An unprecedented enlargement

In 2004 the European Union took in ten new Member States, including eight central and eastern European countries (Estonia, Hungary, Latvia, Lithuania, Poland, the Czech Republic, Slovakia and Slovenia) and two Mediterranean islands (Cyprus and Malta). Bulgaria and Romania are already scheduled to join in 2007; several Balkan states are waiting in the wings (Croatia, Bosnia, Macedonia, Montenegro and Serbia), and perhaps it will be Turkey’s turn in a few years from now. Thus the Union has carried out an unprecedented enlargement, in terms of both the number of new members and their population size. The arrival of the Ten has contributed towards the political and economic reunification of a continent ravaged by the Second World War and then divided by fifty years of Cold War. But the absorption is by no means complete.

Enlargement has been a success on the whole, and the newcomers’ economic results have outstripped the European average. There are still significant disparities, however, and enlargement is still causing concern after more than a year: fears of mass immigration, business outsourcing and institutional deadlock are only partially offset by the economic prospect of new markets.

1.1 Economic and social results

In spite of persistent unemployment, growth in the Ten is above the European average. The new Member States are experiencing high rates of growth, at an average of 5.2% in 2004 as opposed to 4.2% in 2003. The growth rate in Latvia reached 9.8% in 2004, the highest anywhere
in the European Union (the average rate being 2.3%). Lithuania, Estonia, Slovakia and Poland also grew very rapidly, by 7.0%, 7.8%, 5.5% and 5.3% respectively (Eurostat, 2004). The forecasts are fairly good for all of the new Member States. The economic catching-up process seems to have begun, but it does still remain vulnerable.

The optimism is in fact tempered by two factors. First of all, the CEECs (central and eastern European countries) still have low wages and high rates of unemployment. The unemployment situation and trend varies from one country to another. According to Eurostat data (2004), unemployment is particularly high in Poland (18.4%) and in Slovakia (18.2%), where it is a major social cause for concern. Overall, the narrowing of the economic gap seems to have had few benefits in terms of giving the population access to better-paid jobs. Secondly, this catching-up process is happening in a climate of mediocre growth for the old EU Member States; the Lisbon strategy has failed. Growth in the new countries is not stimulated by such a climate. Complementary patterns of production (participation by the old and new Member States in the same international division of labour; establishment of firms originating from the EU-15 in the CEECs with a view to securing their position on expanding markets) are liable to be transformed into conflicts of interest (new and old Member States competing on comparative costs to attract businesses; risk of sectoral overcapacity across the continent) (Fayolle, 2005).

Enlargement has also had a considerable impact in other spheres. Tourists are pouring into the region. For example, the city of Ljubljana in Slovenia saw its tourist traffic increase by 23% in 2004 compared with previous years.

The fears of farmers in the east have proved unfounded. According to Eurostat data, farmers’ average earnings have risen by 50% even though they do not receive the same subsidy levels as their counterparts in the west. The Ten received almost €1.3 billion in 2004 and are net beneficiaries from the EU budget.

The Fifteen themselves have derived economic benefit from enlargement, thanks to the rise in trade and investment. Imports and exports between the Fifteen and the Ten have increased substantially since accession. Businesses in the old Member States have become the biggest investors in the east. Austria, for instance, is the largest foreign
investor in Slovenia, Romania and Bulgaria, and the third largest in Hungary, Slovakia and the Czech Republic.

But competition from the east, backed by favourable tax systems, could in turn lead to reforms in some of the old Member States. Germany has already reacted to this fiscal competition by lowering company taxation from 25% to 19%. State aids are a characteristic feature of the new Member States, as are much larger tax incentives for businesses than in the old Member States. These two measures do not have the same purpose: State aids are sectoral and geared primarily towards businesses which are ailing or undergoing conversion, while tax incentives aim to attract new investors. These measures are subject to debate and political scrutiny within the enlarged EU (Fayolle, 2005).

1.2 The risk of mass immigration

Freedom of movement for workers was one area where the EU Member States demonstrated a lack of transparency and solidarity during the accession negotiations. Yet a wealth of evidence indicates that there has not been a massive wave of immigration from the new Member States (1). What is more, the facts on the ground point to this same conclusion: low mobility within the EU, the experience of former enlargements and the limited migration seen after the accession of Spain and Portugal, as well as transfers of labour between the CEECs and the old Member States prior to enlargement (Math and Viprey, 2004). This evidence did not however deter the Union, under pressure from apprehensive countries – especially those having the most extensive shared borders with the new members (Germany and Austria) – from establishing transitional periods, postponing the introduction of the right of free movement for workers in respect of nationals of the new States (apart from Cyprus and Malta).

This policy measure aroused anger and disappointment in the east (Masson, 2001). And yet, as Daniel Vaughan-Whitehead makes clear, immediate freedom of movement would have had its advantages.

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Coupled with free movement for capital, goods and services, it would have set a different political tone for the entire process, giving the new Member States a sense of being treated as equals by equals. By easing the flow on labour markets, mobility would have helped to plug the gap between skilled labour (which suffers least from transitional periods because it benefits from bilateral mobility agreements) and less-skilled labour, a victim of long-term unemployment. Immediate freedom of movement for workers would have enabled wages and working conditions to catch up more rapidly, limiting the temptation to engage in social dumping (Vaughan-Whitehead, 2003).

In reality, the accession of the CEECs was not accompanied by a significant wave of migration, neither into the countries which – like the United Kingdom, Ireland and Sweden – decided to open up their labour markets without delay, nor into those which only half-opened them during a transitional period provided for in the accession negotiations. Not one of the safeguard clauses (concerning the internal market, justice and home affairs and the economy) written into the treaties was invoked. An initial report produced by ECAS (the European Citizen Action Service) in September 2005 paints the true picture of these much-dreaded migration flows on the basis of the data available. We shall describe the situation in just three Member States.

In the United Kingdom, workers from the new Member States were obliged to register under the Worker Registration Scheme and apply for a national insurance number. The Home Office (Ministry of the Interior) used this as a basis for producing statistics on migration flows into the UK and drew the following conclusions for the post-accession period: 175,000 workers from the countries concerned were registered between May 2004 and March 2005. They were mainly male (60%) and aged between 18 and 34 (82%). The most widely represented countries were Poland (56%) and Lithuania (15%), and the sectors employing them included factories, farms and the cleaning industry. The British economy benefited to the tune of £500 million net from the presence of this additional labour force.

In Ireland, no limits were placed on access to the labour market for nationals of the new Member States, but they did have to apply for a short-stay residence permit. Ireland upheld its right to have recourse to the
safeguard clause if its labour market was seriously disrupted (Ughetto, 2004), but no such effects materialised and the country seems to have benefited from enlargement. The presence of eastern European labour is not a new phenomenon, since Irish employers and government agencies began actively recruiting non-EU nationals in 1999 to make up for a shortage of labour. According to the Department of Family and Social Affairs, 85,000 national insurance numbers were allocated to migrants from the new countries in the twelve months following enlargement. These included 40,000 Poles, 18,000 Lithuanians and 9,000 Latvians, mainly employed in construction and hospitals (medical and nursing staff).

Sweden is not applying any transitional measures and did not opt for a safeguard clause; it guarantees nationals from the new Member States equal access to its social protection system. In the year after enlargement, Sweden received just 21,800 requests for residence permits, 60% of them from Polish nationals (Traser et al., 2005).

These figures show that there is no sign of the disaster predicted. It is now accepted that fears of a huge influx of migrants were unjustified. Studies using different techniques anticipate that fewer than 100,000 to 200,000 CEEC nationals will head west once the restrictions on free movement for workers are lifted (Barysch, 2004).

1.3 Outsourcing?

The subject of business outsourcing came under the spotlight during the enlargement process, just as it did in 1986 when Spain and Portugal joined the EU. Opinions differed about the likely consequences of such transfers. On the one hand, the trade unions were worried about the implications for jobs. On the other, it was felt that outsourcing might help European companies channel their resources into more productive jobs. Might this not also be a boon for the economies of the new countries, enabling them to catch up in economic and social terms?

This phenomenon began several years ago and has affected many European companies. Direct foreign investment (DFI) in the CEECs reached almost €150 billion at the end of 2003, and was concentrated mainly in Poland, the Czech Republic and Hungary. The bulk of this investment (60%) came from the EU. The volume of DFI, expressed as
a percentage of their GNP, was 35% in the eight new Member States, i.e. more than the average for the Fifteen (33%).

This DFI often corresponds to the relocation of companies from west to east, even though there has been little publicity about these shifts as the companies concerned know full well how unpopular any production transfers are with the trade unions. Numerous EU companies have decided to move into central and eastern Europe, and sometimes even to outsource part of their business. All sectors of activity have been involved: IKEA, Audi-VW, Philips, Whirlpool and Nokia have set up fully-fledged export platforms in the new Member States, the relocation process proving to be much more extensive than initially announced. All the central and eastern European countries have gained from such outsourcing moves, and it has affected most sectors: Hungary in respect of assembly and spare parts in the automobile sector (Audi, Opel-GM), the electrical infrastructure industry (ABB) and domestic appliances (Philips, Lehel-Electrolux); Poland in the automobile sector (Fiat, Ford, VW, GM, Daewoo and Volvo). Slovenia has benefited from transfers of production by the Swedish compressor firm Danfoss, the Italian paper company Saffa and the German household appliance company Bosch-Siemens. Estonia has managed to attract Sweden’s largest textile company, Boras Wäfveri, resulting in a huge number of job losses, since 83% of total output now originates from its Estonian production unit.

But are wage costs really the number-one reason for these relocations? Some analysts believe that outsourcing on grounds of low wage costs could not take place on a large scale, in that the low wage levels would be cancelled out by lower levels of productivity. It is true, on the one hand, that an investor’s decision to relocate must take into consideration the productivity rates which can be expected in future. On the other hand, productivity levels are low throughout the central and eastern European

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2 It is sometimes difficult to detect what motivates a foreign investor: outsourcing or fresh investment. If the foreign investor seems mainly to be motivated by the local market but, after a year or two, chooses to export more than 80% of its output, this means that its prime strategy is to use its subsidiary in the new host country as a platform for exporting to external markets, generally those of the EU.
countries, which implies that the comparative advantage diminishes once unit production costs are taken into account. But that is not to reckon with new investor’s desire and capacity to alter those production levels by investing heavily and by exporting to its new subsidiary all the requisite production techniques and technology of the parent company to achieve higher productivity rates as soon as possible. Thus investors take account not of local productivity rates but of those which can be achieved by installing their own production techniques. Wage levels therefore represent the key variable in a relocation. The availability of skilled labour on the spot is a vital element in raising the productivity of the new subsidiary to a higher level.

Is outsourcing now a thing of the past? All the indications are that large-scale manoeuvres will not cease in the enlarged Europe. Better exchanges of information are likely to encourage new operators to try their luck in the CEECs. *Toyota-Peugeot* decided in 2002 to invest in the Czech Republic; *Ikarus-Renault* decided at the same time to move into Hungary. More recently, the *Siemens* group has decided to relocate up to 10,000 jobs to eastern Europe over the next few years, beginning with 2000 telephony jobs to Hungary. The airline *Lufthansa* has announced its intention to outsource the bulk of its accounting and purchasing operations to Poland. The American domestic appliances firm *Whirlpool* announced in February 2003 that it was to relocate its washing-machine production unit from Amiens in France to Slovakia (with the loss of 225 jobs). In January 2004 it was the turn of the Iberia subsidiary of *Philips* to announce the closure of an industrial lighting factory in La Garriga (100 jobs lost) and its relocation to Poland. The South Korean firm *Samsung*, based in Barcelona, decided in late January to transfer part of its production to Slovakia. Such outsourcing will without doubt continue in coming years (Vaughan-Whitehead, 2005: 103-119).

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1.4 Democratic, political and institutional aspects

Political reforms were the *sine qua non* for EU accession. The establishment of lasting democracy is one of the greatest achievements of enlargement, and even of the post-enlargement period, given that its effect is snowballing. Indeed, the prospect of joining the EU has spurred on democratic movements in other eastern European countries such as Georgia, Ukraine and the Balkan states. The new Member States have in addition made their voices heard within the Union, influencing in particular its policy towards Russia. Poland and Lithuania were the first countries to back the “orange” revolution in Ukraine, playing a crucial role in making the EU – which was slow to react – take a stance. The Ten, reputedly more liberal than most, do not hide their differences on sensitive issues. They argue alongside the United Kingdom in favour of free movement of services. Many misunderstandings have also arisen. Discussion of the Bolkestein directive has reawakened fears of social dumping in view of the continuing sluggish growth in France and Germany. The outsourcing debate has provoked tension, with the new countries believing that it can assist their development while the old Member States are worried about the absence of tax and social harmonisation.

The EU institutions have not suffered the paralysis that some predicted. Nevertheless, the institutional reforms set out in the constitutional Treaty (put on ice following the “no” votes in the French and Dutch referendums) and devised in order to facilitate decision-making in the Council – a relaxation of qualified majority voting and an extension of this system to various other spheres – and in the Commission – a reduction in the number of Commissioners – may well prove necessary in future. Europe’s leaders also acknowledge that discussions in both Council and Commission are more complicated with 25 members, and that the interests of the ten newcomers frequently diverge from those of the Fifteen.

2. Turkey on the road to EU accession

In December 2004 the European Union took the historic decision to open accession negotiations with Turkey. The official talks began on 3 October 2005, even though European public opinion had major
reservations (6). Turkey’s application to join the EU is one of the major debates marking out the process of building Europe, others being the European Defence Community, entry of the United Kingdom, the Maastricht Treaty and the single currency, and the constitutional Treaty. Whether or not Turkey belongs to the Union means much more than the accession of one more Member State: it provokes debate about the very nature of European construction, raising at one and the same time issues to do with borders, power, values and aspirations. Enlargement has hitherto been predicated on a logic not of agglomeration but of conversion. Future Member States have been expected not merely to be geographically or historically close, but to share the same values, institutions and aspirations. By envisaging the integration of a country which is very different in terms of its history, institutions, political life and economic and social development, the EU is launching a debate about its own identity and future. Turkish accession therefore represents, for the years ahead, a gamble on the capacity of the EU to undergo a thorough and geographical transformation.

2.1 Pitfalls aplenty

Europe granted Turkey applicant status at the Helsinki summit in 1999 (European Council, 1999). Under Prime Minister Recep Tayyip Erdogan, the country rushed through democratic reforms so as to comply with the accession criteria. The EU-25, Austria included, called on the European Commission in December 2004 to draw up a strict negotiating framework, which it did in June 2005 (European Council, 2004). All that remained for the Council to do was reach an agreement on this framework with a view to opening the negotiations on 3 October 2005. But controversy resurfaced at the end of July when, in a declaration annexed to the protocol extending its customs union with the EU to the new Member States, Ankara asserted that its initialling of the document did not signify recognition of Cyprus. Furthermore, public hostility to the accession of a Muslim country was one of the reasons for the failure of the referendums on the European Constitution in France and the Netherlands in May/June 2005. The

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6 Only 35% were in favour according to the July 2005 Eurobarometer survey.
French and Dutch “no” votes dampened the politicians’ enthusiasm. Animated discussions took place in France and in Germany, where Gerhard Schröder’s successor Angela Merkel has come out against Turkish accession. The European Parliament, dominated by the hostile European People’s Party (EPP), dug in its heels. The UK presidency for its part expressed concern about the split which would occur if Turkey’s application were rejected: this religious and political divide could further widen the gulf between those countries with a Christian tradition and those with an Islamic tradition.

Turkey did not conceal its disappointment, and its political leaders expressed their views in no uncertain terms. Mr Erdogan called on the Europeans to face up to their responsibilities: “either the Union will demonstrate political maturity and decide to become a force, a global player, or it will confine itself to being a Christian club”, he stated on 2 October to officials of his own party, the Justice and Development Party, at its congress in the spa town of Kızılcabhaman (7). The accession negotiations did nevertheless open on 3 October 2005, at the cost of negotiations being opened with Croatia too (8), those talks having been delayed until then due to Croatia’s lack of cooperation with the International Criminal Tribunal in The Hague.

The negotiating framework set out for Turkey does however include a number of conditions, laid down by the European leaders at their Brussels summit in December 2004. The European Commission expects the talks to last for approximately ten years. There are 35 chapters to be discussed, and every Member State will have a right of veto for each one. The mandate adopted by the Commission states that admission is the ultimate objective, but that the process remains open-ended and without any guarantee. The negotiations can also be suspended in the case of a serious and lasting infringement of the principles of freedom, democracy and respect for human rights and fundamental freedoms (no such clause had ever before been included in

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7 La Libre Belgique, 3 October 2005, page 8.
8 Austria, Slovenia, Hungary and Slovakia were emphatic that the start of negotiations with Turkey and with Croatia must be linked.
a negotiating framework). Permanent safeguard clauses or waivers could be envisaged in the most sensitive areas, such as freedom of movement for workers or agricultural subsidies. France has moreover announced its intention to hold a referendum at the close of negotiations. French President Jacques Chirac, who is personally in favour of Turkish accession, made this concession to his own party, the UMP, which twice came out against accession and in favour of a special partnership with Ankara (9).

### 2.2 The political situation: increased compliance with the Copenhagen political criteria

Turkey has introduced several constitutional reforms since 2001, especially in its judicial system, and has adopted numerous laws making major headway in the field of respect for human rights. The pace of reform slowed in 2005 because the country embarked on a less visible phase of reform, namely practical and day-to-day implementation by the governmental and administrative authorities.

As concerns the role of the army, Turkey has reorganised the National Security Council and given more power to civilians. Various measures have strengthened parliamentary scrutiny over military expenditure. Yet the armed forces still play a prominent role in society and exert significant political influence in current debate.

Several laws which entered into force on 1 June 2005 reinforce the structural reforms undertaken in the judicial sphere and bring the country closer to European standards. Reports by non-governmental and lawyers’ organisations speak of a sharp decline in acts of torture and violence, although practice varies from one region to another. Greater attention is being paid to the rights of women, especially regarding crimes of honour. The entry into force of new laws and new codes has not yet been digested by all judicial authorities and, while new case law is being enacted by the Supreme Court and the Council of State, the next challenge in the reform of Turkey’s judicial system will be to disseminate this embryonic case law throughout the judiciary.

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Improving human rights, minority rights and religious freedom has been at the centre of constitutional reforms and of the reform packages adopted by Parliament since 2001. Considerable progress has been achieved. A number of legislative changes have been made concerning freedom of expression. There is however still cause for concern regarding freedom of the press, where the reforms are not being enforced in a uniform fashion. Severe penalties, including prison sentences, can still be handed down to journalists, editors and publishers who criticise the institutions. Despite the new criminal code, certain articles are still being enforced restrictively by some prosecutors and judges. Those articles will need to be amended if the dissemination of case law by the Supreme Court and the Council of State is insufficient to protect freedom of expression. One example is the trial of Orhan Pamuk, accused of “insulting Turkish identity”, which has been deferred until 6 February 2006 (10).

The principle of security also lies behind the handling of freedom of association: the relevant law is in fact one of 600 adopted during the period of military rule following the 1980 coup d'état, and until the constitutional reform of October 2001 it could not be appealed against. The restrictions on freedom of association have been eased, but it is still strictly controlled by the government.

Turkey is the only secular Muslim state in the world. Secularism was laid down by Atatürk as the inviolable founding principle of the Republic of Turkey: the Constitution stipulates that no constitutional reform may ever infringe a certain number of principles, including secularism. Secularism in Turkey does not mean a separation between Church and State. It is the Turkish State which organises and totally controls the community of the faithful: the 72,000 imams are civil servants, paid and trained by the State, whose weekly sermons are written by officials at the Ministry of Religious Affairs. Secularism in Turkey means that religion is relegated to the private sphere and is completely absent from public life.

10 The author stated in an interview with a Swiss magazine in February 2005 that “a million Armenians and 30,000 Kurds were killed in this country, but no-one apart from me dares to say so”.
As far as freedom of religion is concerned, Turkey does not recognise the religious minorities specified in the 1923 Treaty of Lausanne: Jews, Armenians and Orthodox Christians (Del Picchia and Haenel, 2005).

The question of Cyprus
The EU Foreign Ministers, meeting in Newport on 1-2 September 2005, had to discuss both the negotiating framework proposed by the Commission and the declaration by the Turkish government indicating that, while agreeing to sign the protocol extending its association agreement with the EU to the new Member States including Cyprus, it still refused to recognise the Republic of Cyprus (11). Together with the reform of the judiciary, the signature of this protocol was one of the two conditions laid down by the 25 for the start of negotiations. The protocol was signed on 29 July 2005. But the Turkish authorities immediately pointed out that their signature did not imply recognition of the Republic of Cyprus (Akgönlü, 2005).

This matter had been at the centre of debate at the December 2004 European Council, which set the date of 3 October. Ankara’s intransigence over Cyprus almost scuppered the agreement. The European leaders finally accepted, in exchange for the promise to sign, that Turkey’s signature constituted a significant step towards recognition of Cyprus but not formal recognition. While hoping that Ankara would recognise Cyprus in due course, they refrained from making such a gesture a prerequisite for the opening of talks (12). The negotiating framework does however specify that efforts by Turkey to contribute to an overall settlement of the Cyprus problem and to normalise its relations with all Member States, including Cyprus, will be one of the factors determining the progress of the discussions.

It should not be forgotten, moreover, that UN Secretary General Kofi Annan has intervened in the complex question of Cyprus in an attempt to negotiate an overall agreement leading to reunification of the island.

12 Paragraph 19 of the Council conclusions is so vague that it shows how difficult it was for the Heads of State and Government to reach a compromise.
Turkey and the Turkish Cypriot community accepted the Secretary General’s proposals in 2004, but they were rejected by the Greek Cypriots (13). There are however reasons to believe that Mr Annan will resume his good offices and will find a positive solution to the problem prior to Turkey’s possible EU accession in 2015 (14).

2.3 A mixed economic picture

Turkey, a country with some 70 million inhabitants, has a sizeable but underdeveloped internal market. Its demographic situation is gradually stabilising and, even allowing for the probable decline in Germany’s population over the coming decades, the Turkish population is barely likely to exceed that of Germany by the decade 2030-2040. National per capita wealth is just 28% of the Community average for the EU-15. In terms of volume, Turkey’s GDP was €242 billion in 2004 (Eurostat). These figures must however be put into perspective, since statistics on Turkey reveal only part of the country’s economic life. Its hidden economy is in fact extensive, accounting for between 40 and 60% of GDP. The Turkish economy has by no means achieved its full potential owing to significant structural difficulties: a succession of rapid growth phases and crises; endemic inflation. This inflation has hampered all medium-term prospects, compelling the government to finance itself in the short term by means of high interest rates, greatly curbing the capacity of businesses to invest in the economy. Companies tend either to lodge their assets with the government, on account of the high interest rates paid for public borrowing, or to send them abroad.

Despite its scale, the economic crisis of 2001 did not have the social effects which might have been expected. Much of the Turkish economy in fact relies on the hidden economy, family solidarity remains strong and bank deposits are guaranteed by the government. Consequently, the government extended the reforms it had previously launched, but in doing so made extensive structural changes to the economy. These reforms have so far produced extremely positive results: inflation fell to

13 At the referendum on 24 April 2004, 64.9% of the Turkish Cypriots approved the peace plan whereas 75.8% of the Greek Cypriots rejected it.

around 10% in 2004 after standing at 57% in 2001 (Eurostat), the currency is relatively stable and the banking sector has largely been overhauled. This strategy is based on a very tight budgetary policy, whereby the government compels itself to earmark a substantial primary budget surplus of 6.5% of GNP (imposed by the IMF) in order to service its debt repayments. The Turkish economy seems to have embarked on a virtuous circle of growth: reform brings about a return of confidence, a reduction of interest rates and normal financing of the economy by the banks; this in turn bolsters production, investment and consumption. Nevertheless, consolidation of this pattern is uncertain as yet because the trend is a recent one (Del Picchia and Haenel, 2004).

2.4 Social issues are lost from sight

Little attention has been paid to social issues on the Turkish political scene, and the very liberal-minded government does not pay much heed to the requirements of a changing society. The explosion in the urban population is one illustration of those changes: it shot up from 46% to 74% of the total population between 1985 and 2000, without industrial jobs and services being able to absorb this new labour force. A third of the working population is still employed in agriculture, which produces only 14% of added value. The unemployment rate remains high, at 10.3% of the working population (Eurostat, 2004), and the rate of employment (46.1% in 2004) is low by European standards (63.3% in the EU-25 in 2004), especially among women (24.3%). Yet according to some estimates half of all jobs are undeclared. In this economy dominated by small firms and small farms, the wage-earning class is less widespread than self-employment and undeclared family employment, especially for women.

This weakness of the wage-earning class does not lend itself to the development of a welfare state, which is virtually non-existent in Turkey, and problems are now starting to arise in that the rural exodus has eroded traditional networks of solidarity in villages and families. As a result, the country is languishing at 88th position in the world in terms of human development, whereas its GDP puts it in 19th place (2004). The national budget is primarily used to pay interest on debt, to restructure the banking system and for military expenditure. More is spent on the military than on education, which is incomprehensible in a
country where half of the population is aged under 25 (Moatti, 2004). The government, which despite everything was elected on a ticket of social promises, did nevertheless decide to raise the minimum wage by 34% and pensions by 21% on 1 January 2004. Yet the budgetary impact of these symbolic measures is limited and offset by further budget cutbacks.

2.5 Likely consequences of accession

2.5.1 Benefits for the EU: an unmatched strategic and geopolitical location

Turkey’s accession would be irrefutable proof that Europe is not an exclusive “Christian club” and would confirm its tolerant nature. At a time when the “clash of civilisations” has come to the fore, the fact of offering an alternative to the intolerant, sectarian and inward-looking model of society advocated by radical Islamists would enable the Union to engage itself in future relations between the West and the Muslim world. Firstly, Turkish accession would prove that Islam and democracy are compatible, even though the case of Turkey is unique and not transferable to other Muslim states (Everts, 2004). Secondly, it would enable the Union to become a major foreign policy player. The new European security strategy and the concept of a “wider Europe and neighbourhood” (CEC, 2003) emphasise the importance of Europe’s southern flank to its security and stress the need to ensure the stability of regions adjoining the continent. Owing to its geostrategic location, Turkey would lend a new dimension to EU foreign policy efforts in regions as vitally important as the Middle East, the Mediterranean, Central Asia and the southern Caucasus. What is more, Turkey’s huge military capability and its potential as an advanced military base would constitute significant and much-needed assets for the European Security and Defence Policy. Turkey has in fact made major contributions to peace-keeping operations in Croatia, Bosnia and Kosovo, and it participated in the EU-led military and police mission in Macedonia. It headed up the International Security Assistance Force in Afghanistan until December 2002 (Emerson et Tocci, 2004).

In addition, Turkey could further boost the EU’s economic clout in the world. The country’s economy has huge potential even though it is still weak and inegalitarian. Turkey is a large country with substantial
resources and a young, skilled labour force. With a population of almost 70 million inhabitants and the prospect of a steady rise in purchasing power, it represents a growing potential market for goods from EU Member States. Following the emergence of the Caspian Sea basin as one of the largest oil and natural gas deposits in the world, the construction of the Baku-Tbilisi-Ceyhan oil pipeline also highlights Turkey’s role as a key transit country for energy supplies. Its geopolitical location and its close links with tens of millions of Turkish-speakers in neighbouring countries would help to secure Europe’s access to the vast resources of Central Asia and Siberia. Thus, Turkey would become a vital factor in securing energy supplies to Europe from the Middle East, the Caspian Sea and Russia (Independent Commission on Turkey, 2004).

2.5.2 Impact on the European Union

In institutional terms

If the negotiations are successful, Turkey’s accession will not become effective until about 2015, by when the EU and Turkey will have changed significantly. The Union will have at least 27 Member States. The adjustments allowing for a better response to the needs of an enlarged Europe will have been made, and the end of the 2007-2013 budgetary period will have led to an evaluation and modification of the EU’s regional and agricultural policies in the light of experience gained with the new Member States. Turkey’s population will probably be equal to that of Germany by 2015; it will therefore have the same weighting in the European Parliament and in the Council. The impact of this sizeable presence in the Parliament will nevertheless be greatly curtailed by the fact that voting takes place along party rather than national lines. Furthermore, the principle of seeking consensus in important spheres of EU action (Common Foreign and Security Policy, defence, taxation) will still apply, attenuating the significance of national population size in the EU decision-making process. On the other hand, Turkey’s entry would strengthen the camp of large States as opposed to the many small States which joined in previous enlargements; it would at the same time lower average economic standards in the EU, putting more pressure on the richer Member States. Finally, Turkey will probably have a preference for the intergovernmental approach, thus
helping to preserve the *status quo* in respect of the balance between the European institutions (Hughes, 2004).

**In economic terms**

Given the weakness of its economy (less than 2% of EU GDP in 2004), Turkish accession would have only a minimal impact on the economy of the Union. Yet for Turkey the consequences would be significant and beneficial. Full access to the internal market, including for agricultural produce not covered by the 1996 customs agreements, and the removal of administrative and technical barriers to trade could enhance bilateral trade by roughly 40%. The more favourable investment climate created by embedding the Turkish economy in a stable system would act as a strong stimulus for local and foreign investment, leading in turn to job creation and a high level of economic growth.

**In terms of migration**

The effect of Turkey’s accession on immigration is difficult to predict. It will depend on several factors: demographic developments in Turkey and in the EU, the economic situation in the country of origin and the relative income levels, job prospects and economic opportunities, foreign demand for labour and the trend in immigration policies in European countries. Migration into Turkey from neighbouring countries, and the legal provisions needed in order to cope with this phenomenon, will have to be addressed. Lengthy transition periods will probably be negotiated with Turkey so as to put back by several years the introduction of total freedom of movement for persons. Another factor is that the Turkish birth-rate has fallen sharply in recent years and is likely to decline further as standards of living improve. This will be an even more important element ten years from now (Independent Commission on Turkey, 2004: 33).

**In financial terms**

The Commission and the countries making the largest contributions to the EU budget have assessed the cost of Turkish accession on the hypothesis that the measures adopted for the new members in 2004 and the next new arrivals in 2007 would be applied to Turkey. Thus the number-one budgetary heading would relate to so-called cohesion...
expenditure, the bulk of which is earmarked for poor regions of the EU. With an average per capita income of around 28% of the current Community average, Turkey would be in line to derive full benefit from this solidarity-based policy financed out of the European structural funds. The Commission estimates that these funds will amount to €22.4 billion per year (at 2004 prices), i.e. a sum comparable to the average amount allocated annually to the ten new members for 2007 onwards. Turkey would also receive agricultural appropriations representing approximately 25% of European expenditure in the new Member States. This spending is put at €8.2 billion. Internal expenditure, focused in particular on border protection schemes, is estimated at €2.6 billion. The estimate of total net outlay is between €25 billion and €28 billion per year, or €75 per inhabitant of the old Member States. This sum is similar to the annual cost of the 2004 enlargement (Breton, 2005).

The indirect effects of accession by Turkey are also very substantial. As was the case in 2004, Turkish accession would serve to diminish per capita GDP in the Community. The reduction, estimated at 9%, would follow an initial reduction of 12% which occurred in 2004. Given that the structural funds are earmarked above all for poor regions (defined as those with a per capita GDP of less than 75% of the Community average), certain regions which are currently eligible for European funding would no longer be eligible after enlargement.

**Conclusions**

Enlargement to take in the central and eastern European countries as well as Cyprus and Malta already belongs to the past, and a preliminary assessment can now be made. Without being unreservedly positive, it can be said today that the disaster scenarios foretold have not really materialised. Economic performance in the ten new Member States is remarkable, but unemployment remains a significant problem. Wages still lag well behind average earnings in the Fifteen, and the newcomers still have a long way to go to catch up economically and socially.

Contrary to some people’s predictions, the Fifteen have not been swamped by nationals from the eastern countries. The experiences of the three old Member States which, unlike the others, did not adopt transitional measures on freedom of movement for workers, indicates
that the fear was greater than the damage done. And there is no sign that matters will be any different once these barriers are lifted throughout the Fifteen.

The other misgivings expressed ahead of enlargement related to the phenomenon of outsourcing. The process was already underway prior to accession and cannot therefore be regarded as a direct consequence of enlargement on 1 May 2004. Outsourcing has in any event enabled the new Member States to make economic progress, albeit admittedly in some cases to the detriment of jobs in the old States. These transfers are highly likely to continue.

Finally, enlargement is perceived differently from one country and social group to another. Farmers and business circles in the new Member States are generally satisfied, whereas for the unemployed nothing has changed. To a certain extent, inhabitants of the new countries feel that they are being treated as second-class citizens of the Union, since they cannot move freely around the Schengen area until 2006 and are still not entitled to work in most of the Fifteen. The disappointment is relative, however, and there is no desire to return to the past.

The subject of enlargement will still be on the agenda in the coming years: of all the accessions carried out hitherto, that of Turkey will be by far the most ambitious. The duration and outcome of the accession negotiations will depend on progress made in relation to the economic criteria and the existing body of Community legislation. The process will probably be a very lengthy one, illustrating the magnitude of the difficulties confronting this vast country and the need for Europe to pause for breath after having absorbed ten new Member States. This time-lapse will enable both parties to solve urgent problems and compensate for any adverse effects likely to be caused by Turkish accession – from which both parties would stand to gain a good deal. For the Union, Turkey’s unique geopolitical location, its importance for Europe’s security of energy supply and its political, economic and military clout are major assets. For Turkey, EU accession would confirm that its longstanding pro-western leanings were the right choice and that it is accepted by Europe; the country’s transformation into a modern democratic society would become irreversible. If the process
were to fail, however, Turkey could suffer a serious identity crisis, and political instability and unrest could be brought to Europe's door.

Despite the country's size and nature, Turkish accession would probably not fundamentally alter the EU and the functioning of its institutions. The existing differences of opinion about the future of the integration process might be heightened, but the debate would not change at all in qualitative terms. Member States’ political influence in fact depends just as much on their economic power as on their size or demography. By contrast, Turkey would play an important role in EU foreign policy, given that it borders on the Middle East, the Caucasus and the Black Sea. Admitting Turkey would also mean having to offer something new to the Mediterranean countries, to Georgia, the republics of the former Soviet Union, Ukraine, Azerbaijan and Uzbekistan (Guigou, 2003).

Accession by Turkey will nonetheless also engender numerous difficulties in terms of poverty, regional disparities and security. The most developed western regions, which already benefit from tourism and trade with the rest of the world, will gain most. The gulf between the west and east of the country will widen. For instance, the Marmara region produces a third of Turkish GDP and employs almost half of all declared industrial workers in the country. Per capita income there is five times higher than in the poorest parts of the eastern regions, where it is no more than 8% of the EU average. Moreover, Turkey is considerably poorer than the average newcomer of 2004, with a per capita GDP equal to half of theirs. Even if the negotiations last for ten years or so, this gap is unlikely to be closed. Assuming annual growth of 4% more than the EU average, the country's per capita income should reach 32.3% of the Community average in 2014, i.e. the equivalent of that of Latvia in 2004; higher than that of Romania but still well below European standards.

From a security point of view, the Iraq war has plunged the entire Middle East into an era of considerable uncertainty, and has at the same time cast a new and stark light on the risks which Europe would run by incorporating Turkey. Surprisingly enough, political commentators have not drawn attention to this aspect. One need only glance at a map of Turkey to realise that the eastern part of the country is more or less
surrounded by the five countries with which it shares borders: Georgia (250 km), Armenia (300 km), Iran (400 km), Iraq (250 km) and above all Syria (750 km). This proximity with three major Middle East countries which are regarded as unstable – Iran, Iraq and Syria – could lead to serious difficulty. If Turkey one day belongs to the European Union, it could draw the Union into the armed conflicts affecting that part of the world. Relations between Ankara and two of its neighbours, Iran and Armenia, are extremely tense at times. Under these circumstances, would it be acceptable for the EU, by virtue of having integrated Turkey into its midst, to be dragged into conflict between Turkey and Iraq, Turkey and Syria, Turkey and Iran or Turkey and Armenia? The European Union has not yet answered this awkward question.

Last of all, problems could arise in several Member States when it comes to ratifying an accession treaty with Turkey, if public opinion were to persist in its opposition and if governmental policies continued to be at odds with popular sentiment.

References


