the EU institutions and decision-making bodies, the members of the European Parliament who are elected by the European people, the politicians who come from their own parliaments and national bureaucrats inevitably reflect the doubts and indecisiveness present in public opinion.

The Turkish press, on the other hand, contributed to these discussions on Turkey-EU relations in the opposite way, namely by acting under the influence of the passion I have mentioned. The indecisiveness on the EU's part is perceived concretely by the Turkish side. However, we refuse to see the EU's mistakes just as a passionate person does not see the mistakes of his beloved. We are idealizing the EU and Europe. Yet, we sense the indecisiveness that exists. I will not mention the existing cultural determinants and the hesitation caused by our past and current image in the eyes of both the Turkish and the European peoples stemming from religious and historical reasons.

The most important reason for this indecisiveness on the part of the EU is Turkey's size and population. The EU feels anxiety about possible problems in absorbing or digesting such a country. I think that this is the most important and unvoiced component of the Copenhagen criteria. I will not mention problems regarding Turkey's own economic structure such as unequal income distribution, interregional imbalance and an agricultural population comprising more than %40 of the population.

The main problem regarding Turkey-EU relations is a lack of political honesty and openness, which I do not however want to define as hypocritical. There are things that are not being communicated to us openly. Since the EU does not openly express its hesitations regarding Turkey's membership, distrust and insincerity characterize our relations. Our politicians too, do not explain these things to us in a completely open manner as they too are consumed by the passion to which I have referred.

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Consequently, a lack of openness and sincerity emanating from the attitudes of both sides characterizes our relations.

The Cyprus issue is a good example of a lack of honesty. Unfortunately, the Cyprus issue is not being explained to our people in an open manner either by our own politicians or by our own press. The media portrays the situation in an incorrect manner as if we are doing something wrong in terms of the interests of our people. On the Cyprus issue, I also belong to a tradition of Turkish decision-makers including diplomats and statesmen that have attempted to act in the interests of Turkish society. However, there is a danger if public opinion exerts pressure on decision-makers in the other direction. Therefore, the elimination of this danger is necessary not only for the sake of our own interests, but also for the sake of the other party or parties involved. Even though diplomacy is basically a forum of negotiations and compromise, it should be performed within the framework of clear opinions and interests. If these opinions and interests are undermined, the outcome of the process will also be negatively affected. In the end, both parties will be at a loss.

I do not see Turkey's full-membership status as imminent because of all the indecisiveness and hesitations that I have just mentioned. I also do not want to create the wrong impression at this point. I do not want to say that "Turkey should not enter the EU." Turkey should enter the EU only as a respected member of the European family of nations. Turkey should not act under this passion. The desire to enter the EU immediately may result in mistakes that could harm her own people.

Though it may seem contradictory, such an attitude will accelerate, rather than delay Turkey's accession to the EU. The respect that the addressee shows you depends on the level of seriousness you display in defending your own rights in international negotiations. If a country gives in easily, the other party or parties may reach the view that: "If this negotiator cannot even defend the interests of his country, his inclusion in the EU will not benefit us". Consequently, if Turkish society cannot adopt an appropriate attitude towards the indecisiveness displayed by the EU and allows itself to be dragged along, Turkey's full membership bid will involve a much longer process. I think that a longer process before membership would be better for Turkey because of the reasons I have mentioned. It is possible to derive a positive outcome from this initially negative looking situation. All's well, that ends well.

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We should understand the message from the EU clearly. I think that the current status of relations between Turkey and the EU may be represented as a move on the part of the EU to delay and defer Turkish membership for some time to come. The EU is trying to obtain some concessions from Turkey during this period of suspended activity. Cyprus is the most interesting example of this strategy. They use Turkey's potential EU membership as leverage to obtain their desired outcomes. Their thinking may be characterized as follows: "If the Turks are that passionate about EU membership, abandoning their stand on the Cyprus issue may be a price they are willing to pay". Verheugen expressed this viewpoint on 23.11.2001. He made the following comments after a meeting in Frankfurt about the euro and the EU: "Turkey has paid a high price so far by supporting Denktaş. If she continues to do so, even I cannot rescue Turkey's position in Europe. A Turkey that continues to support the Turkish Republic of Northern Cyprus may create a critical situation on the edge of the Mediterranean." "However" he added, "Turkey is a country where people have strong common sense and these people will stay away from things that involve Turkey paying that price, namely, losing the perspective of full-membership to the EU."

The diplomatic message behind these words is that if Turkey continues with this attitude, she cannot become a full-member of the EU." When these words belong to the Commissioner responsible for enlargement, the need arises to further explore the reasons behind such a statement. What is the EU trying to do and what should be our attitude with respect to Cyprus?

Regarding the recent history of Cyprus, we all know what happened after 1960 and especially between 1963 and 1974. You all know the reasons behind the events of 1974 and why Turkish Cypriots used their right of self-determination which they had already been using since 1963. At first they established interim administrations and autonomous governments, and later the federal Turkish state and finally, the Turkish Republic of Northern Cyprus (TRNC).

The Greek-Cypriot administration applied to the EU for full-membership in 1990 and again in July 1993. The European Commission expressed a positive opinion in 1993, that is, the Commission announced that the Greek-Cypriot side "might become a member." In addition to this positive opinion, it gave the following message in an indirect way: "If you solve the Cyprus problem, if you compromise with the Turks, no obstacles will remain to your full-membership".

Yet the EU has maintained a source of particular hope since then. The EU thought that the inclusion of the Cyprus problem in a European framework would be an important and positive factor that would lead to the resolution of the problem. This idea was based on the observation that the Turkish Cypriot people, their experiences of economic difficulties, would prefer to enter the EU when the Greek Cypriot administration becomes a member instead of maintaining the current ties with Turkey. The EU might act as a catalyst for the resolution of the problem.

Europe adopted a shift in its policy from that time onwards. This policy evolved over time and became evident at the 1997 Luxembourg Summit. In 1993, the EU defended the view that Cyprus's membership in the EU was conditional upon resolution of the problem. However it changed its position and started to argue that the Greek side can become a member even though the problem has not been resolved and has repeated this view since 1997. That is why the relevant article of the 1999 Helsinki document is worded in a peculiar way. It is a document which can be described as one reflecting "positive uncertainty" in diplomatic terms. What the document says is not quite certain. Different outcomes can be deduced from each sentence. There are three important sentences:

1. The EU wants negotiations to take place within the framework of the United Nations in order to arrive at a positive outcome.
2. Yet, even if such an outcome cannot be obtained, the Greek Cypriot Administration could be accepted as a full member.
3. However, when that time comes, namely at the end of 2002, the situation regarding the Cyprus issue will be considered before making that decision.

That is for consolation for Turkey. The EU also gives the message that if it does not contribute to that solution, then membership might not be extended to the Greek Administration in the South. Therefore, the EU thinks that she is contributing to the resolution of this problem by sending messages to both parties. During this process, the EU has used the "carrot and stick" method in an inconsistent way. This method is not being applied to both parties equally. The message sent to the Greek side states that "a non-solution is also a probability" and "the prospect of membership will not disappear if a solution can not be obtained". In fact this message has been sent since 1994 before the time of the Luxemburg Summit. It has been a success for Greek diplomacy to receive this message since the Corfu and Essen summit meetings.

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The message sent to the Turkish side, on the other hand, has placed a strong emphasis on the situation of the Turkish Cypriots: "You face difficult problems such as isolation from the rest of the world and problems in traveling due to non-recognition of the Turkish Republic of Northern Cyprus by states other than Turkey. You will succeed in obtaining an enormous level of prosperity and comfort if you accept the EU's offer, come to a resolution with the South and enter the EU together with the Greeks." This is the carrot. The stick is inherent in the alternative scenario: "Otherwise, the present situation will continue to prevail; you will remain a society which is isolated from the world, whose people cannot travel and even hold a football match." Again, in this context, the message sent to Turkey is: "Ensure that the TRNC arrives at a solution in negotiations with the Greek Cypriots as soon as possible. Otherwise, your full-membership negotiation process will be suspended."

There is a double-meaning to these words: The accused party in this process is not only the TRNC but also Turkey for not encouraging the former to reconcile with the Greek Cypriot Administration. The uncompromising attitude of the South is often ignored. Therefore, I can confidently argue that although the Turkish side has been continuously producing solutions at those negotiations, the first and only solution that the Greek side proposed was in 1987. No papers have come from the Greek Side since then. They no longer felt any motivation to look for a solution within the framework of the United Nations, particularly after the Corfu, Essen and Luxemburg Summits when EU membership seemed possible under any condition, even without a solution. However, this fact is never mentioned by EU authorities and the Turkish side is continuously being accused of taking an uncompromising stance.

The mistake on our part is not to blame South Cyprus for its uncompromising attitude, and not to see that Europe has not worked to facilitate a solution of the Cyprus problem. Before blaming ourselves and the TRNC for insisting on a single thesis we should ask Europe this question: "Do you really desire a resolution of the Cyprus problem? If you do, are you doing what needs to be done?" As that has not been done, then we should also ask the following: "Are you using the suspension of the Cyprus conflict and non-resolution as a pretext for postponing Turkey's full-membership." This may be a pretty serious accusation, but it is a direct result of our perception of their behavior. If they are unreceptive to new proposals and do not assume their responsibilities, then we have the right to

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ask such a question. However, we should focus distinctly on what they are not doing in order to be able to ask such a question.

First, if Europe wanted a solution on the island, she should not have backed away from the decision taken in 1993 during the period encompassing the Corfu, Essen and Luxemburg European Councils and should have said that the membership of Cyprus in the EU is conditional upon a resolution of the problem. The reason for the EU's preference of employing a double discourse and for not accepting Turkey's position should be analyzed. This attitude does not comply with the fundamental principles of a Europe that claims to be based on an order of law.

As the Turkish side has repeatedly made clear in the past, the legal instruments governing the Cyprus issue, both the Guarantee Agreement and the 1960 Constitution of the Republic of Cyprus stipulate that Cyprus cannot join an organization to which both Turkey and Greece are not simultaneously parties. We observe a disregard of law on Europe's part on the Cyprus issue. At a meeting held in London a month ago, Lord David Hannay the Cyprus coordinator appointed by the United Kingdom said: "Away with the law now, law is a deviation in this situation". We should then ask ourselves the reasons for this attitude and invite Europe to act lawfully.

If we do not ask these questions, the development of the issue could place Turkey in a difficult situation. Membership of South Cyprus in the EU given its current status without a resolution of the problem would not be in Turkey's interest. As a full-member of the EU, South Cyprus will be able to judge Turkey's status regarding the Copenhagen criteria. Such a situation might result in Turkey never making it into the union. It has often been mentioned that Greece vetoed EU financial aid to Turkey. After the probable membership of South Cyprus, the argument may go as follows: "the Europeans would like to accept us, but Cyprus is preventing them".

Second, the greatest obstacle in the current negotiations is the denial of a reality in Cyprus: the non-recognition of the TRNC. The Turkish Cypriots have founded a state. This did not result from the intervention of Turkish forces. They had to establish a new state because they were forced into it, because they were expelled from their villages, and had to retreat to a part of the island which occupies 3% of the total area. They have had to live under a continuous embargo since then. They were emancipated by the Turkish operation which was conducted in accordance with the guarantee

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agreement and have struggled hard for a long time to arrive at a solution. They first founded a country under the title of a "federated" state. Then, when this failed, they declared independence.

Due to the need to recognize the existence of a separate Turkish Cypriot state on the island, the South should have been told that it could not apply for membership in the name of the whole island. Today, it should also be made clear that the Greek Administration cannot negotiate about the future of Cyprus in the name of the whole island. Failure to do so would result in the following: Turkey will be told not to worry and wait for the time when Turkey joins the Union. Then the TRNC will also be accepted as a member. There is really an easy way to solve the situation. The case of East Germany (GDR) may be an appropriate example. After the fall of the Berlin Wall, East Germany ceased to exist as a state and united with West Germany, and in this way acceded to the EU. In the context of unification this could also be a probability for the TRNC.

Nevertheless the question remains. Leaving Turkey aside, which state or organization shall North Cyprus negotiate with and what will she be compelled to accept, in order to enter the EU? The TRNC will be compelled to accept an arrangement dictated by South Cyprus and the EU as a result of negotiations which she was absent from. That is to say, they will construct a Cyprus-EU relationship in accordance with their preferences and then the Turkish Cypriots will have to accept these terms. This is not a just solution.

What the Turkish side wants is to see at least recognition of the TRNC so that negotiations can be held at state to state level and the TRNC can act with the authority of a state. Klerides stated the following: "Yes, we are equals at the negotiating table. But when I walk out of this door, I am a state, while you are a community. Why should I lose my status as a state? Be it a federation or confederation, whatever it may be, why should I be one of the entities in that unity? I represent a survivor state which was invaded and as such, all my complaints are heard. Europe does not even listen to you."

Denktaş has most recently visited Italy but was unable to hold meetings with Italian ministers or deputy ministers there. It was thought that he would meet with an undersecretary of state but the meeting was cancelled. The president of a state could not meet his counterpart and was forced to meet with a much lower level official from another state. While it is possible for Europe to end this injustice, European officials employ the

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decision of the Security Council as an excuse for inaction. They refer to the decision of the Security Council that was taken following the proclamation of the TRNC.

The Security Council decision tells the international community not to recognize the TRNC. European officials asserted the view that in light of the Security Council decision they cannot recognize this entity. The Security Council decision has already caused countries which recognized the TRNC to retract their recognition. But we should ask this question: "Did the Security Council or the U.S, the strongest member of the Council, cause that reversal?" Bangladesh had recognized the TRNC, but withdrew recognition due to U.S' threat to cut financial aid to Bangladesh. Pakistan had started the process of recognition, but she was warned of the same consequence: "We will cut U.S. aid, if you do not halt the process."

The Security Council has fifteen members today. Among the fifteen, there are five permanent members: The U.S, the U.K, France, China, and the ex-Soviet Union, the Russian Federation. Two of these permanent members are members of the EU: France and the U.K. One of the others is our closest ally: the U.S. If they wish, it is in their hands to change or interpret the decision of the Security Council in this or that way. It will not be possible to extract a positive result from the negotiations as long as the TRNC is not recognized as a state.

Now I am coming to the worst aspect of the situation: the continuation of the embargo. It is a global extension of the embargo the Greeks had applied to the Turks after the 1963 events. At that time the Greek side was including articles such as bricks, cement, shoes and so on within the scope of the embargo since they considered all such goods of strategic importance. According to the Greek side the Turkish Cypriots should be deprived of such items since they would help them to continue their rebellion.

This embargo has been in effect internationally since 1974. But no Security Council decision necessitates the embargo or dictates this situation. The decision that stipulates non-recognition on the TRNC does not include any clauses pertaining to embargoes. Another decision – No. 530- compels states not to help the TRNC. There are other countries that are also not recognized but they are at least accepted as trade parties. Taiwan, on the island of Formosa, is a country that many countries have not recognized, yet the world has trade relationships with Taiwan; it has participated in sports

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events; and people can travel to and from this country. And then there is the TRNC, which is subject to an embargo by the world not only the Greeks.

Every state, United Nations institutions and European institutions are applying the embargo not as a means to end a conflict or rebellion but as a diplomatic tool. Thus, the people in Northern Cyprus are told that if they do not accept a particular solution that will place them under Greek hegemony they will remain in isolation. Is the application of this embargo in accordance with the principles of human rights? The application of such an embargo in order to obtain a diplomatic result, and to force one side to accept certain conditions in negotiations, is not consistent with European values or the principles of the United Nations.

Organizations in the only country which has recognized the TRNC, namely Turkish organizations which engage in relations with the TRNC, have been excommunicated from the global scene. No football club in Turkey would dare to play a football match in Northern Cyprus. If one of them does, international organizations such as UEFA or FIFA spring into action and punish not only the team in North Cyprus, but also the team in Turkey. We cannot bring ourselves to even dare to challenge the embargo. This is Turkey's fault. In this way the embargo is also being indirectly applied on Turkey.

One current problem regarding Turkey's relations with the EU is the evolving European security and defense policy (ESDP). From the perspective of the ESDP, if Greece vetoes or tries to obstruct the compromise agreed in the Ankara Document, and if the EU lets Greece engage in that kind of behavior, then there is a possibility for South Cyprus to manipulate this situation in Europe, against both North Cyprus and Turkey.

Bearing all these points in mind I would like to tackle the following question: How should the EU issue, and within that perspective, the Cyprus question be evaluated? As I mentioned earlier, it is not possible to reject any of the Copenhagen criteria. We, ourselves have argued that these are the very things we desire. And then again we know that since the 1839 Tanzimat Edict and the 1876 constitution our weak side has been to initiate reforms and draft constitutions under the influence of external pressure.

Most of the past and current political and social reforms would not have been achieved in Turkey without an outside stimulus. There is a certain

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internal dynamism, but intervention from the outside might act as a catalyst. We should abandon this perspective from now on. On any issue, we should try to initiate reforms, take further steps and act on our own. There is not much benefit to be gained from hasty and zealous actions. For example, the wording of the recent constitutional amendments contains many mistakes that could have been avoided had they been prepared over an adequate period of time. But, since they were prepared in haste, the legislation that will open the way for much needed reform unfortunately contains errors.

Turkey's EU membership may take a long time stretching to 20-25 years. It is also a process whose end result is uncertain. We should ask ourselves whether we should make compromises just to shorten this process. There are national priorities that cannot be sacrificed. I would like to remind you of the case of Crete without going into detail. After having accepted the arrival of a multinational force in Crete in order to prevent the massacre of Turks by the Greeks, Crete slipped away from our hands and the Turkish population in Crete which had constituted more than 40% of the island's total population was forced to leave the island.

I am not against a solution to the Cyprus problem. But we should insist on a solution that neither suppresses the Turkish population nor disregards Turkey's rights as a guarantor state and its legitimate concerns over the island. It is unacceptable to grant England the right to have a military base on Cyprus and deny Turkey the right to protect her interests by militarily means if necessary. This is not an acceptable solution. Therefore, when we sit at the negotiating table with our European counterparts, we should stand up for our neglected rights and prerogatives. We should also defend our viewpoint with regard to the security of Cyprus and remind the world that if these conditions are not taken into consideration, then a lack of trust will prevail in Cyprus and the South Mediterranean will neither be safe nor secure.

We need to build a strong Turkey. Turkey can successfully defend its position only if it is more than militarily strong but also politically and economically strong country, and carries weight in Europe. Therefore, the fact that Turkey's EU perspective is a long-term one provides us with a very valuable opportunity for us to prepare and strengthen our country. Had it been too short, we would have immediately found ourselves accepting the European acquis and such a situation would not be appropriate for us to improve ourselves.

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What we should never sacrifice is our military power. In today's world, especially today's Europe, peace and security can be maintained only if a state is powerful. Had we not been militarily strong in Cyprus, there would have been atrocities on a much greater scale. If we do not continue to be strong in the Aegean militarily, it might be possible for Greece to expand its territorial waters up to 12 miles, and then the Aegean Sea would become inaccessible for us. It is necessary for us to continue being strong in certain areas. This does not amount to supporting war or aggression. It is, unfortunately, the only way to stand up for one's rights in the current international system.

Turkey is located in a geo-political space where it is not possible for a state to be safe and secure without being strong in certain areas, the military being the most important. The culture of security that has been treated by a previous speaker, Professor Delcoigne, is a culture that Turkey has naturally acquired as a result of events in its history. This is not a bad thing. Let us know well what it really means. It means being strong not only in the military sense but also in economical, political, educational, and technological fields. It means being a country that creates her own technology and puts the necessary emphasis on research and development. These are the things a country can not and should not neglect. There are certain EU programs such as the Socrates Program that Europe as neither encouraged us to benefit from nor our ruling elite made good use of. We should take advantage from such opportunities. These should be our connections to Europe. Participation in these European programs will make us stronger with respect to technology, research and education.

The Cyprus issue should be evaluated resolutely in the light of all these considerations. We should keep in mind that with Cyprus out of our hands, entering Europe would be like the entrance of a ragged person into a great palace. I am saying that we should enter the EU with an upright posture, with our feet firmly on the ground and in total command of all the rules of conduct.

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CONCLUDING REMARKS

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Chair Person : Prof. Dr. Orhan Oğuz

Prof. Dr. Halûk Kabaalioğlu

Prof. Dr. Hans Georg Heinrich

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CONCLUDING REMARKS

Halûk Kabaalioğlu*

During this conference we have heard a very interesting and comprehensive analysis of EU – Turkey relations. It was also a very timely conference as it was held at a very important juncture in Turkey's relations with the EU. In fact, towards the end of this year the Heads of State and Government meeting at the Copenhagen European Summit are going to take very important decisions concerning the candidate countries and this conference has demonstrated that Turkey is unlike any other candidate country.

We have seen that Turkey has already achieved a full *customs union* with the European Community since the end of 1995 in accordance with the 1963 *Agreement establishing an Association between Turkey and the EEC* and 1970 *Additional Protocol.*

Indeed, Turkey is the only candidate, which has a full customs union with the Community and this is extremely important as the founding Treaty provides that "the Community" is indeed "based on a customs union." This actually means that Turkey has undertaken all the obligations and responsibilities arising from membership. With the customs union, Turkey has not only adopted the Common Customs Tariff (CCT) of the Community but also fully adopted all the instruments of Common Commercial Policy, including all the agreements entered into by the Community with third States, ranging from Free Trade Agreements to various preference agreements. (However, since Turkey is not in the decision-making bodies of the EU, she must be extensively consulted before the Community takes any action concerning Common Commercial Policy. This has been neglected to such an extent that before Brussels enters into a trade agreement with any third country, Ankara has not been

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consulted as to whether they have a special product or a special problem with a given country but simply informed after the Agreement is signed and left on her own to negotiate another agreement with the country involved without having the weight of the EC behind her. From time to time it becomes impossible to sign a similar agreement with the country involved as Turkey acts solely on her own and they do not wish to grant the same concessions that they have already given to Europe whereas Turkey has to grant the concessions already agreed by the Community. Thus, it is clear that there is a serious disequilibrium. There are also difficulties with regard to trade with the USA. as Turkish products cannot enter the country in line with products coming from the Community.)

It is not only the CCT and *Common Commercial Policy* that Turkey has fully implemented since the end of 1995. Among others, Turkey has also fully adopted and vigorously implements the *Common Policy on Intellectual and Industrial Property Rights, Common Competition Policy* of the European Union.

I can state that the Turkish Competition Board is as autonomous and independent as any national competition authority in the EU. Turkish Competition Law is based on EU Competition Law and in addition to the main legislation, the Competition Board has adopted all the EU Regulations on competition from exclusive distribution agreements, exclusive purchase agreements to rules of franchising or mergers. (The Association Council Decision of 6 March 1995 (1/95), in one section dealing with various trade restrictions, stipulates that as soon as conditions for full competition is achieved in Turkey, a decision will be taken on the removal of provisions concerning some trade restrictions. As far as I know, such a decision has not been taken yet and I think it is high time that such a decision was taken. In any case we all know that in a customs union there can be no dumping because of the so-called boomerang effect. Those provisions in Decision 1/95 should therefore be canceled.)

Regarding the adoption of the *acquis communautaire* I would like to note a few points. Before 1996 when the customs union was completed, the Turkish Official Gazette (*Resmi Gazete*) appeared in many volumes, each containing several hundred pages, integrating a substantial part of the *acquis* in Turkey. Some speakers also underlined and emphasized the importance of the ability to implement the adopted legislation. I would like to remind you that Turkey is one of the few countries where complete "reception of law" has taken place. Indeed, after centuries of religious laws,

when the modern Turkish Republic was established according to Atatürk's reforms a revolutionary change has occurred and Turkey secularized all of her legislation. In 1926 the Swiss Civil Code and Obligations Code was fully implemented. The German Commercial Code, French Administrative Law, Italian Criminal Code, Canton Neuchatel's Civil Procedure Code were among the legislation adopted. For example Swiss and Turkish Civil lawyers meet every year to discuss the latest high court jurisprudence and see how the same provision is applied on either side. Therefore, compared to such a comprehensive adoption implementation of the whole legal system, implementation of the *acquis* should be easier.

As you can see, Turkey, compared to other candidate countries, has already implemented a substantial part of the *acquis* and in fact has been in the customs union – on which the whole Community is based – for more than seven years.

One speaker noted that "Turkey was not accorded official candidate status alongside the "second wave" countries." This is both true and false. First of all, Turkey was granted "official candidate status" in the Helsinki Summit back in 1999. (Of course, one can go back to 1963 Association Agreement where there is an article, which provides that accession negotiations will start as soon as it becomes clear that Turkey can undertake obligations arising from membership. This is the famous article 28. The Association Agreement stipulates three phases: the preparatory, transition and final phase, which is based on a customs union. The same Association Agreement, after providing all these phases, says the contracting parties will analyze the opening of accession negotiations as soon as it becomes clear that Turkey can undertake the obligations arising from membership. Indeed, with the customs union Turkey has undertaken obligations from membership without all the benefits, the most important of which is of course the ability to take part in the decision making process.) So official candidate status was indeed granted in Helsinki but the statement by our colleague is correct, this was not a status alongside the second wave countries. So Turkey is the only official candidate country with which accession negotiations did not start.

Ankara expects a date for the opening of accession negotiations with Turkey at the end of this year. In fact, the Copenhagen Summit is expected to take a decision concerning the accession of eight to nine countries and for the second wave countries like Bulgaria and Romania, it is expected that a firm date will be pronounced and they will be assured that their

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membership will be possible, say, in 2007 or 2009. On that occasion, I believe that not only a Decision to the effect that accession negotiations with Turkey should start but also a date for its completion, just like the dates for Bulgaria and Romania should be pronounced. If Bulgaria and Romania can make it by 2008, Turkey could be able to complete it earlier. Most of the chapters for accession negotiations have already been implemented in Turkey since 1995 with the entry into force of the customs union. The last seven years already established that Turkey has a functioning market economy in spite of the fact that Turkey has not benefited from all the Funds allocated to Member States aiming to remedy *structural imbalances* in a customs union: the Structural Fund, Regional Fund, Social Fund etc. In addition, Funds promised upon the entry into force of the customs union decision have not been provided.

With regard to the Cyprus issue Dr. Heinrich states that it is a bilateral issue that can be solved in bilateral negotiations. He also notes that the EU does not seem to insist on a specific solution like reunification. He is absolutely right that it is a bilateral issue between the two con-founders on the island, Turkish Cypriots and Greek Cypriots. But I am perplexed about how to explain the policy adopted by the EU. They start negotiations with the Greek Cypriots unilaterally by totally ignoring the equal partner as if they don't exist. According to Prof. Dr. Peter Pernthaler, the regime in the south of the island can no longer be regarded as the "Republic of Cyprus" as it has become purely a Greek Cypriot regime excluding the equal partners, the Turks. I understand that whereas Dr. Heinrich agrees that the issue must be settled between the two equal sides, the EU is actually doing the opposite by destroying any ground for a possible settlement. First, they talk only to Greek Cypriots and regard them as if they represent the Republic of Cyprus I suggest you read Prof. Pernthaler's legal analysis, which is extremely enlightening. Second, the EU says we will accept the Greek Cypriots as a full member even if there is no settlement on the island. No wonder there is no settlement- what would be the incentive for the Greek Cypriots to make concessions for a settlement. You will be a member anyway whether there is a settlement or not! The proposals put forward by President Denktash includes important elements for a settlement but thanks to the EU stance the Greeks are not interested at all.

The European Union is making a very serious, indeed a very grave mistake in this issue by totally ignoring international treaties establishing Cyprus as an independent State and the Constitution of the island, which is part of these Treaties. The EU is not above international law and cannot

disregard all the binding treaties. It is up to our colleagues to warn their leaders when they make such a mistake rather then repeating the official statement no matter how wrong they may be. That is not what academics are for. They should, when necessary criticize the official positions which are in violation of the basic principles of law, international treaties etc.

I urge my friends to take a look at these texts, which they prefer to ignore. Take some of the provisions of the Cyprus Constitution according to which Turkish Cypriots are equal co-partners of the Republic. There must be a Turkish Vice President – elected only by the Turkish Cypriots- who has the right of veto, three Ministers in the Council of Ministers, 60 to 40 percent representation in the House of Representatives, separate Communal Chambers, separate municipalities, an independent Constitutional Court etc. Unfortunately, Turkish Cypriots were removed from their governmental duties by use of force. Glafkos Klerides confesses in his memoirs that the "Greek Cypriot side has abrogated the Constitution" which is guaranteed by Turkey, UK and Greece as a guarantor power. Mr. Leigh should also look into these more important and fundamental provisions of the Constitution and the founding Treaties signed in 1959-1960 and not only the official language provision. Our friends in the EU should also be aware of the fact that the sovereignty and independence of Cyprus is restricted by the founding treaties and it cannot join any international organization unless both Turkey and Greece are members.

It appears that the Turkish Parliament will be called into session for an emergency session where the remaining legislation for the fulfillment of the Copenhagen criteria will be enacted. What about Cyprus? Does Cyprus qualify under the Copenhagen criteria?

Could a country, which does not even have a legitimate constitution qualify under the Copenhagen criteria? Klerides admits that they have not only abrogated the Constitution and forced the Turkish Cypriots to live in ghettos but also continue to impose a trade embargo on the Turks. Does a country, which totally isolates more than one third of its own citizens with embargoes qualify under the Copenhagen criteria? Could a country in which UN Peacekeeping Forces have been based since 1963 qualify under the Copenhagen criteria? What do these UN Forces do in Cyprus? Why are they based there? They were sent to Cyprus in March 1964 in order to prevent Greek Cypriot attacks on Turkish Cypriot villages and prevent massacres of Turkish Cypriots like we witnessed in Sandallar, Muratağa where mass graves are located. The Cyprus problem continues to be on the

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agenda of the United Nations Security Council as it constitutes a serious threat to peace and security in the region. Our friends in Brussels should remember that the 1960 Cyprus founding Treaties not only establish the equality between Turkish and Greek Cypriots on the island but also provide equality between Greece and Turkey in the eastern Mediterranean. Any attempt to link south Cyprus with the EU will not only be illegal and constitute a flagrant violation of international treaties establishing the Republic of Cyprus and its Constitution but also will destroy the balance between Greece and Turkey established with 1923 Treaty of Lausanne and carefully preserved with the 1959 and 1960 Zurich and London Agreements.

However, as I mentioned earlier, negotiations with Turkey could proceed faster then other candidate countries as Turkey is already well advanced in many fields with an existing customs union and many related chapters of the *acquis* are already being implemented. It will only be natural to expect a date for Turkey's membership together with that of Bulgaria and Romania at the Copenhagen summit. There are some hesitations in some Member States, in areas like the free movement of persons etc. In these areas, considerably longer terms of transitory periods could be provided. If Turkey's membership can be achieved in 2008 what is the rush to have a divided island which does not qualify under the Copenhagen criteria, which does not even have a legitimate constitution and which still has an important UN Peace Keeping Force in the country to protect one part of the population against the other and to keep peace and security in the region. With Turkey's entry not only problems between Greece and Turkey will be solved smoothly – like the continental shelf or territorial waters, but also a solution on the island of Cyprus could be framed without any need for long-term important derogations.

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CONCLUDING REMARKS

Hans Georg Heinrich*

General overview

The Conference was, in my view, both necessary and useful. It had, as all events of this type, an official and a hidden agenda. It was planned and conducted as a scientific conference, but, quite naturally and legitimately, the Conference was also a part of the dialogue between Turkey and the Union, and in a more general sense, between Turkish and West European societies. The two agendas were not so far apart from each other, but the emphasis on one or the other by various participants sometimes created conflict and confusion. Since the majority of European participants came from academia and did not officially represent the Union, the objective of this type of dialogue was not to give an official evaluation of the "Euromaturity" of Turkey or to take a relevant decision in the framework of the rapprochement process. Rather, the event was seen as a forum where views and perspectives could be exchanged and discussed without imminent political pressure. The general impression is that this objective was met thanks to the efforts of the organizers.

Some contributions, however, patently misunderstood the general framework and used the presence of representatives from the EU and its member states to put across political messages.

Results

The major problem addressed by the Conference was to find explanations for the fact that Turkey was not accorded official candidate status alongside the "second wave" countries. Indeed, given the advanced state of the economy, Turkey's performance in adopting the *acquis communautaire* and the visible resolve to embark upon reforms one may wonder why this is so. The Turkish contributors voiced a number of

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complaints, which boiled down to placing the blame for this on Brussels. The Union, it was argued, takes a political decision in respect to candidate status and disregards its own formal enlargement criteria. The major complaints voiced were that:

In spite of the early date of the letter to Brussels, Turkey is still on standby, waiting for a place. It has booked the trip to Europe, but cannot get on board.

Europe does not realize that it needs Turkey (it is a westernizing agent in the region, a viable democracy, has an operative economy, is the only secular state in the Moslem world, and possesses a strong army which is indispensable for the security of the Union)

The Western criteria dealing with minority protection are inapplicable in the Turkish case. The Kurds are not a minority, but Turkish citizens. Progress is only possible in the framework of a unified Turkish nation. Singling out ethnic groups means the destruction of the nation.

On the Cyprus issue, Brussels has given in to the pressure of one member state (Greece). The Union has, in the past, come out for the independence of irredentist movements (the case of Ex-Yugoslavia), and is therefore not consistent in its position on Cyprus.

The EU tries to procrastinate in order to avoid an influx of Moslem families. The EU is a bloc of Christian nations, opposed to Islam.

Turkey's leaders have underlined their resolve to live up to EU standards, among other things by passing the EU accession strategy

States that are less developed (Rumania, Bulgaria) have attained candidate status and are in the line for the second round of enlargement. Why not Turkey, given the fact that the economic and democratic track record of these states is much more doubtful than that of Turkey.

The Union tries to show a conciliatory face towards Turkey. On the one hand, it wants to delay accession as long as possible, and on the other hand it resorts to financial aid and symbolic gratifications such as minor, but basically meaningless steps to upgrade Turkey's status as a future member. EU criticism is couched in diplomatic language, but firm when it comes to substance. The hard points of this criticism are the following:

The Cyprus issue: The EU would wish to see the issue resolved before accession, i.e. before 2004.

Minorities: Turkey does not treat its ethnic minorities, and above all its Kurdish population according to European and international human rights standards. Turkish policies to deny these groups any kind of autonomy is at variance with the European Convention on Human Rights and other relevant international documents.

Systematic torture: Despite the efforts, which have been made, Turkey still has to deliver on effective judicial monitoring of the pre-trial period in criminal investigations. In contrast to the minority issue, this problem is acknowledged by Turkish interlocutors.

Evaluation and future prospects

The major problems addressed by the EU can be treated as incarnations of one background configuration, namely Turkey's political system, which is based on the vanguard role of the military and the appropriate guiding principles as formulated by Atatürk. While the modernizing role of the army must most certainly be commended, one has to see that the reality of military rule is a mixed blessing. The Cyprus and Kurdish issues and the flat refusal to engage in anything that might endanger a fictitious national unity are directly related to the dominance of the military and its basic philosophy. Since most grave violations of human rights occur within the framework of the fight against terrorism, the issue of torture during criminal investigation is also linked to this structure.

In comparison with the Kurdish issue, Cyprus is a secondary problem. It is basically a bilateral issue, that can be solved in bilateral negotiations. The EU does not seem to insist on a specific solution, i.e. reunification. Other variants are within reach. The Kurdish problem is the real conundrum, because

- It is a regional problem that calls for a regional solution. Recent Turkish resistance against a possible US strategy to attack Iraq and use the Kurdish card illustrates this statement,
- The strategy of economic development in East Anatolia has run up against terrorism, corruption and lack of political support, and

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- A non-violent solution to this problem would necessitate a complete break with the Atatürk tradition. The idea of ethnic pluralism which goes with definite rights and the legal claims of non-Turkic ethnic groups is incompatible with the idea of the Turkish nation that has prevailed for the past 80 years. On the other hand, the younger generation has displayed greater readiness to break with the past and to embark on step-by-step reforms.

Future scenarios

Turkey's value for Europe and therefore, its chances of entering the Union will depend on

Economic development

Enhancement of Turkey's mediating role in regional conflicts (e.g. Balkans, Near East, Black Sea, Central Asia and Caucasus areas). The EU will become a major player in conflict management and rehabilitation not only in the aforementioned areas, but also on a worldwide scale.

Readiness to compromise with Brussels

Paradoxically, Turkey will receive more attention if the whole region remains unstable. But it is the strategic goal of the Union to make Turkey a reliable partner in the European attempt to control migration from Turkey proper and surrounding countries. Therefore, Europe is interested, at least in the long run, in making Turkey a viable and stable democracy. This is in spite of the likelihood of de-stabilization that comes with human rights campaigns which, in the final analysis strike at the foundations of the present system.

MARMARA ÜNİVERSİTESİ YAYINLARI

International Conference

The European Union Enlargement Process and Turkey

Venue:
Istanbul Chamber of Industry

20-21 December 2001
Istanbul

MARMARA ÜNİVERSİTESİ YAYINEVİ

THURSDAY, 20.12.2001

10.00 **Opening Speeches**

- **Hüsamettin Kavi**, President of the Assembly, Istanbul Chamber of Industry
- **Prof. Dr. K. Turay Yardımcı,** Rector of Marmara University
- **Mag. Franz Wechner,** Council-General of Austria to Istanbul
- **Dr. Nihat Akyol,** Ambassador, Permanent Representative of Turkey to the European Union
- **Adrian van der Meer,** Deputy Head of Unit Turkey Team, Europan Commission
- **Dr. Akkan Suver,** Marmara Strategic and Social Research Foundation, Istanbul
- **Gürbüz Kaya,** Türkish Democracy Foundation, Istanbul Director
- **Ali Eliş,** Director of the Turkish-German Co-operation Institute in Bremen

11.00 **SPECIAL SESSION**

Turkey-EU Relations

Chair Person: **Prof. Dr. K. Turay Yardımcı** (Rector of Marmara University)

- **Süleyman Demirel** (9th President of Turkey) *"Historical Appraisal of the Development of Turkey-EU Relations"*

12.30-13.30 Lunch

13.30 **I. SESSION**

The Enlargement Process of the EU

Chair Person: **Franz Wechner** (Consul General of Austria in Istanbul)

- **Prof. Dr. Paul Taylor** (Department of International Relations, London School Economics and Political Science): *"The Evolving Institutional Structure of the EU in the Enlargement Process"*

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- **Prof. Dr. Hagen Lichtenberg** (Faculty of Law, University of Bremen): *"An Analysis of the EU Enlargement Process"*

- **Prof. Dr. Michael Landesmann** (Vienna Institute for International Economic Studies): *"Effects of Enlargement on the Member States"*

15.15-15.45 Discussion

15.45-16.00 Coffee Break

16.00 **II. SESSION**

Enlargement to Central and Eastern Europe: Problems and Prospects

Chair Person: **Prof. Dr. Halûk Kabaalioğlu** (President of Turkish University Association for European Community Studies Association-TUNAECS)

- **Prof. Dr. Marc Marescau** (University of Ghent, European Institute, President of European Community Studies Associaton - ECSA): *"EU Pre-Accession Strategies: A Political and Legal Analysis"*

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- **Prof. Dr. Hans-Georg Heinrich** (Political Science Institute, University of Vienna): *"Eastern Enlargement: An Austrian View"*

16.45-17.00 Coffee Break

- **Prof. Dr. Andras Bozoki** (Central European University, Budapest): *"Hungary and the New Central Europe in the Context of European Integration"*

17.45-18.15 Discussion

19.30 Reception held jointly by the Consulate General of Austria and the Austrian Cultural Office

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FRIDAY, 21.12.2001

III. SESSION

Turkey and the EU: From Candidacy to Membership?

Chair Person: **Martin Sajdik**, (Foreign Ministry of Austria Advisor on the EU)

- **Volkan Bozkır** (Ambassador, Deputy Secretary-General for EU Affairs, Prime Ministry of Turkey): *"Appraisal of Turkey-EU Relations in the Aftermath of the 2001 Regular Report on Turkey and the Enlargement Strategy Paper"*
- **Dr. Çiğdem Nas** (Marmara University European Community Institute): *"Turkey-EU Relations and teh Question of Identity"*
- **Prof. Dr. Meryem Koray** (Department of Political Science and International Relations, Yıldız Technical University): *"Rethinking on the Future of the European Socio-political Model and Some Critical Questions"*
- **Assoc. Prof. Dr. Muzaffer Dartan** (Marmara University European Community Institute): *"Turkey-EU Relations: With Particular Reference to the Customs Union"*

12.30-13.00 Discussion

13.00-14.00 Lunch

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12.30 **IV. SESSION**

Turkey's Role in the Future of Europe

Chair Person: **Özdem Sanberk** (Ambassador, President of the Turkish Economic and Social Studies Foundation -TESEV)

- **Dr. Onur Öymen** (Ambassador, Permanent Representative of Turkey to NATO): *"European Security and Defense Policy and Turkey's Position"*
- **Prof. Dr. Georges Delcoigne** (President of the European Centre for Research on International Relatons and Strategic Questions-CERIS): *"New Parameters of European Security and the Position of Turkey"*

15.15-15.30 Coffee Break

- **Byron Theodoropoulos** (Ambassador, Special Advisor to the Hellenic Foundation for European and Foreign Policy-ELIAMEP, Athens): *"The European Construction: Expectations and Concerns"*
- **Prof. Dr. Mümtaz Sosyal** (Former Foreign Minister of Turkey): *"The Cyprus Problem and Turkey's Candidacy to EU Membership"*

16.30-17.00 Discussion

17.00 **Concluding Remarks**

Chair Person: **Prof. Dr. Orhan Oğuz** (Founding Rector of Marmara University, Istanbul)

- **Prof. Dr. Halûk Kabaalioğlu** (President of Turkish University Association for European Community Studies Association-TUNAECS))
- **Prof. Dr. Hans-Georg Heinrich** (Political Science Institute, University of Vienna)

SATURDAY, 22.12.2001

13.00-18.00 Reception held by Prof. Dr. K. Turay Yardımcı, Rector Marmara University

"Today we are witnessing an event of great political significance. Turkey belongs to Europe. The deepest meaning to the event may be expressed as follows: This is the endorsement of a fact rather than the abbrevialed expressions of a geographical evaluation or a historical determination which has been valid for the last couple of centuries.

Therefore what could be more natural than the identification of Turkey and Europe - which means free self-expression - with each other in their military, political and economic actions and reaction ?" *

Prof. Dr. Walter Hallstein
The first President of the European Commission

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* Excerpt from the speech he made during the signing ceremony of the Association Agreement between the European Economic Community and the Republic of Turkey on 12 September 1963 in Ankara.