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on

**THE ECONOMIC AND SOCIAL CONTRIBUTION THAT TURKEY'S FULL MEMBERSHIP
WILL BRING TO THE EU**

Türkiye'nin AB'ne Tam Üyeliğinin AB'ne Ekonomik ve Sosyal Açılardan Sağlayacağı Katkılar

Rapporteur : Dr Osman YILDIZ

Assistant Secretary General
HAK-İŞ Trade Union Confederation,
Member of the Turkish JCC

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Abbreviations

BSEC	Black Sea Economic Cooperation pact
CU	Customs Union
DAP	Eastern Anatolian Development Project
DOKAP	Eastern Black Sea Region Development Project
EU	European Union
EEC	European Economic Community
FDI	Foreign Direct Investment
GAP	Southern Anatolian Development Project
GDP	Gross Domestic Product
G-20	G-20 Countries
İŞKUR	Turkish Employment Agency
MDG	Millennium Development Goals
NATO	North Atlantic Treaty Organisation
ODA	Official development assistance
OECD	Organisation for European Cooperation and Development
OSCE	Organisation for Security and Cooperation in Europe
OIC	Organisation of Islamic Cooperation
SOYBİS	Social Assistance Information System
SPO	State Planning Organisation
TBMM	Grand National Assembly of Turkey
TL	Turkish Lira
TOBB	Union of Chambers and Commodity Exchanges of Turkey
VQA	Vocational Qualifications Authority
YHGB	Yeşilırmak River Basin Development Project (Central Anatolia)
ZBK	Zonguldak-Bartın-Karabük Region Development Project
WEF	World Economic Forum
WEU	Western European Union

1.INTRODUCTION

This study, entitled “The economic and social contribution that Turkey's full membership will bring to the EU”, includes an evaluation of Turkey since its application to join the EU (EEC) and reflections on the political, security, economic, social and cultural aspects of Turkey’s future contribution to the EU.

The report can be considered as an updated and enriched version of the previous Working Document, "Turkey on the Road to Accession", submitted and approved at the 16th JCC held in Brussels on 3-4 November 2003. It aims to provide an accurate picture of Turkey and to respond to the issue of the country's level of development in the economic and social spheres through analysis of their characteristics.

An evaluation of this kind can clearly help the social partners to contribute to the decision-making process in relation to enlargement. Indeed, comprehensive evaluations of this kind need to be conducted on a regular basis and are an extremely beneficial way of drawing attention to and enhancing relations and efforts, remedying deficiencies and instilling fresh drive and motivation into the process. Without them, there is a danger of falling into complacency.

Since its foundation, the EU-Turkey Joint Consultative Committee has been clearly and decisively in favour of ensuring that Turkey- EU relations are conducted with the objective of accession. The JCC has oriented its efforts, discourses and targets to this effect.

Indeed, the JCC issued a declaration, entitled “Europe Suitable for the Undertaken Responsibilities & Turkey Suitable for Orienting to Europe” at its 5th Meeting, held in Brussels on 9 March, 1998.

In this declaration, the JCC emphasised clearly that:

- it was necessary to enhance the partnership between the EU and Turkey through;
- open and constructive dialogue, and
- responsible cooperation.

This report highlights the significant factors in the 52-year process behind Turkey's accession to the EU and the determination to move towards the objective of creating a common future.

Background – Turkey’s Accession to the EU

Nevertheless, Turkey is not yet a member of the EU. Indeed, the country's membership application process is almost as old as the process of EU integration itself. It could be said that the defining characteristic of Turkey-EU relations as a whole has been vagueness.

In terms of duration, Turkey's application for EU membership is about to break a historical record, having become the longest application process of all time. If Turkey joins the EU in 2014, as the most optimistic forecasts suggest, its application process will have taken over half a century.

When the historical progress of Turkey’s accession to the EU is reviewed, significant political, legal and economic developments can be observed. The relationship began strongly with an agreement immediately after Turkey's application to join the EEC. The objectives, method and content of the relationship were expressed clearly in this agreement, which also set a clear objective of full membership at the end of 30 years. However, subsequently, the process did not follow this blueprint, being marked by a number of significant interruptions. Until the 1990s, the key factors determining and affecting relations were economic in nature and connected with Turkey's level of economic development. Thus, the economic factor was one of the key reasons put forward for suspending Turkey's application for full membership in 1989.

However, EU-Turkey relations altered in parallel with the changes and developments that took place in Europe following the 1990s. Developments in Eastern Europe following the collapse of Soviet Bloc at the very beginning of the decade led to changes in the rules determining eligibility for EU membership. With the adoption of the Maastricht Treaty and the Copenhagen Criteria, economic priorities were replaced by other criteria. The *Acquis Communautaire* mainly comprised criteria for political, social and cultural rights and freedoms rather than economic criteria.

Following the Customs Union (CU) between Turkey and the EU in early 1996, a further step was taken in the relationship. Using the analogy of marriage, the Customs Union was seen, particularly by Turkey, as an engagement. However, after just two years, the engagement was broken off when Turkey was refused candidacy status in Luxembourg in 1997. Two years later, the two parties made peace again. At the EU Helsinki Council in 1999, Turkey was recognised as EU candidate country and the engagement was back on.

Negotiations were started in 2005. Since then, Turkey has made considerable progress in a number of fields. The country's determination to accede to the EU has been clearly demonstrated through the adoption of eight different EU reform packages in the Grand National Assembly of Turkey (TBMM), which have eliminated and overcome many of the obstacles standing in the way of democratisation. Turkey was in favour of endorsing the Annan Plan in Cyprus. The country has also succeeded in introducing comprehensive constitutional changes. However, despite these achievements, the negotiation process and EU-Turkey relations have reached a sort of stalemate as a result of continued questioning of the target of full membership. In this connection, it is quite surprising that full membership does not appear to be a matter of Turkey fulfilling the *Acquis Communautaire* and all the criteria but a matter of further political choice on the part of some existing Member States.

Therefore, if Turkey is to become a full member of the European Union in the near future, both sides need to act in a more orderly, decisive and goal-oriented fashion..

2. THE SIGNIFICANCE OF TURKEY'S PREFERENCE FOR EUROPE

In political terms, it is obvious that Turkey has always demonstrated a preference for Europe and European organisations. However, the often difficult and delicate historical situation has complicated the realisation of Turkey's leanings towards the EU.

Following the Second World War, the whole world, including Europe, began to be shaped by the forces exerted by two opposing super powers. Political, military, economic and socio-cultural organisations started to appear in Europe immediately after the war. During this period when Europe was being re-shaped, in addition to its political alignment and the westernising reforms introduced by Kemal Atatürk, the founder and first president of the Republic of Turkey following the collapse of the Ottoman Empire, Turkey gave a decisive demonstration of its fundamental political preference for Western Europe by joining the Council of Europe (1949), participating in the Korean War (1950), joining NATO (1951), applying for associate membership of the EEC (1959) and becoming a member of the OECD (1961) and OSCE (1973). Given the sharp and hostile division of Europe and the world along the Soviet front, the West sorely needed Turkey's alignment.

In this regard, it should be acknowledged that over this period Turkey contained and faced the Soviet threat on three sides, from Bulgaria to Syria, excluding its border with Greece. This represented great risks and dangers for Europe as well as for Turkey. Against this background, Turkey's conscious and decisive preference for Europe can be readily understood.

Turkey has continued to contribute to the EU as far as political issues and security are concerned. In this connection, Turkey's full membership of the EU will make a significant contribution:

- helping the EU to be a genuinely “global actor” by contributing to its “political courage” and “collective ambitions” as well as its “cultural wealth”;
- contributing to the defence policies and regional stability of the EU. Turkey is a strong part and ally of Europe's political structure and security theatre through its full membership of NATO and associate membership of the WEU (Western European Union) as well as through its role on the world stage in structures such as the BSEC (Black Sea Economic Cooperation platform), OIC (Organisation of Islamic Cooperation) and the G-20;
- helping to protect strategic interests with regard to the EU's energy supplies in the East and South;
- contributing to the EU's internal and external policies. Turkey already pursues a "zero problem" policy with neighbouring countries. Through its' position as an existing “role model” for Middle Eastern countries the country is continuing to contribute to democratisation in the region;
- contributing to the attainment of the EU's strategic interests through its strategic location on the three seas, the Black Sea, the Aegean and the Mediterranean;
- producing significant economic and political benefits through the Euro-Mediterranean Partnership and Turkey's role in Southeast Europe and the Caucasus;
- producing benefits for the expansion of EU Trans-European Networks;
- increasing the efficiency of EU policies in the areas of justice and internal affairs. As a stability actor in its wider region, Turkey will help to mitigate and regulate a number of social problems, in particular the migration flows to Europe from the East and South.

3. TURKEY'S CONTRIBUTION TO THE EU

It is clear that Turkey's membership of the EU will provide significant benefits for both parties. Most importantly, all of these benefits – in the fields of politics and security and a wide range of economic, social and cultural areas - will be permanent, rather than merely one-off advantages. The general framework and major trends in several key economic and social areas are described below, on the basis of the current figures. Indeed Turkey is currently setting wider and more ambitious projections and targets, in connection with the 2023 Plan marking the 100th Anniversary of the creation of the Republic.

3.1 ECONOMIC CONTRIBUTION

From an economic perspective, Turkey's full membership has much to contribute to the EU. The country currently has a sound economy and finances, with a strong institutional structure and better economic governance. Turkey has the most extensive and liberal trade policies in the world. It has succeeded in making its own way, without the IMF. Inflation has decreased to below 10 % and currently stands at 7%.

This aspect of Turkey's economic development is important in relation to the nature of EU integration. Until the early 1990s, EU integration was largely conducted in the economic field. Until the Maastricht Treaty, it was known as the European Economic Community (EEC). Turkey-EU relations were influenced accordingly, with Turkey's economic problems and the economic dimension of the various issues on the agenda. The country's application for full EEC membership in 1987 was deferred as a result of economic problems in 1989.

However, Turkey has made significant progress on the economy, as demonstrated through an overview of the historical milestones in its economic situation between 1959 and the present.

A comparison of the macro economic data between 1959, when Turkey applied to the EEC, and 2011, shows that Turkey has experienced unbelievable economic development. The Turkish economy is now the seventeenth largest economy in the world and was the seventh-largest economy in Europe in 2010 (IMF).

National Income Per Capita in Turkey, which was previously only \$520, reached 10 043 US Dollars in 2010, despite the economic crisis.

Accordingly, the economic growth rate, which previously stood at 3.4%, rose to 8.9% in 2010. Turkey exports to almost all countries in the world. Turkey is a strong EU trade partner, with the European Union accounting for 48.9 percent of the country's total exports.

We should underline the importance of a projection made by the United Nations. According to an economic growth projection for the OECD countries for 2000-2040, made by the United Nations Economic Commission for Europe, the annual average economic growth for Turkey over 40 years will be 5.2%, which is the highest among all OECD countries, the average GDP growth for OECD countries being 2.2%. This projection is based on a number of assumptions, in particular, continued

improvement in the policies that accelerate “knowledge-based growth” and “favourable demographic trends”. The projection also shows that Turkey will have the highest growth in per capita GDP among the OECD countries, at 4.2%, against an average per capita GDP growth of 2.3%.

Turkey's exports, which amounted to 400 million USD in the 1960s, rose to 114 billion USD in 2010. In this regard, it is very important to stress that Turkey's development has been based essentially on its own resources and dynamism.

Another of Turkey's achievements concerns inflows of Foreign Direct Investment (FDI). According to the World Investment Prospects Survey, produced by the United Nations Conference on Trade and Development (UNCTAD), Turkey was the 15th most attractive FDI destination in 2008-2010. The share of foreign companies has been increasing in Turkey, rising from 5.6% in 2002 to 25.5% in 2010. In terms of FDI inflows, Turkey attracted 94 billion USD over the last 8 years, compared with only 24 million USD in 1960 and 15 Billion USD in total over the three preceding decades between 1970-2000.

As far as economic sectors are concerned, Turkey has a number of globally competitive sectors.

- Turkey is the 5th largest shipbuilding country;
- Turkey is the 8th largest steel producer in the world and the 2nd compared with the EU Countries;
- Turkey is the 16th largest automotive producer in the world;
- Turkish Airlines is one of the fastest growing airlines in Europe;
- Turkey is the 7th most visited holiday destination in the world. Tourism revenues were 20.1 billion USD in 2010.

In addition to this, Turkey is making significant improvements and transformations in the field of agriculture. Agricultural Gross Domestic National Product doubled to 79 billion TL in 2010 from 36 billion TL in 2002, which saw Turkey's world ranking upgraded to 8th in 2010 from 11th in 2002. In this regard, Turkey was named as the 8th nation in the world in terms of food self-sufficiency. The country is currently able to make agricultural exports to 177 countries in 1530 different agricultural products. Despite some persisting restructuring problems in this area, Turkey has made progress towards implementing further restructuring in many areas of agriculture. Turkey currently applies over 52 different support programmes in the agriculture and stock-breeding sectors, including direct transfers to farmers, the introduction of agricultural insurance and certified agricultural guidance, quality and inspection measures.

Another substantial achievement has been in the transformation of Turkey towards urbanisation. Constant and rapid progress has been made in this area. The urbanisation rate, which was 32% in the 1970s, reached 70 % in 2010.

Turkey has been organising itself for regional development. It has produced 5 main regional development plans, the DAP, DOKAP, GAP, ZBK and YHGB, to improve economic conditions and remove the disparities between lesser and more developed regions. Turkey also has 25 different Regional Development Agencies, covering the whole of the country, which work in cooperation with the EU. Turkey is evolving into an economically balanced country.

In addition to these aspects and developments, there are other areas in which Turkey can make a substantial economic contribution to the EU, namely:

- expanding the EU market to Turkey, with its population of 74 million people, will help to extend the EU economy. According to the WEF, in terms of economic scale, Turkey is the 15th largest country in the world.
- providing direct investments and significant advantages for EU companies, through the strengthening of its free market economy.
- providing opportunities for EU companies to take up advantageous positions in Middle Eastern and Asian markets.

3.2 SOCIAL CONTRIBUTION

From a social perspective, Turkey can make a number of contributions to the EU. The country has been developing its own social model, although it has not explicitly named it as such. In 2010, Turkey applied 54 different social assistance programmes covering 4 million people and amounting to 210 billion TL, up from 48 billion TL in 2002. The country increased social security coverage of the population to 60 142 000 (83%) in 2010, from 46 316 000 (69 %) in 2002. 17 % of the population is still not covered by the social security system. Turkey has developed a map of poverty, using the SOYBİS (Social Assistance Information System). Thus, Turkey is very close to creating the individual income support necessary for a fully modern social protection system.

Turkey has successfully removed a number of taboos in working life by declaring May Day a public holiday and opening Taksim Square for May Day celebrations. In addition to the significant

breakthroughs achieved by the Constitutional Reform in 2010, Turkey is striving to change Trade Union Laws 2821, 2822 and 4688 for workers and civil servants. The new government's Minister for Labour and Social Security has brought in a more concrete timetable and these laws are now due to be amended by the end of this year. This would represent a considerable breakthrough in terms of ensuring democratic trade union practices in Turkey. The changes in trade union legislation should be accompanied by a new, democratic Constitution.

With a larger youth population than any country in the EU, Turkey has a considerable demographic advantage. Half of the population is aged 29 or under and the working age population between the ages of 15 and 64 represents 67.2% of the total population. The workforce participation rate has increased to 48.8%. Turkey's youthful population will play an important role in maintaining economic dynamism within the EU. The country can play an effective role in resolving a number of problems in EU labour markets. According to current projections, by 2050, the EU will require an additional workforce of 100 million.

Turkey has been making improvements in vocational training and life-long learning in order to qualify its workforce. Major developments in this area include the well-funded Beceri2010 project, run jointly by İŞKUR and TOBB, and the development of a National Qualifications System based on agreed occupational standards by the VQA.

Important progress has been made towards achieving universal primary education. In 2009, Turkey achieved a net enrolment ratio in primary education of 98.2%. Moreover, the gap between the enrolment ratios for boys and girls has almost been closed, with rates of 97.8 % for boys and 98.5% for girls. The current goal is to ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling. Turkey has also achieved a breakthrough in pre-school education, with the proportion of children enrolled now up to 61% in 2010 from 11% in 2002. The country has also raised the enrolment rate in higher education to 67% in 2010, from 14.6 % in 2002.

Women's workforce participation has increased to 27.6% , but this is still low compared to the EU average. Despite the problems in the area of gender inequality, it should be noted that the proportion of female academic staff in Turkey is higher than the European average. Moreover, the proportion of unpaid family workers and the self-employed in total employment has decreased dramatically from 56.5% in 1990 to 34.3 % in 2009.

The new, emerging issue of retirement migration is another area where Turkey can make an important contribution to the EU. For various good, attractive and advantageous reasons such as the warm climate, the low cost of living and the friendliness of the Turkish people, the country is turning out to be a popular destination for European retirees. Although there are no concrete figures on the scale of this migration, the number of European retirees living in Turkey is estimated at between 100 000 to 500 000. This development will help to bring about further convergence between the Turkish and European societies, adding to the other flows of Europeans into Turkey, especially in coastal areas, where many have holiday homes or come to settle permanently.

Turkey's efforts to combat poverty have gained increasing momentum in recent years. The proportion of the population with a daily income of less than one dollar was reduced to nil in 2006 from 1.1 % in 1994.

Health is another area of social policy where improvements have been recorded. Turkey has established a universal health system with broad coverage of the population and has increased the provision of universal services. The developments include the creation of a unified hospital system, the introduction of a family doctor system and an increased focus on preventive health.

Turkey's first Report on the Millennium Development Goals was produced by the State Planning Organisation (SPO) in 2005. According to the Report, Turkey is, in many respects, well on the way to reaching the MDG targets. Yet structural inequalities, especially those related to geographical, social and gender disparities, remain a challenge. Special attention must be paid to Goal 3 on gender inequality, which is the area where Turkey is most likely to encounter serious difficulties and structural obstacles.

In the period from 2005-2010, Turkey made significant progress, especially in the area of maternal and infant health, registering sharp reductions in infant, under-five and maternal mortality rates. Turkey is expected to reach the MDG targets in these areas with ease by 2015.

Another area in which Turkey has shown a remarkable improvement is in Goal 8. Turkey has increased its Official Development Assistance (ODA) to developing countries considerably. The sum Turkey puts into ODA is more than that of some EU and OECD-DAC member countries.

Since 2002, Turkey has expanded the scope of its development assistance to developing countries very rapidly. Over this period, Turkey increased its development assistance spending by around 30%

and it amounted to 750 million USD in 2008. Turkey is now accepted as an emerging donor among the OECD countries. On the other hand, it continues to receive increasing amounts of ODA itself, due to the financial assistance received from the EU. Apart from EU financial assistance of over 2 billion Euro, the ODA Turkey receives is very low.

Turkey's Ninth Development Plan, covering the period 2007-2013, was prepared after the first Millennium Development Goals Report and took account of the MDGs.

Shahid Najam, the United Nations Resident Coordinator evaluates the Report very positively, arguing that the Government of Turkey has demonstrated its full commitment to the global commitment made by world leaders at the Millennium Summit by aligning the MDGs with its national development priorities. Compared to the baseline study carried out in 2005, Turkey's MDG Report for 2010 demonstrates clearly that Turkey has made significant improvements with regard to the achievement of these development goals.

Although there are still challenges related to substantial rural-urban, regional and gender inequalities, Turkey has made considerable gains in poverty reduction, achieving universal primary education, reducing maternal and infant mortality and ensuring environmental sustainability. In addition, Turkey has also played an increasing role in international development cooperation, with special focus on the poor and least developed countries.

The 2010 report provides concise and well-grounded information on the major challenges, especially the prevailing regional disparities and gender inequality. The government of Turkey acknowledges the need for comprehensive efforts to be made, including further improvements to the legislative and policy frameworks and, above all, their implementation, to strengthen women's role and participation in decision-making and the labour market.

4. CONCLUSION

Turkey has consistently underscored that its place is within Europe in general and the European Union in particular. It has consciously sought to play a role in building a democratic and free Europe and the strategic geo-political role it played during the volatile periods when Europe was reshaped should not be forgotten.

In economic terms, Turkey's full membership has much to contribute to the EU. The country now has a sound economy and sound finances, a strong institutional structure and better economic governance. Its many achievements include establishing the most liberal trade policies in the world, making its way alone without the IMF, decreasing inflation, making significant economic progress, making a great shift towards urbanisation and creating competitive sectors such as metals, airlines, shipbuilding, the automotive industry and tourism.

In social terms, also, Turkey can make a number of contributions to the EU. The country is making progress in the areas of education, health, agriculture, poverty and social policies, including rights and freedoms. It enjoys a significant demographic advantage. Another area where it can make an important contribution to the EU is that of retirement migration. Turkey has been making improvements in vocational training and life-long learning in order to qualify its workforce. Its efforts to combat poverty have gained increasing momentum recently, with the proportion of the population with a daily income of less than one dollar reduced to nil in 2006 from 1.1% in 1994.

It can be concluded that Turkey has been making rapid and constant progress. Furthermore Turkey's own projections for 2023, and estimates from reliable sources and organisations based on their forecasts for 2050, demonstrate that it will continue to do so in the future. In this connection, taking account of these economic and social developments, Turkey is overcoming the obstacles presented by regional disparities, agricultural problems and migration.

With these developments in the economic and social spheres, Turkey has demonstrated that it is evolving into a major contributor country and it is now preparing itself for a common future with the EU and European societies.

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