



COMMISSION OF THE EUROPEAN COMMUNITIES

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**REPORT ON DEVELOPMENTS IN RELATIONS WITH TURKEY SINCE THE
ENTRY INTO FORCE OF THE CUSTOMS UNION**

(presented by the Commission)

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INTRODUCTION - THE COMMISSION'S UNDERTAKING

This report corresponds to the Commission's undertaking made in autumn 1995 during the debate in Parliament on the assent to the EC-Turkey customs union. In accordance with that undertaking, the Commission is submitting an "annual report on the implementation of the customs union, economic and political aspects, including the democratic reform process and the human rights situation in Turkey".

I. FUNCTIONING OF THE CUSTOMS UNION

Following the favourable vote by Parliament, the customs union entered into force on 31 December 1995 in accordance with the deadline set by the Additional Protocol to the EC-Turkey Association Agreement of 1964. Since that date, the customs union has functioned satisfactorily on the whole and in accordance with Decisions 1/95 and 2/95 of the Association Council. Customs duties and charges having equivalent effect have been abolished, as have quantitative restrictions (with the exception, on the Turkish side, of a restriction on the export of raw cotton to the Community). On the other hand, the textile voluntary restraint agreements applied by Turkish exporters to the Community have been abolished too, to the extent that at the present moment there are no longer any quantitative restrictions or import or export duties in the industrial sector in trade with Turkey. The customs union agreement was supplemented by the signing in July of a free trade agreement on products covered by the ECSC Treaty. The Community and Turkey have each notified the WTO of the two texts (customs union and ECSC). In addition, further to the undertakings made by both parties, negotiations are under way regarding an exchange of mutually advantageous concessions on agricultural products.

Both parties have endeavoured to ensure that the customs union operates in as satisfactory a manner as possible. The institutional arrangements provided for in the agreement (the setting-up of a joint customs union committee and the participation of Turkish experts in certain technical committees) have been complied with. The Customs Union Committee has met several times and succeeded on the whole in reaching satisfactory solutions to the problems raised. These problems are mainly the consequence of the current situation of the transition - Turkey has adopted the Common Customs Tariff but not yet concluded comparable trade agreements to those which the EU has with the eastern European and

Mediterranean countries, nor adopted the Community's generalised system of preferences. The upshot in certain cases is that, whereas EU importers can obtain supplies of a given product at zero duty, their Turkish counterparts have to pay the Common Customs Tariff. These problems should diminish with time as Turkey adopts the whole of the Community's preferential policy. It has five years to do so. A free trade agreement has been signed with Israel and another initialled with Hungary. One with Romania is in the pipeline. The negotiations for a number of other agreements with the countries of Central Europe (the Czech and Slovak Republics, Poland, Bulgaria) are in progress. Initial contacts have been taken up with Lithuania.

Note too that Turkey has respected its undertakings with regard to the implementation of a foreign trade policy in the textiles sector similar in substance to the one applied by the EU.

At the Association Council of 30 October 1995, the Commission noted that Turkey had adopted most of the legislation required for the smooth operation of the customs union but pointed out that the Turkish government or Parliament still had to adopt certain measures, e.g. establishment of an authority to monitor compliance with competition law or the adoption by the Turkish Parliament of the new customs code aligned on the EU's code. These measures should have been adopted before the entry into force of the customs union. Until now the political situation in Turkey has not allowed it. Although these omissions pose no threat to the functioning of the customs union and, moreover, do greater harm to Turkish than to Community interests, the Commission finds them regrettable.

Economic impact of the customs union: neither the Commission nor the Turkish authorities as yet possess sufficient statistical data on mutual trade to allow a thorough analysis.

However, the first fragmentary data (some months, some European countries) show EU exports to Turkey generally rising sharply at the beginning of 1996 while Turkey's exports to the EU have risen less sharply. Some European countries - Italy, France, UK and Denmark - have increased exports by more than 50% compared to the same periods in 1995. Turkish calculations put the country's trade deficit at a potential US \$ 10 billion for the first half of 1996 compared with US \$ 13.2 billion for the whole of 1995. However, it would be premature to attribute these trends to the impact of the customs union alone. Overheating of the Turkish economy in early 1996 certainly explains to a large extent the growth in Turkish imports as it did during a comparable cycle in 1993. Likewise it is difficult at this juncture to attribute the recorded growth in Turkish exports to the ending of the Community textile policy for Turkey.

II. OTHER ASPECTS OF THE IMPLEMENTATION OF THE AGREEMENT OF 6 MARCH 1995

The agreement with Turkey of 6 March 1995 not only covered trade aspects (customs union, ECSC, agriculture) but also contained sections on financial co-operation, stepping up policy dialogue and developing co-operation in general over a wide range of areas.

The situation is as follows in each of these sections:

-- **Financial co-operation:**

The EU's commitments to Turkey included a special package of ECU 375 million in budgetary aid in connection with the customs union and a package of EIB loans totalling a maximum ECU 750 million from the Bank's own resources. The Community also undertook to extend the benefits of its co-operation policy with the Mediterranean countries to Turkey (the Cannes European Council later fixed the amount of this and laid down broad guidelines) both as regards the budgetary component (MEDA funds) and the EIB loans component.

The Council has still to adopt the draft financial regulation for the special customs union budgetary aid of ECU 375 million. A political agreement was reached in the Council at the end of 1995 on the text of a regulation which had been approved by Parliament, with certain amendments, when it had approved the customs union. In the aftermath of the events on Imia island in January 1996, the Council has been unable to attain the required unanimity to adopt the text formally. Similarly, the EIB has been unable to act on the invitation made by the Council in late 1995 to grant loans of up to ECU 750 million to Turkey.

As regards Turkish participation in the Community's co-operation policy with Mediterranean countries, Turkey is mentioned as a beneficiary under the MEDA financial Regulation adopted by the Council in July. The financial assistance to be received by Turkey under this budget was the subject of an Indicative Programme agreed between the Commission and Turkey and submitted to Member States in accordance with the Regulation. Under the Regulation, the Commission has appraised a number of co-operation projects some of which may be decided before the end of the year in accordance with the procedures adopted under the MEDA Regulation. The overall aim of the projects in question is to facilitate the implementation of the customs union and to help the Turkish small business sector face up to European competition. Another project in this context involves developing the Jean Monnet programme of grants to Turkish students wanting to complete their studies in European universities. A number of co-operation projects with a social component, some involving Turkish NGOs, are currently being studied too.

The Community had also pledged Turkey macro-economic assistance subject to certain conditions. Until now those conditions (e.g. acknowledgement of balance of payments difficulties, existence of a programme with the IMF) have not been met.

-- **Political dialogue:**

Since the implementation of the customs union, contacts have been set up at various levels between the EU and Turkey. The successive Prime Ministers were invited to the European Council, Mrs Ciller in Madrid, Mr Yilmaz in Florence. Mr Yilmaz visited the President of the Commission in June. The Joint Parliamentary Committee met in Ankara in June too. Two meetings of political directors were also

held at troika level. The major role played by Turkey in the Barcelona Euro-Mediterranean process, including numerous multilateral meetings at ministerial and government level, should be mentioned too.

However, following the events in the Aegean, it has proved impossible to hold the EC-Turkey Association Council, or to organise, as laid down by the Association Council's resolutions of 1995, meetings at ministerial level between European and Turkish heads of various sectors involved in the functioning of the customs union: trade, internal market, transport, etc.

- **Developing co-operation:**

Owing to the unavailability of financial resources (the MEDA regulation was adopted only in July), resolution 1/95 of the association council on developing co-operation has gone relatively unheeded. However, it should be noted that the Commission has sent to the Council and Parliament a proposal to make Turkey eligible for the youth exchange and cultural development programmes (Leonardo, Socrates and Youth for Europe). These proposals are currently before Parliament.

III. TURKEY'S ECONOMIC SITUATION

The positive points of the economic situation relate to growth which, following the 1994 recession, exceeded 7% in 1995 and 8% during the first quarter of 1996. Domestic demand and exports, notably to Central and Eastern Europe and the former Soviet republics, have been extremely dynamic and have led GDP growth over the period in question. Other positive points: stability of the remittances from Turkish migrant workers (US \$ 3 billion) and the growth of revenue from tourism. Foreign currency reserves have been reconstituted at a high level (more than US \$ 15 billion).

The principal concern here is macro-economic stability and in particular the growing budget deficit and the rise in real interest rates. Forecasts of the current account deficit are likewise more pessimistic as a result of the growing trade deficit which amounted to US \$ 10 billion for the first half of 1996. The aspect causing most concern is the budget deficit which had been kept in check thanks to the standby agreement with the IMF (6.6% in 1995) but which had begun to drift again in the run-up to the December 1995 elections. Since the elections, Turkey has had no clear direction in its macro-economic policy. The objective announced by the first coalition government of a deficit equivalent to 7.7% of GNP is clearly unachievable. It would have required drastic tax, social security and privatisation measures -- measures which have still not been implemented. On the contrary, the first decisions taken by the Erbakan/Ciller coalition (50% increase in civil service salaries and pensions, 101% increase in the minimum wage, various measures to assist farmers), no matter how opportune politically and socially, have had the immediate effect of a serious increase in the budget deficit even taking into account the measures announced by the government in July and September. Since such measures are not designed to improve the controls on public expenditure, managing the internal debt becomes all the more difficult and interest charges could reach 10% of GNP by the end of 1996. An IMF mission has recently paid another visit to Turkey.

In the absence of domestic stabilisation measures, the Turkish government could be forced to introduce curbs on imports to aid the early recovery of its external accounts. More important still, the macro-economic deterioration puts in doubt the benefits which Turkey's economy can rightfully expect to reap from the customs union. In short, the customs union gives Turkey the opportunity to speed up modernisation of its industry and specialise in areas with a higher added value in the international division of labour. In addition to the mobilisation of the country's own human and financial resources, the underlying assumption is that Turkey can import technology and know-how, in particular in the form of foreign investment. But although foreign investment showed a sharp rise in Turkey during 1995 in anticipation of the customs union, it has since seemed to run out of steam. The Commission therefore considers that early progress on macro-economic stabilisation and structural adjustment are essential to the smooth functioning of the customs union and to Turkey's fundamental stake in it.

IV. POLITICAL SITUATION

1. Domestic policy

The electoral campaign and voting in the recent elections, called only a few days after Parliament had approved the customs union, were conducted according to the rules. The turnout was massive (85% of voters). The REFAH Islamic party confirmed its success in the municipal elections of 1993 by pushing its share of the vote up by 3 points to 21.5% and finishing on top of the list. The electors had not been able to decide between the respective parties of Mrs Ciller (DYP) and Mr Yilmaz (ANAP) who finished with roughly 20% of the vote each. The results of the parties of the Left on the whole fell far short of their expectations while the pro-Kurd party Hadep, with some 3% of the vote, was a long way from the threshold required to be represented in Parliament. In March 1996, the DYP and ANAP formed a coalition with the external support of Mr Ecevit's socialist party. Despite sufficient support in Parliament, the coalition could not withstand the atmosphere created by the rivalry between its leaders. After a month of crisis in the government, a new coalition between Mr Erbakan's REFAH party and the DYP came to power in June 1996 with Mr Erbakan as Prime Minister and Mrs Ciller as deputy Prime Minister and Foreign Minister. The two parties undertook as their government's platform to pursue the main thrusts of Turkey's foreign policy (Nato membership, links with the EU and, in particular, customs union). They also undertook to strengthen democracy further and improve the human rights situation. The lifting of the state of emergency in the south-east was also proposed.

One of the most disturbing aspects of the political situation in Turkey, as already mentioned in relation to the situation of the economy, is the absence of any legislative initiative by the government and the virtually total cessation of the Parliament's legislative work programme. Under the DYP-ANAP coalition very few laws were adopted and almost none since the new REFAH-DYP coalition was formed. The impact of this has been felt in particular as regards the strengthening of the democratisation process launched in 1995.

2. The situation in the Aegean

Since the events of early 1996 involving the islands of Imia in the Aegean, tension has remained high in the region. Although the governments of both countries have tried to keep the situation in check and to avoid any degeneration into more serious incidents, the problem still casts a shadow on relations between Greece and Turkey and the EU and Turkey.

During the first half of 1996, the EU's Italian presidency made efforts to bring the two sides closer and to create conditions conducive to holding a fruitful EU-Turkey Association Council. This responsibility was handed on to the Irish presidency. The Council (General Affairs) of 15 July adopted a declaration in which it stated that relations between the EU and Turkey should "be based on respect for international law and agreements, the relevant international practice and the sovereignty and territorial integrity of the Member States and of Turkey". The Council also appealed for "the avoidance of any action liable to increase tensions, and specifically the use or threat of force". It further stated that "disputes created by territorial claims, such as the Imia islands issue, should be submitted to the International Court of Justice".

Turkey has yet to make its position known on the principles contained in the declaration.

3. Cyprus

The political climate in Turkey during 1996 and the tension in the Aegean have unfortunately not helped advance dialogue between the EU and Turkey in the search for a comprehensive settlement of the Cyprus question, though it should be pointed out that Turkey has agreed to co-operate with the successive envoys of the two presidencies in charge of the Cyprus question (Mr Di Roberto and Mr Heaslip).

The deplorable violent incidents in Cyprus in August have caused a serious worsening of tension on the island and are clearly aimed at trying to persuade international opinion that the cohabitation of the Greek-Cypriot and Turkish-Cypriot communities as part of a single federal state would pose a threat to the security of the inhabitants of Cyprus. The Commission, like the Presidency, has utterly condemned the incidents. It considers that such events will not in themselves threaten either the search for a comprehensive settlement in accordance with UN resolutions or the EU's political decision to open accession negotiations six months after the conclusion of the intergovernmental conference. It joins the EU Presidency in appealing to the two communities immediately to avoid any further confrontation and to co-operate fully with UNFICYP to help defuse the tension.

V. THE HUMAN RIGHTS SITUATION

In its report to Parliament in 1995, against a disturbing portrayal of the human rights situation, the Commission underlined the importance of the reforms carried out in 1995 insofar as they put Turkey on an encouraging track. Turkey had in fact undertaken a constitutional reform, the first by a civilian government for a long time, which was designed to open wider the political field and improve the way politics functioned.

Moreover, although it was not repealed, Article 8 of the anti-terrorism law was revised in a more liberal sense, thereby extending freedom of expression. In the month following the amendment, 142 detainees sentenced under that Article were released. Numerous cases have been reviewed subsequently with the result that 269 detainees have been released, 1,408 sentences reduced and 4 prison sentences commuted to fines.

Impact of the 1995 reforms

In view of the prevailing political situation, the democratic reform process has not progressed during 1996. The constitutional reforms were not transformed into laws. Even amended, Article 8 continued to be used to prosecute people for their beliefs, including the writer Yasar Kemal (who was also prosecuted under Article 312 of the Penal Code), a publisher, Mr Ozcan Sapan, and a former EDP member of Parliament, Mr Sakik. Moreover, the review of certain trials, e.g. of Mehdi Zana, on the basis of the new Article 8 carried the danger of the reimprisonment of some who had already been released.

There are now fewer prosecutions under Article 8 than before and the sentences handed out are less severe but the fact remains that people are still being prosecuted for their views. It should also be noted that other Articles of the Penal Code (Articles 168 and 312 in particular) are still being used as a basis for prosecutions of this type which casts doubt on the new direction taken with the reform of Article 8.

Violations of human rights

The political situation in Turkey has also made it difficult to take action with the necessary determination against the torture and ill-treatment of prisoners, disappearances and extrajudicial executions. During a public debate in the Turkish Parliament on 28 February, the Justice Minister under the previous government (Mr Firuz Cilingiroglu) admitted that torture was a widespread practice in particular during periods of custody when the detainee did not enjoy the necessary legal protection. Proceedings were being increasingly instituted against those responsible for torture. The Minister quoted a figure of 252 prosecutions for 1993 and 224 for 1994.

The High Council for Human Rights set up in September 1993 recommended various reforms at the end of 1994 in order to put an end to such practices, notably a reduction to 4 days of the maximum duration of custody (the figure is 15 days under the anti-terrorism law and 30 days under the state of emergency) and giving detainees the possibility to consult a lawyer. These proposals have yet to be put into force even though some political leaders have aired them in their public declarations.

In the worst cases the government has instituted proceedings against those responsible even at high level, notably following the murder while under detention in an Istanbul police station of journalist Metin Goktepe, whose body was found only a few hundred metres from the station, and the cases of the youths tortured in Manisa (arrested for their alleged membership of the revolutionary party of the Left, the DHKP/C, and for taking part in some of its operations). After the murder of Mr Goktepe, 14 police officers, the chief of security and 3 police superintendents were suspended from their duties and proceedings instituted against 49 police officers. Similarly the Manisa incident led to the appearance of 10 police

officers in court. Their trials are due to resume on 6 November. The verdicts in these cases are awaited with interest.

The human rights situation in Turkey was the subject of debates at the 52nd session of the UN Human Rights Commission. The practice of torture was referred to in the intervention by the EU presidency as were the situation in south-east Turkey, extrajudicial executions and forced disappearances.

The situation in prisons

The hunger strikes in Istanbul prisons again drew attention to the conditions of detention in Turkish jails. The Turkish government was confronted there not by a spontaneous revolt by prisoners but by a carefully planned operation carried out with determination by revolutionary militants. A solution was found after more than 60 days of hunger strike which saw the death of 12 prisoners. Mediation involving civilian and NGO representatives helped reach a humanitarian solution to the problem but it is regrettable that a means had not been found earlier before so many lives were lost. The Commission intervened in the form of a letter from Mr Van den Broek to Mrs Ciller in which he asked for a humanitarian solution to be reached. It also noted that Turkey agreed to the situation in its prisons being examined by the Council of Europe's torture prevention Committee. The Committee in fact visited Turkey in mid-September. The Commission will monitor developments on this issue.

The state of emergency in the south-east provinces

The government had indicated in its address to the Turkish Parliament on 3 July that the state of emergency would be lifted and that the village watch system would be re-examined. This undertaking has yet to be followed up.

Pressure on non-governmental organisations

Several Turkish NGOs suspected of actively supporting the Kurdish cause (notably the Human Rights Association, the Human Rights Foundation and the Turkish Medical Doctors Association (TMDA)), have been subjected to various forms of pressure. These have included the recent arrest and release of the chairman of the Human Rights Association (Mr Akin Birdal), the institution of legal proceedings against the directors of the centre for the rehabilitation of victims of torture in Adana and the arrest and sentencing of the chairman of the TMDA's Diyarbakir section.

Trials of members of Hadep

The Commission will monitor the forthcoming trial at the State of Ankara's Security Court of 41 people, most of whom hold positions of responsibility in the pro-Kurd party, Hadep. Two of the defendants are threatened with the death penalty under Article 128 of the Penal Code. The trial opened on 25 September attended by numerous international observers. The hearings were adjourned until 23 October. The Commission will follow developments in the trial with interest.

Programmes financed by the Commission

Thanks to an annual appropriation of ECU 500 000 under a budget heading specific to Turkey, the Commission has supported Turkish NGOs and professional organizations promoting human rights for several years. For 1995, the Human Rights Association received a grant for a project to raise teacher awareness of human rights issues. The Commission also subsidises the Human Rights Foundation (HRFT) which produces and distributes periodical literature on the human rights situation in Turkey. Many other organizations of lawyers (Contemporary Jurist Association, Foundation for Legal Studies, Izmir Bar Association), doctors (Turkish Medical Association) and an Association for women's rights (Women's Solidarity Foundation) have received grants for various projects aimed at promoting human rights. The Turkish government made representations to the Commission about its support for the Human Rights Association. However, the Commission has continued to co-operate with the Association. As a rule the Commission grants aid to the NGOs concerned solely on the basis of the individual merits of the projects proposed.

Conclusions

1. After the recent elections in Turkey, there has been a lack of progress in the legislative work programme for strengthening democracy and human rights, and in statutory and legislative measures in many other fields. There is increasing criticism in Turkey of infringements of these rights by the security services, as is evidenced by the debates in the press and in the Turkish Parliament. The Commission is convinced that decisive and speedy action by the Turkish government and Parliament to strengthen the freedom of the individual and respect for fundamental rights is essential to meet domestic and international concerns and to give tangible proof of Turkey's willingness to take steps towards closer ties with the European Union. For its part, the European Union takes into account such steps in the conduct of its relations with Turkey.
2. The Turkish authorities point out that the country is at a particularly awkward time in its political history: a terrorist movement (the PKK), with criminal connections (drug-trafficking, money laundering, racketeering) has claimed numerous victims and challenges the country's territorial integrity. Action has been taken against the PKK in a number of EU Member States (joint police operations in Belgium, the Netherlands, UK, Germany, banning of the PKK in Germany and France, etc.). The Commission is aware of this situation but is nevertheless convinced that the fight against terrorism must be conducted in a spirit of respect for the fundamental values of democracy and human rights. Action against terrorism must not stand in the way of the recognition of the rights, particularly the cultural rights, of Turkish citizens of Kurdish origin whilst still respecting Turkey's unity and integrity.

3. 1996 has seen the customs union enter into force and function in a satisfactory manner but has also witnessed the repercussions of the legislative elections of late 1995 in Turkey and tension in the Aegean and in Cyprus. The Commission underlines the need to pursue the policy initiated on 6 March 1995 with regard to relations with Turkey and Cypriot accession. Turkey remains a partner of the highest importance with which the customs union has strengthened the bond of interdependence. It is also a major political and strategic partner in a region whose vulnerability has been confirmed by recent events. The objective of a lasting reduction of tension in the Aegean according to the principles of international law and reaching a fair and sustainable settlement of the Cyprus question imply that the European Union must strive to keep open, despite the current difficulties, all possible channels of dialogue and co-operation with Turkey.