Relations with Turkey: developments since the entry into force of the Customs Union. Annual Report

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OBJECTIVE: to submit a report on the implementation of the customs union between the Union and Turkey and on economic, political, democratic and human rights developments there. SUBSTANCE: This second annual report, like the previous one (see COS0487 - COM(96)491), reviews developments in the Community's relations with Turkey since the entry into force of the customs union on 31.12.1995 : 1) functioning of the customs union: the customs union continues to function satisfactorily, Turkey having continued to harmonize its laws with Community laws in the field of competition and trade policy. Free trade agreements have been signed with most of the CEECs, and Turkey's preferential regime is being revised to align it with that of the Union. With regard to agricultural products, an agreement improving market access entered into force in 1998. Other initiatives are anticipated with the aim of consolidating trade relations (agriculture, competition, motor vehicles, etc.); 2) economic situation: the impact of the customs union is undeniable, as the volume of trade between the Union and Turkey has increased substantially (exports from the Union to Turkey have increased by 36% and Turkey's exports to the Union by 10%). The vitality of Turkey's economy is incontestable (and it grew by 6% in 1997). Significant problems remain, however, with regard to inflation, the public deficit and currency depreciation. With regard to these three aspects, Turkey has not yet succeeded in defining a credible economic strategy and introducing the necessary structural reforms; 3) financial cooperation: the financial Regulation granting ECU 375 m in aid to Turkey is still blocked for lack of unanimity, and it has been impossible to implement numerous projects. However, some MEDA projects were undertaken in 1996 and 1997; 4) political dialogue with Europe: in this respect the atmosphere has deteriorated since the Union's decision (at the Luxembourg Council of December 1997) not to accept Turkey in the next round of accessions. The meetings officially scheduled in the ambit of the customs union have not been able to take place, and for the time being the political dialogue is suspended; 5) domestic political situation: the situation may be described as unstable, with the new minority coalition headed by Mr Yilmaz (ANAP) having been in power since June 1997. As regards reforms, only a law on the extension of compulsory education from 5 to 8 years - which was very controversial - has been adopted. The REFAH party, the first Islamic party, has been dissolved (a decision censured by the Union). Internationally, the situation is little better, with constant tensions in the Aegean Sea and no resolution of the Cyprus issue. In this respect the Commission recalls that under Agenda 2000, whatever the political situation on the island, acession negotiations are to begin with the Greek Cypriot party; 6) human rights: the situation may be regarded as mixed. Apart from the adoption of a law on police custody in March 1997, there have been no substantial constitutional reforms. However, the setting-up of a High Committee on the democratic reform process may be noted; it is too soon to gauge its impact. As regards prosecutions for offences of opinion, there has been a slight change with the adoption of an amnesty law in 1997, but the anti-terrorism law enshrined in Turkey's Constitution (although revised) still permits prosecution of journalists and opponents of the government. The state of emergency in 6 of the 9 provinces of Southeast Turkey has not yet been lifted, although measures have been announced to assist the socio-economic development of these regions. Greater decentralization of power could also be granted to these regions in some sectors of domestic and external policy. In conclusion, and in accordance with the conclusions of Agenda 2000, the Union should continue its efforts to help Turkey resolve its internal problems and restore a climate conducive to closer relations. In this context, the Commission recalls that a series of proposals were made in March 1998, after the Luxembourg European Council, with the aim of outlining a new European strategy towards Turkey (see COS0614).