Turkey: membership application, 12 April 1987

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PURPOSE : to present the 2002 Regular Report from the Commission on Turkey's progress towards accession. CONTENT : this Report takes into consideration progress since the 2001 Regular Report. It covers the period until 15 September 2002. In some particular cases, however, measures taken after that date are mentioned. It looks at whether planned reforms referred to in the 2001 Regular Report have been carried out, and examines new initiatives. In addition, this Report provides a global assessment of the overall situation for each of the aspects under consideration, setting out for each of them the main steps still to be taken by Turkey in preparing for accession. Furthermore, in view of the fact that the 2002 Regular Reports will provide the basis on which the Commission will formulate its recommendations as to which countries are ready to conclude negotiations, this Report includes an evaluation of Turkey's track record since the 1998 Regular Report. For the economic criteria the track record covers the period since 1997 and the report also provides a dynamic, forward-looking evaluation of Turkey's economic performance. The Report further includes a separate section examining the extent to which Turkey has addressed the Accession Partnership priorities. As has been the case in previous Reports, "progress" has been measured on the basis of decisions actually taken, legislation actually adopted, international conventions actually ratified (with due attention being given to implementation), and measures actually implemented. - PRE-ACCESSION PROCESS : the start of a process of detailed legislative scrutiny in the first half of 2002 within the eight sub-committees of the Association Committee. This committee decided in January 2002 on the subjects, on which work should focus, including a schedule of meetings. The first series of meetings were completed in July 2002. This process allowed for a more detailed dialogue on the requirements for the transposition, implementation and enforcement of parts of the acquis. Differences in Turkish legislation with the acquis in various sectors were identified. The sub-committees monitored the implementation by Turkey of the Accession Partnership priorities and discussed various trade issues. In July 2002, an extra meeting of the sub-committee dealing with Justice and Home Affairs took place to discuss the matter of illegal immigration. - PRE-ACCESSION ASSISTANCE : the adoption in December 2001 of a regulation on pre-accession financial assistance to Turkey. This new regulatory framework ensures an accession driven approach of the EC.s financial co-operation with Turkey. As for all candidate countries, financial assistance has to focus on the priorities identified in the Accession Partnership. Furthermore, following the decision to establish a decentralised implementation system in Turkey by the end of 2002, the government has begun to put in place the necessary structures which form an integral part of the system (National Aid Co-ordinator, Central Finance and Contract Unit, National Fund). In 2002 the total national allocation for Turkey is EUR 149 million and shall cover areas such as the fight against organised crime; drugs and fraud; a range of civil society development initiatives; SMEs and the strengthening of economic and social cohesion. Turkey is also a major beneficiary of assistance from the EIB. It benefits from up to five different mandates and facilities: the EuroMed II Lending Mandate for Mediterranean countries, the Mediterranean Partnership Facility, the Special Action Mandate for Turkey, the Turkey Earthquake Reconstruction and Rehabilitation Assistance Facility and the Pre-Accession Facility. In total Turkey has received loan financing worth EUR 1020 million from 1992 to 2000. In 2001, around EUR 375m was granted by the EIB for four major investment projects. More specifically, as far as the criteria for membership are concerned : 1) Political Criteria : a major constitutional reform was adopted in October 2001 aimed at strengthening guarantees in the field of human rights and fundamental freedoms and limiting capital punishment. A new Civil Code was adopted in November 2001. Three sets of reform packages were adopted in February, March and August 2002. The reform package adopted by Parliament in August 2002 was particularly far reaching. Among the amendments adopted are the lifting of the death penalty in peace time, the possibility for Radio and TV broadcasting in Kurdish, the widening of freedom of expression and greater freedom for non-Moslem religious minorities. The adoption of these reforms demonstrates the determination of the majority of Turkey's political leaders to move towards further alignment with the values and standards of the European Union. These reforms were adopted under difficult political and economic circumstances, and represent a major shift in the Turkish context.

The building of political consensus around these changes was prepared by an intensive public debate concerning EU accession which took place in Turkey during the last year with the participation of political parties, civil society, business as well as academic circles. Substantial economic reforms continued, supported by the IMF and the World Bank. This contributed to the stabilisation of the Turkish economy. The banking sector underwent restructuring while efforts continued to reform the energy, telecommunications and agriculture sectors. There was, however, no significant progress in privatisation. Despite these changes, a number of restrictions on the exercise of fundamental freedoms have remained. The extent to which individuals in Turkey will enjoy real improvement in the exercise of fundamental freedoms will depend on the details of implementing legislation, and the practical application of the law. It is encouraging that a general principle of proportionality has been introduced and that the stated general aim of the reform is effectively to bring to the forefront respect for human rights and the rule of law. As far as Cyprus is concerned, the report states that the prospects for a settlement of the Cyprus problem under the auspices of the United Nations are analysed in the Regular Report on Cyprus. In the course of the enhanced political dialogue with Turkey, and at the EC-Turkey Association Council in April 2002, the Turkish government expressed its support for the current process of direct talks between the leaders of the two communities. Relations between Turkey and Greece have continued to improve, largely due to the close co-operation between the Foreign Ministers of the two countries. The restructured governmentdeclared in July that it would continue along this path. In March 2002, the foreign ministries began exploratory contacts about the Aegean. The contacts were formally launched in Istanbul in the context of the EU-OIC (European Union-Organisation of the Islamic Conference) forum on the harmony of civilisations. 2) Economic Criteria : Turkey has made progress on the functioning of its market economy which should improve its capacity to cope with competitive pressure and market forces within the Union, but is still undergoing the consequences of the two deeply destabilising financial crises. After several attempts to stabilise the economy, the current reform programme is producing positive results and growth has resumed. Fiscal discipline has improved and the transparency of public sector accounts has increased markedly, while inflationary pressures are declining. Political interference, a main source for Turkey's economic instability, has been reduced and structural weaknesses, such as a fragile and distorted banking sector, are being addressed. Financial market regulation and supervision have been strengthened. Important steps have been taken to liberalise key markets, such as agriculture and energy. To improve the functioning of its markets and its competitiveness, Turkey needs to continue the present reform process in order to achieve macroeconomic stability and fiscal sustainability. The inflow of FDI has to be encouraged by simplifying bureaucratic procedures and by removing remaining barriers. 3) Ability to assume the obligations of membership : overall, Turkey has achieved a good degree of legislative alignment in the areas covered by the Customs Union, while in other areas this alignment is less advanced. Major discrepancies between the acquis and Turkish legislation remain. Administrative capacity needs to be strengthened. Considerable further efforts are needed. - Regarding the internal market, in the area of free movement of goods, the framework law on the free circulation of products adopted in 2001 has entered into force. Various pieces of implementing legislation have been adopted throughout a wide range of sectors. - Turkey's alignment concerning financial services is well advanced, and further progress has taken place in 2001, in the framework of the reorganisation of the financial sector. In the field of non-financial services, there has been no progress, and much work still remains to be done in order to align Turkish legislation with the relevant acquis. In the area of company law, efforts have been made concerning the fight against piracy and counterfeiting. Implementation of the legislation should be further pursued and the Turkish Patent Institute needs to be fully independent. - On agriculture, Turkey has started the registration of land and of live bovine animals. Preparations for a plant passport system have not started. Other elements under the relevant priority of the Accession Partnership have not been addressed. Concerning veterinary and plant health, an alignment strategy is under development. No upgrading of enforcement capacity has taken place. Turkey should focus on the transposition, implementation and enforcement of EC legislation in the veterinary and phyto-sanitary sectors. Overall, progress on alignment with the acquis in the field of agriculture is limited. - On taxation, alignment on excise duties and VAT has started and some progress has been achieved with respect to rates and other exemptions. In the area of indirect taxation, significant further efforts are needed. As for direct taxation, Turkey needs to improve direct tax collection and to eliminate discriminatory measures. Overall,

alignment with the acquis in the field of direct and indirect taxation is partial. - In the field of justice and home affairs, efforts have been made to raise awareness on the legislation and practices of the EU, in particular in areas such as asylum and illegal migration. Further steps have been taken to strengthen the fight against organised crime, drugs trafficking and corruption. The legal basis for combating trafficking in human beings has been established. 4) Administrative capacity in different areas needs to be strengthened to ensure that the acquis is implemented and enforced effectively. Significant reform at all levels of the administration is required. In some cases, this will entail the establishment of new structures, for example in the field of state aid and regional development. In some areas, new regulatory bodies have been set up. Their autonomy should be assured while at the same time sufficient staff and financial resources need to be made available.