

# EU and Turkey

## Accession of Turkey - a problem or an opportunity?

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November 11, 2008

## 1 Table of contents

## 2 Introduction

## 3 The accession

## 4 Analysis

## 5 Closing notes

## 6 Literature

## The basic facts about the Republic of Turkey

- Republican parliamentary democracy; “modern” Turkey founded in 1923 on the remains of Ottoman empire by Mustafa Kemal Atatürk
- The Area: 780 000 sq km (10 times larger than the Czech Republic)
- The People: 71 000 000 (7 times more than the Czech Republic)
- The GDP: 12 000 USD per capita (1/2 of the Czech Republic’s GDP)
- Border countries: Armenia 268 km, Azerbaijan 9 km, Bulgaria 240 km, Georgia 252 km, Greece 206 km, Iran 499 km, Iraq 352 km, Syria 822 km
- Ethnic groups: Turkish 80 %, Kurdish 20 % (estimated)
- Religions: Muslim 99.8 % (mostly Sunni), other 0.2 % (mostly Christians and Jews)

Source: [4]

## Past integration

- 1947 Marshall plan, 1952 NATO; during Cold war major military role (borders with the Soviet Union)
- Ankara agreement (12/1964) - association with European Economic Community
- Customs union with EU (1995)
- Helsinki Summit (1999) - Turkey given “candidate status” for EU
- Copenhagen Summit (2002) - accession negotiations should start without delay in December 2004
- 2002 - 2004 - reform packages (human rights, freedom of thought and expression etc.)
- Since 2004: discussion about Cyprus, Additional Protocol extending the Ankara Agreement yet to be implemented by Turkey
- Since 2007, negotiation talks officially expected to last at least 10-15 years, partially suspended on the base of lack of progress in human rights and unfinished legal reform

Source: [1]

# Should Turkey be part of the EU?

Obvious ideas:

## Pros

- Use of possible membership as an incentive to solve problematic areas (Republic of Cyprus, which, however, poses a risk of military engagement between two EU member countries).
- Stabilization of the region
- Improvement of legal rights for many people **inside** EU (Turkey nationals e.g. in Germany)
- Possible direct access to oil (Iraq, Iran), gas (Russia, bypassing problematic Ukraine), access to Baku
- Improving relations with Islamic countries (no longer us vs them)
- New markets, cheap industrial production

## Cons

- Moving EU border directly to turbulent regions (Iraq, Iran, Syria, Georgia)
- EU could become another UN - a lot of great ideas from far too many countries, no action because of far too many disapproving countries
- Even more subsidies for the agriculture,

# Should Turkey be part of the EU?

(Other) obvious ideas:

What is **not** a reason against:

- Russian sphere of influence - Turkey has been in NATO longer than e.g. Central European (Czech Rep., Hungary, Poland) countries.
- Terrorists - it is easier to create one “Iron-curtain” border than to depend on Turkish semi-secure and European relaxed borders <sup>1</sup>
- Kurds - compare to United Kingdom and Northern Ireland, Spain and Basque Country.
- Turbulent countries (Iran, Iraq,...) - “No man is an island” <sup>2</sup> - Syrian missiles know no borders. However, close prospering country might erode Syrian regime. European countries already are separately involved in military conflicts in the area.
- Turkey is a “less developed” country - so is Bulgaria or Romania.
- Islamic fundamentalism - already inside EU (France, Germany). Turkey could pose a good secular model.

Most of these issues should be solved as a part of accession, however, they should be a reason against it.

<sup>1</sup> Also, real terrorists usually look like distinguished businessman with valid credentials and cross the border without any hassle

<sup>2</sup> No man is an island, entire of itself; every man is a piece of the continent, a part of the main. If a clod be washed away by the sea, Europe is the less, as well as if a promontory were, as well as if a manor of thy friend's or of thine own were: any man's death diminishes me, because I am involved in mankind, and therefore never send to know for whom the bells tolls; it tolls for thee.[10]

## What is a reason against Turkish membership:

- Unsolved Cyprus problem could result into a military dispute between two member countries of the EU
- Turkish legal system is not up to EU “democratic standards”<sup>3</sup>; institutions (Hayek’s “kosmos”) will need a lot more time to adjust
- Unresolved territorial issues (Armenia), Nagorno-Karabakh conflict (vs. territorial tension Slovakia x Hungary, to lesser extent Czech Republic x Germany)

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<sup>3</sup>Neither is British legal system - consider widespread surveillance and expatriation of citizens to the US

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EU and  
Turkey

Kohout,  
Winkelhöfer

Table of  
contents

Introduction

**The  
accession**

Analysis

Closing  
notes

Literature

Apart from (geo)political problems, is there an economic reason to not allow Turkey into the EU?

Let's see.

## Issues

- On-going privatization
- Unemployment rate: 9 %, “of a long term nature for more than half job-seekers” [3]. Structural changes should be expected (possible large underemployment in the economy). Female employment is very low for European standards. “Overall, unemployment remains fairly high and constant, while participation in the labour market is low and falling.” [3] Fast-growing population and agricultural modernization (share of empl. from 33 % to 25 % just during 2005[3]) put a strain on labour-market.
- Further privatization should be expected (large state banks amount for  $\frac{1}{3}$  of banking sector [3])
- Deregulation (price liberalization) of consumer prices hasn't been finished yet (e.g. electricity; administered prices include 10,2 % of CPI consumer basket [3])
- Limited stock market
- Secondary education is sometimes of sub-standard quality
- Infrastructure has not seen any improvements in the last years.
- High current account deficit and high external debt (\$247.1 billion - 2007, public debt 38.9 % [4], still lower than most EU 27 countries)

## Comparison

In the previous slide, you can see that Turkey is facing many problems similar to recent new members of EU (Czech Republic, Poland, Hungary, Bulgaria, Romania) <sup>4</sup>

- On-going privatization
- Unfinished deregulation, high structural unemployment rate, wide-spread state ownership
- Agricultural dependence (Poland)

However, Turkey is facing no institutional problems, there was no transition from communism regime. Also, the industry develops on free market for a long time, which should give Turkey a slight advantage - by comparing her to e.g. Poland, we should be considering worst-case scenario.

Theory: if there is real economic reason against the accession of Turkey, it should be clearly visible.

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<sup>4</sup> Most of the mentioned countries have specific issues differentiating them slightly from Turkey 

## Assumptions and limitations

- We assume (read hope) that current economic recession will end soon and will not be prolonged and of such magnitude as the Great Depression (so we can safely use economic data ignoring 2008 and 2009 volatile forecasts).
- We assume, that Turkey may be admitted around the year 2020. Therefore we should compare the data roughly from the year 1994 for the 2004 enlargement, which proved to be only a rough estimate. Post-communistic countries were then going through severe crisis and structural reforms, so the data may or may not reflect actual situation.

## Were other countries better when they wanted to join?

Country	GDP per capita in Purchasing Power Standards in 2007	Year of accession	GDP per capita in PPS, year of accession	GDP per capita in PPS, 1997 estimates
EU 27	100	100	100	100
Turkey	41.0 (f)	n/a	n/a	32.1
Estonia	70.6	2004	57.2	41.8
Latvia	57.8	2004	45.7	34.6
Lithuania	61.0	2004	50.5	38.1
Hungary	63.3	2004	61.1	51.5
Poland	53.6	2004	50.6	46.8
Romania	40.5(f)	2007	34.0	n/a, 1999 26.0
Bulgaria	38.0	2007	33.7	26.4
Slovakia	68.4	2004	57.1	51.3
Czech Republic	81.1	2004	75.1	72.9

Source: [6]

## Does the size of Turkey pose a problem?

Countries	GPD in millions EUR, year of accession	percentage of GDP of EU
EU 15 in 2004	10029901	100 %
EU 27 in 2007	12339731.1	100 %
Poland, Czech Republic, Hungary, Latvia, Lithuania, Estonia, Slovakia GDP in 2004 to EU 15	572801.3	5.71%
Turkey in 2007 to EU 27	12339731.1	3.88 %
Turkey in 2004 to EU 15	12339731.1	3.14 %

Source: [5]

As we can see, Turkey is a considerable enlargement of EU in terms of GDP (and probably in next ten years, the  $GDP_{EU}$  to  $GDP_{Turkey}$  will decrease even more with rapid Turkish growth as an emerging market).

# The GDP comparison

EU and  
Turkey

Kohout,  
Winkelhöfer

Table of  
contents

Introduction

The  
accession

Analysis

Closing  
notes

Literature

## The GDP of the Central-Europe countries in 1995

- Czech Republic: 9 700 USD <sup>5</sup> per capita
- Poland: 6 500 USD per capita
- Hungary: 7 400 USD per capita
- EU average: 26 000 USD per capita
- GDP of C-E relatively to EU 15 GDP: 30,2 % (EU GDP more than three times higher)

## The GDP of the Republic of Turkey today

- Turkey: 9 400 USD per capita
- EU average: 33 000 USD per capita
- GDP of Turkey relatively to EU 15 GDP: 28,4 %

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<sup>5</sup>The numbers have been all recalculated to fit the current exchange rate 10 USD = 8 EUR 

## The interpretation of the numbers

- We can see that the Republic of Turkey is in a pretty similar position to many “2004 EU members” (or 2007 members) a decade before their accession.
- Due to the cheap labour price and a possible new EU market, we can expect companies to start showing interest in Turkey and there might come investments in hope of buying cheap labour in a country which is soon-to-be a part of EU free trade organizations (consider underemployment in Turkey and current EU hunger for low-pay workers). That would mean further development and GDP increase. We have no reasons to believe the numbers will go down.
- Therefore we may proclaim the EU membership of Turkey on 2018 as **possible** (but only under these circumstances, that means any unexpected problem can slow the process down).

The reason to block Turkish accession to the European Union seems to be of a political kind (however we have dismissed such arguments). We have not found that Turkey is underdeveloped compared to other recent new members, moreover, it is in a much better position than Romania or Bulgaria. European Union should be cautious before and during the accession, because Turkey implies an enlargement of a same magnitude as was the 2004 expansion (biggest in EU history). We firmly believe that Turkey will, as a member of European Union, provide more benefits than we can now imagine (read oil) and the costs for such benefits will show to be very low or negligible.



## Embassy of the Republic of Turkey, Washington, DC

Turkey and EU: [http://www.turkishembassy.org/index.php?option=com\\_content&task=view&id=57&Itemid=235](http://www.turkishembassy.org/index.php?option=com_content&task=view&id=57&Itemid=235)



## EuroActiv.com

EU-Turkey relations <http://www.euractiv.com/en/enlargement/eu-turkey-relations/article-129678>



## COMMISSION OF THE EUROPEAN COMMUNITIES

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The world's factbook; Turkey

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## GDP

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