

EN

EN

EN



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 6.11.2007

SEC(2007) 1436

COMMISSION STAFF WORKING DOCUMENT

Turkey 2007 Progress Report

EN

{COM(2007) 663}

EMBARGO UNTIL

TUESDAY, 6 NOVEMBER 2007

**START OF COMMISSIONER REHN'S
PRESS CONFERENCE IN BRUSSELS**

TABLE OF CONTENTS

1.	Introduction	4
1.1.	Preface	4
1.2.	Context	4
1.3.	Relations between the EU and Turkey	4
2.	Political criteria and enhanced political dialogue	6
2.1.	Democracy and the rule of law	6
2.2.	Human rights and the protection of minorities	11
2.3.	Regional issues and international obligations	24
3.	Economic criteria	26
3.1.	The existence of a functioning market economy	26
3.2.	The capacity to cope with competitive pressure and market forces within the Union	30
4.	Ability to assume the obligations of membership	32
4.1.	Chapter 1: Free movement of goods.....	32
4.2.	Chapter 2: Freedom of movement for workers.....	34
4.3.	Chapter 3: Right of establishment and freedom to provide services	35
4.4.	Chapter 4: Free movement of capital.....	36
4.5.	Chapter 5: Public procurement	37
4.6.	Chapter 6: Company law.....	38
4.7.	Chapter 7: Intellectual property law	39
4.8.	Chapter 8: Competition policy	40
4.9.	Chapter 9: Financial services.....	41
4.10.	Chapter 10: Information society and media.....	43
4.11.	Chapter 11: Agriculture	44
4.12.	Chapter 12: Food safety, veterinary and phytosanitary policy	45
4.13.	Chapter 13: Fisheries	47
4.14.	Chapter 14: Transport policy	48
4.15.	Chapter 15: Energy.....	49
4.16.	Chapter 16: Taxation.....	50

4.17.	Chapter 17: Economic and monetary policy	51
4.18.	Chapter 18: Statistics	52
4.19.	Chapter 19: Employment and social policy	53
4.20.	Chapter 20: Enterprise and industrial policy.....	55
4.21.	Chapter 21: Trans European networks	56
4.22.	Chapter 22: Regional policy and coordination of structural instruments.....	56
4.23.	Chapter 23: Judiciary and fundamental rights.....	58
4.24.	Chapter 24: Justice, freedom and security	63
4.25.	Chapter 25: Science and research	67
4.26.	Chapter 26: Education and culture.....	68
4.27.	Chapter 27: Environment.....	68
4.28.	Chapter 28: Consumer and health protection.....	70
4.29.	Chapter 29: Customs union.....	71
4.30.	Chapter 30: External relations	72
4.31.	Chapter 31: Foreign, security and defence policy.....	73
4.32.	Chapter 32: Financial control.....	75
4.33.	Chapter 33: Financial and budgetary provisions.....	77
	STATISTICAL ANNEX.....	78

1. INTRODUCTION

1.1. Preface

Following the conclusions of the Luxembourg European Council in December 1997, the Commission has reported regularly to the Council and the Parliament.

This report on progress made by Turkey in preparing for EU membership largely follows the same structure as in previous years. The report:

- briefly describes the relations between Turkey and the Union;
- analyses the situation in Turkey in terms of the political criteria for membership;
- analyses the situation in Turkey on the basis of the economic criteria for membership;
- reviews Turkey's capacity to assume the obligations of membership, that is, the *acquis* expressed in the Treaties, the secondary legislation, and the policies of the Union.

The period covered by this report is from 1 October 2006 to early October 2007. Progress is measured on the basis of decisions taken, legislation adopted and measures implemented. As a rule, legislation or measures which are under preparation or await Parliamentary approval have not been taken into account. This approach ensures equal treatment across all reports and permits an objective assessment.

The report is based on information gathered and analysed by the Commission. In addition, many sources have been used, including contributions from the government of Turkey, the Member States, European Parliament reports¹, and information from various international and non-governmental organisations.

The Commission draws detailed conclusions regarding Turkey in its separate communication on enlargement², based on the technical analysis contained in this report.

1.2. Context

The Helsinki European Council of December 1999 granted the status of candidate country to Turkey. Accession negotiations with Turkey were opened in October 2005

The Association Agreement between Turkey with the then EEC was signed in 1963 and entered in force in December 1964. Turkey and the EU formed a customs union in 1995.

1.3. Relations between the EU and Turkey

Accession negotiations with Turkey continued. The preparatory analytical phase reached its final stage. In this stage the level of preparedness to start negotiations on individual chapters is assessed on the basis of screening reports. Of a total of 33 reports, 5 remain to be delivered by the Commission to the Council whilst 6 are being discussed in the Council.

¹ The *rapporteur* for Turkey was Ms Oomen Ruijten

² Enlargement Strategy and Main Challenges 2007-2008.

In December 2006 the Council decided that negotiations will not be opened on eight chapters relevant to Turkey's restrictions regarding the Republic of Cyprus and that no chapter will be provisionally closed until the Commission confirms that Turkey has fully implemented the Additional Protocol to the Association Agreement.

At the same time, the Council emphasised that the screening process would continue, and that chapters for which technical preparations have been completed would be opened in accordance with established procedures, in line with the Negotiating Framework. So far, negotiations have been opened on 4 chapters (*science and research, industrial policy, statistics, financial control*) and provisionally closed on one (*science and research*). In addition, the EU informed Turkey about the progress needed to reach a satisfactory level of preparedness to start negotiations on 13 chapters.

The **enhanced political dialogue** between the EU and Turkey has continued. Political dialogue meetings were held in June 2007 at ministerial level and in March and September 2007 at political director level. These meetings focused on the main challenges faced by Turkey in terms of the Copenhagen political criteria and reviewed progress being made towards fulfilment of Accession Partnership priorities. Foreign policy issues were also regularly discussed.

The EC-Turkey **customs union** contributed to a further increase in bilateral EU-Turkey trade, which reached € 85 billion in 2006, thereby making Turkey the EU's seventh trading partner. The reduction of national mandatory product standards supported this positive trend. The EU asked Turkey to remove all remaining restrictions on the free movement of goods, including restrictions on means of transport regarding Cyprus. A number of Turkey's commitments on technical barriers to trade, import licenses, state aid and enforcement of intellectual property rights remain unfulfilled. No progress can be reported concerning Turkey's long-standing ban on imports of live bovine animals, beef and other animal products.

The EU provides guidance to the authorities on reform priorities through the **Accession Partnership**. Progress on these reform priorities is encouraged and monitored through the bodies set up under the Association Agreement. The Association Committee met in March 2007. Eight sectoral sub-committees have been held since November 2006.

Another round of negotiations on a readmission agreement between Turkey and the EC took place in December 2006. Some contacts on the issue have taken place since then, but no progress was made on negotiations. Turkey has not started negotiations on a visa facilitation agreement.

As regards **financial assistance**, some € 500 million have been earmarked for Turkey from the new Instrument for Pre-accession Assistance (IPA) in 2007. The Multi-Annual Indicative Planning Document 2007-2009, which provides the strategic multi-annual framework for all programmes at national level, was adopted by the Commission on 30 April 2007. In addition, Turkey is benefiting from a series of regional and horizontal programmes under IPA.

Two financing agreements were signed in 2007, releasing some €370 million for EU funded projects under the 2006 National Programme (NP) for Turkey. €21.5 million from the 2006 NP will support civil society dialogue between the EU and Turkey through grants to projects selected in September 2007. The European Commission allocated €62 million in 2007 to co-finance Turkey's participation in Community Programmes and Agencies.

Absorption of pre-accession funds is slowly improving. This is being facilitated by the setting of intermediate contracting deadlines. However, Turkey's key decentralised implementation system (DIS) institutions remain weak. Turkey needs to make further efforts to strengthen them, and to further improve the quality and efficiency of the project and programme cycles.

2. POLITICAL CRITERIA AND ENHANCED POLITICAL DIALOGUE

This section examines progress made by Turkey towards meeting the Copenhagen political criteria which require stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities. It also monitors the respect for international obligations, regional cooperation, and good neighbourly relations with enlargement countries and Member States.

2.1. Democracy and the rule of law

Constitution

On 10 May 2007, the Turkish Grand National Assembly adopted a package of constitutional reforms proposed by the majority Justice and Development Party (AKP). The package introduces the election of the President by popular vote for a renewable term of five years, the shortening of the government's term of office from five to four years and the establishment of a quorum of one third for all sessions and decisions of parliament. A referendum held on 21 October endorsed these reforms.

In a separate constitutional amendment, the minimum age for a person to be elected to parliament was lowered from 30 to 25 years. The new rules will not be applicable until the next parliamentary elections.

Parliament

Parliamentary elections were held on 22 July 2007. Voter turnout was over 83%. Following an invitation from the Turkish authorities, the OSCE Office for Democratic Institutions and Human Rights, OSCE/ODIHR, carried out an election assessment mission. In a press statement, the OSCE/ODIHR stressed that the electoral process was characterized by pluralism and a high level of public confidence underscored by the transparent, professional and efficient performance of the election administration. A delegation from the Parliamentary Assembly of the Council of Europe (PACE) also observed the elections and came to similar conclusions.

Three parties crossed the 10% threshold of the national vote required to be represented in Parliament. These were the Justice and Development Party (AKP) with 46.6%, resulting in 341 seats, the Republican People's Party (CHP) with 20.9% (99 seats) and the Nationalist Movement Party (MHP) which obtained 14.3% (70 seats). 26 independent candidates were also elected. 20 of these, from the Democratic Society Party (DTP), formed their own political group. This brought the number of political groups to four. Additional parties represented in parliament are the Democratic Left Party (DSP), with 13 Members of Parliament, the Grand Unity Party (BBP) and the Freedom and Democracy Party (ÖDP) with one seat each.

The newly-elected parliament is now more representative of the country's political diversity. Nevertheless, the debate continued on reducing the 10% threshold, which is the highest among European parliamentary systems. This issue was also brought to the European Court of

Human Rights (ECtHR), which ruled in January 2007 that the threshold does not violate the right to free elections. However, it also noted that it would be desirable for the threshold to be lowered in order to ensure optimal representation, while preserving the objective of achieving stable parliamentary majorities. The issue was referred to the Grand Chamber.

President

In view of the expiration of the presidential term of President Sezer in May, in April the Parliament convened to elect a new President of the Republic. The first round of voting, held in the Parliament on 27 April 2007, was boycotted by opposition parties, and the sole candidate, Foreign Minister and Deputy Prime Minister Abdullah Gül, failed to obtain the required two-thirds majority. On the same day the General Staff interfered with the presidential elections by issuing a memorandum (*See civilian oversight of the security forces*).

Following an application of the main opposition party CHP the Constitutional Court ruled on 1 May that the vote be invalidated because a two-thirds quorum of participants was lacking (*see section on judicial system*). A new vote was held, but the two-thirds quorum was not achieved. Mr. Gül then withdrew his candidacy and the entire procedure was cancelled. This triggered early elections, as provided for in the Turkish Constitution.

In August the newly-elected Parliament elected Minister Gül President at the third round with 339 votes.

President Sezer exercised his right of veto on several laws related to political reforms, notably the law on the Ombudsman, the law on Foundations, and the law on private education institutions. The President also appealed to the Constitutional Court against the law on the Ombudsman. Strained relations between the President and the government contributed to slowing work on political reforms.

Government

Following the general election a single-party AKP government was formed by Prime Minister Erdoğan and endorsed by Parliament on 5 September. The government programme includes a commitment to continue reforms. The government plans to carry out extensive constitutional reforms aimed in particular at fully aligning Turkey to international standards in the area of fundamental rights. The government reiterated its intention to push forward the implementation of the Turkish road map for EU accession presented in April 2007. The Road Map provides internal guidance to line Ministries on alignment with the *acquis* and covers alignment of primary and secondary legislation to be adopted and implemented between 2007 and 2013. The inter-ministerial Reform Monitoring Group met in September.

In the new government the Foreign Ministry will continue to be in charge of accession negotiations with the EU. The Secretariat General for EU Affairs (EUSG) was placed under the Ministry of Foreign Affairs and will continue to play a coordinating role, in particular on the political criteria, financial cooperation and negotiations on individual chapters. In September 2007 it was announced that the EUSG and the State Planning Organisation will exercise a quarterly progress review of the road map implementation.

However, given its significant role there is a need to strengthen the EUSG staff and resources. Only limited action was taken in this respect.

Overall, through free and fair parliamentary elections Turkey resolved the political and constitutional crisis which followed the April presidential elections. The elections were fully in line with the rule of law and international democratic standards. Participation was high and the new Parliament is highly representative of Turkish political diversity. Elections of the President in August took place smoothly and in accordance with the Constitution. A new government was formed and presented an EU-oriented reform agenda.

Public administration

The Public Financial Management and Control (PFMC) law was amended in April 2007 to facilitate proper staffing of the “strategy development units” which are responsible for financial control within each ministry. The government assigned about 600 internal audit staff for the local administrations in October 2006, which is a step forward in implementing the PFMC.

Moreover, the government adopted in October 2006 a regulation to establish city councils. These councils have been made compulsory by the Municipality Law and are to serve as platforms to enhance local ownership and participation in municipality management. As regards recruitment of personnel, general principles for employment of personnel by municipalities and special provincial administrations were adopted in February and June 2007 respectively.

Turkey has made some progress on better regulation: The government issued a circular in April 2007 on the implementation of the Regulatory Impact Assessment (RIA), and RIA guidelines were adopted to enhance the quality of regulations. Concerning the reduction of red tape and administrative burden, in November 2006 "one-stop" offices were established within governorates and district governorates to lessen the administrative burden on citizens requesting certain public services. Moreover, as part of a simplification drive, 1,085 outdated government circulars were cancelled in January 2007. The user-friendliness of e-government applications was markedly improved.

However, Turkey has yet to establish an Ombudsman system, pending the implementation of the ombudsman law, suspended by the Constitutional Court in November 2006.

There has been no progress with regard to the adoption of the Framework Law on Public Administration, which aims to reform central administration and devolve powers to local administrations. Moreover, no progress has been made with regard to transferring more financial resources to local administrations.

Despite the fact that the reform of the civil service has been recognized as an important issue a comprehensive draft law on Civil Service was not sent to Parliament. There is a need to implement fully the PFMC and to develop a comprehensive strategy to reduce red tape.

Overall, there has been some progress in legislative reform of the public administration and civil service system. Limited progress has been recorded in terms of implementation and capacity building, which remain key issues. Attention needs to be paid to reducing red-tape, enhancing transparency and strengthening accountability mechanisms as well as devolution of powers to and increasing financial resources of local governments.

Civilian oversight of the security forces

Despite public comments from the army and attempts to interfere in the political process, the outcome of the spring 2007 constitutional crisis reaffirmed the primacy of the democratic process.

The National Security Council (NSC) continued to meet in line with its revised role. Ambassador Burcuoğlu was appointed as new Secretary-General in September. The total staff of the NSC decreased from 408 to 224, and the number of military personnel from 26 to 12.

However, the armed forces continued to exercise significant political influence. Senior members of the armed forces have stepped up their public comments on domestic and foreign policy questions including Cyprus, secularism and Kurdish issues. On a number of occasions, the General Staff reacted publicly to government statements or decisions. The General Staff directly interfered with the April 2007 presidential election by publishing a memorandum on its website expressing concern at the alleged weakening of secularism in the country.

There were several attempts from senior members of the armed forces to restrict academic research and public debate in Turkey, in particular on security and minority rights issues. Furthermore, the military targeted the press on various occasions (*See section on freedom of expression*).

The 1997 *EMASYA* secret protocol on Security, Public Order and Assistance Units remains in force. The protocol, signed by the General Staff and the Ministry of Interior, allows for military operations to be carried out for internal security matters under certain conditions without a request from the civilian authorities.

No change has been made to the Turkish Armed Forces Internal Service Law and the law on the National Security Council. These laws define the role and duties of the Turkish military and grant the military a wide margin of manoeuvre by providing a broad definition of national security. No progress has been made in enhancing civilian control over the Gendarmerie when engaged in civilian activities.

No progress has been made in terms of strengthening parliamentary oversight of the military budget and expenditure. The Parliamentary Planning and Budget Committee reviews the military budget only in a general manner. It does not examine programmes and projects. Furthermore, extra-budgetary funds are excluded from parliamentary scrutiny.

As regards auditing, according to the Constitution the Court of Auditors can carry out external ex-post audit of military expenditures and properties. However, the Court remains unable to audit military properties, pending the adoption of the Law on the Court of Auditors. Furthermore, the 2003 Law on Public Financial Management and Control providing for the internal audit of security institutions has yet to be properly implemented.

Overall, no progress has been made in ensuring full civilian supervisory functions over the military and parliamentary oversight of defence expenditure. On the contrary, the tendency for the military to make public comments on issues going beyond its remit, including on the reform agenda, has increased.

Judicial system

Some progress has been made in terms of the efficiency of the judiciary, including through amendments to the Turkish Criminal Code (CC) and the Criminal Procedure Code (CPC) adopted in December 2006. These amendments extend the discretion of the prosecutor as

regards decisions not to prosecute, while the provisions regarding mediation are simplified. Judicial supervision - introduced in the CPC as an alternative to arrest for offences requiring imprisonment of three years or less - has started functioning satisfactorily. Probation is an area where progress has been achieved in implementation: 133 probation centres employing 1,298 staff have become fully operational since November 2006.

Efforts to modernise the judiciary through the use of information technology continued. Judges have reported positive results as regards the National Judicial Network Project (UYAP³) on court proceedings while the lawyers' portal was integrated into this network in March. 864 judges and 476 prosecutors were appointed during the reporting period. The funds for the judiciary have increased from € 409 million in 2005 to € 482 million in 2006 and are planned to reach € 865 million by the end of 2007. In May 2007, nine locations for regional courts of appeal were identified and their geographical areas of jurisdiction defined in line with legal requirements.

However, concerns remain as regards the independence and the impartiality of the judiciary. In the context of the election of the new president in April, the Constitutional Court ruled by a majority of seven to four that a quorum of two thirds (367 deputies) is necessary for the first and second rounds of presidential elections in Parliament, and annulled the first round of voting. This decision led to strong political reactions and allegations that the Constitutional Court had not been impartial when reaching this decision. In the event, and as regards the election of the President of the Republic by Parliament, the Court introduced a one-third blocking minority.

In its final decision of November, the High Council of Judges and Prosecutors dismissed the prosecutor who had prepared the indictment on the Semdinli case⁴. The Court of First Instance in Van has started a fresh examination of the case, following a ruling of the Court of Cassation that the offences had not been properly constituted. The Court of Cassation had also ruled that the case falls under the jurisdiction of the military court, but this was rejected but the Court of First Instance.

There have been tensions as regards the appointment of high court judges. For a few months the High Council of Judges and Prosecutors has been unable to elect judges to vacant posts at the Court of Cassation and the Council of State because the Minister of Justice and his Undersecretary did not attend the meetings. The issue was finally resolved and elections were held in April.

Overall, there has been some progress as regards the efficiency of the judiciary through implementation of adopted legislation and continued use of IT. However, tensions in the relations between the government and the judiciary have not been conducive to the smooth and effective functioning of the system. More needs to be done in terms of strengthening the independence and impartiality of the judiciary. Finally, there is no overall National Reform Strategy for the Judiciary or a plan to implement it (*See also chapter 23 - Judiciary & fundamental rights*).

³ UYAP is an information system, an e-justice system

⁴ This case concerns the bombing in November 2005 that killed one person and injured others in the town of Semdinli in Southeast Turkey. The prosecutor on the case published the indictment in March 2006. The indictment included accusations against high-ranking military commanders. The General Staff criticised the indictment and urged those bearing constitutional responsibility to take action. In April 2006, the High Council of Judges and Prosecutors dismissed from office the Semdinli prosecutor.

Anti-corruption policy

As regards coordinating the system currently in place for combating corruption, the Prime Minister's office transferred responsibility for policy definition and coordination with international organisations to the Ministerial Committee for Enhancing Transparency and Improving Good Governance. The Prime Ministry Inspection Board was tasked with providing technical and administrative support to the Committee.

The Military Court of the General Staff, for the first time, sentenced a serving lieutenant general to imprisonment for corruption. Eight officers were also sentenced. The High Tribunal gave a suspended prison sentence to a former energy minister for irregularities in the awarding of a contract. Corruption incidents, particularly in local government, were frequently covered by the media.

However, a number of issues remain to be addressed. No progress has been made regarding the adoption of the law on the Court of Auditors. Moreover, the Parliament does not exercise effective oversight over public expenditure because of the lack of a public accounts committee in the Parliament.

Limiting the extensive immunities granted to parliamentarians and public officials providing improved legislation and transparency on political party and election campaign financing remain key issues. As to the extension of the Code of ethical principles to parliamentarians, academics, the military or the judiciary, no progress has been made.

There was no progress on the development of an anti-corruption strategy. The establishment of a central body to develop and evaluate anti-corruption policies and activities remain crucial. Institutions involved in the fight against corruption, such as inspection boards, have not been strengthened. No public body is in charge of collecting data and statistics on corruption.

Overall, corruption is widespread and there has been limited progress in the fight against corruption. The development of an anti-corruption strategy the creation of a central body to coordinate its implementation, and strengthened legislation are of great importance. (*See also chapter 23 - Judiciary & fundamental rights*).

2.2. Human rights and the protection of minorities

Observance of international human rights law

As regards **ratification of human rights instruments**, in October 2006 Turkey ratified Protocol No 14 of the European Convention on Human Rights (ECHR) amending the control system of the Convention. The First Optional Protocol to the International Covenant on Civil and Political Rights (ICCPR), signed in 2004, was ratified in November 2006 and entered into force in February 2007. This Protocol recognises the competence of the UN Human Rights Committee to receive and consider complaints from individuals on violations of human rights.

The UN Convention on the Rights of Persons with Disabilities was signed in March 2007, following its adoption by the UN General Assembly in December 2006.

However, the Optional Protocol to the UN Convention against Torture (OPCAT), signed in September 2005, has not been ratified. Turkey has not ratified three additional Protocols to the ECHR.

During the reporting period, the **European Court of Human Rights** (ECtHR) has delivered a total of 330 judgements finding that Turkey had violated at least one article of the ECHR. The total number of new applications to the ECtHR from 1 September 2006 to 31 August 2007 is higher than the same period last year. More than two thirds of these new applications refer to the right to a fair trial and the protection of property rights. The right to life and the prohibition of torture are referred to in a number of cases.

Past reforms have had positive consequences on the execution of ECtHR judgements. During the reporting period, the Committee of Ministers closed several cases such as the ECtHR judgements for convictions under the former article 8 (freedom of expression) of the Anti-Terror Law, and cases on the dissolution of political parties.

However, there are a considerable number of ECtHR judgments awaiting enforcement by Turkey. Some are related to issues requiring general legislative measures. These include among others legal restrictions on freedom of expression, and provisions in Turkish Law preventing the re-opening of domestic proceedings in certain circumstances. Furthermore, the Committee of Ministers awaits information on the measures envisaged by Turkey in order to bring the legal framework governing the situation of those who refuse to perform military service on conscientious or religious grounds into conformity with the requirements of the ECHR.

Other pending cases before the Committee of Ministers awaiting the adoption of necessary execution measures relate to the control of actions of security forces and effective remedies against abuses. These cases refer mainly to violations that took place against the background of the fight against terrorism in the first half of the 1990s, but some concern events in the course of normal police activity. A number of positive legal reforms have been adopted since the judgements were issued. The Committee is monitoring the remaining pending issues.

In the case of *Cyprus v. Turkey*, the Committee of Ministers decided to close the examination of the violations established in relation to the right to education and freedom of religion at its meeting in April. Issues which remain pending include restrictions on the property rights of Greek Cypriots in the northern part of Cyprus and the issue of missing persons.

As regards the property rights⁵ of displaced persons in Cyprus, the December 2006 Court ruling in the *Xenidis Arestis* case found that the new compensation mechanism has in principle fulfilled the requirements indicated by the Court. However, the Court did not address the effectiveness of the remedy on all relevant issues.

Overall, Turkey has made progress on the ratification of international human rights instruments and on the execution of ECtHR judgements. However, the OPCAT remains to be ratified, and further efforts are needed for Turkey to comply fully with its obligations under the ECHR.

As far as the **promotion and enforcement of human rights** is concerned, the Human Rights Presidency under the Prime-Minister's office and the 931 Human Rights Boards received more applications in 2006 than during the previous year. Visits by the Human Rights Boards to places of detention and state-sponsored social services continued.

⁵ See also, the case of *Loizidou v. Turkey* (Application no 15318/89), on which the Committee of Ministers commented on 17 October 2007.

However, there remains a need for better public awareness of the work of these institutions and for the allocation of adequate resources, in particular as regards staffing. Some NGOs invoke the lack of independence of the Human Rights Boards as a reason for refusing to take part in this institution. Furthermore, the Human Rights Advisory Board - a body composed of NGOs, experts and representatives of Ministries under the Office of the Prime Minister – has not been operating since the publication of a report on Minority Rights in October 2004. Legal proceedings were initiated against the two main authors of this report. The initial acquittal has been overruled by the Court of Cassation in September 2007, and an appeal procedure is ongoing.

Overall, further efforts are needed to improve the institutional framework for human rights.

Civil and political rights

The legislative safeguards introduced by the zero tolerance policy on torture continue to have positive effects. The downward trend in the number of reported cases of **torture and ill-treatment** was confirmed. The reforms regarding access to lawyers have shown positive results (*See access to justice*). Turkey pursued its efforts to strengthen the system for the medical examination of alleged cases of abuse. The number of forensic medicine centres in Turkey has been increased, and the Council for Forensic Medicine started a project to strengthen the implementation of the Istanbul Protocol⁶.

However, cases of torture and ill-treatment are still being reported, especially during arrest and outside detention centres. There is no independent monitoring of places of detention by independent national bodies, pending the adoption of the Optional Protocol to the UN Convention against Torture.

The use of statements obtained in the absence of legal counsel or which are not confirmed in front of a judge is prohibited by the Criminal Procedure Code. However, the Court of Cassation ruled that the ban on the use of such statements does not apply retroactively. There are cases where lower Courts have not removed such evidence from the case file, although allegations of ill-treatment were made by the defendant.

There is a need to strengthen the independence of the Council for Forensic Medicine -which is under the Ministry of Justice- and to improve the overall quality of its medical reports. Furthermore, medical examinations sometimes take place in the presence of a law enforcement officer. Victims of torture and ill-treatment rely essentially on rehabilitation services provided by NGOs. This is partly due to the lack or inaccessibility of state-sponsored services for victims of torture and ill-treatment.

The fight against impunity of human rights violations remains an area of concern. There is a lack of prompt, impartial and independent investigation into allegations of human rights violations by members of security forces. Furthermore, judicial proceedings into allegations of torture and ill-treatment are often delayed by the lack of efficient trial procedures or abuse of such procedures.

⁶ *Istanbul Protocol: Manual on the effective Investigation and Documentation of Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment*, submitted to the United National Human Rights Commissioner for Human Rights, 9 August 1999

Overall, the Turkish legal framework includes a comprehensive set of safeguards against torture and ill-treatment. However, cases still occur, especially before detention starts. The fight against impunity remains an area of concern. Turkey needs to investigate more thoroughly allegations that there have been human rights violations by members of the security forces.

Some progress was made regarding **access to justice**. Access to a lawyer for detainees improved during the reporting period. Reports indicate that in urban areas most detainees consulted lawyers immediately after detention.

However, access to lawyers has varied across the country and according to the type of crime committed. Security forces have not always provided detainees with immediate access to lawyers, as required by law. In rural areas, particularly in the Southeast of the country, there have been a higher number of cases where defendants have not had access to a lawyer on terms similar to those applying in urban areas. Under the current legal framework, defendants are under the obligation to return the lawyers' fees if they are sentenced.

Amendments to the Criminal Procedure Code adopted in December 2006 introduced a new system for commissioning of a defence lawyer. Under the new system, the range of offences qualifying for compulsory commissioning of a defence lawyer might be more limited as compared to the past. After an initial disagreement with the government on the implementation of the new scheme and suspension of appointment of lawyers in protest of the new provisions, the bar associations finally reached an agreement with the government and the system started functioning again.

The improvement of the physical infrastructure of **prisons** as well as the training of staff continued. As concerns high-security F-type prisons, a circular was issued to address previously identified shortcomings of the communal activities for inmates. Prisons are subject to regular inspection visits by the Penal Institutions and Detention Houses Monitoring Boards, and visits of UN bodies and the Council of Europe Committee for the Prevention of Torture.

However, outstanding problems in prisons include: overcrowding, lack of consistent implementation of provisions regarding communal activities, restrictions on prisoners' correspondence, and inadequate health/psychiatric resources. Furthermore, civil and military prisons are not open to monitoring by independent national bodies, pending the ratification of the Optional Protocol to the UN Convention against Torture.

Provisions regarding the application of solitary confinement for persons sentenced to aggravated life imprisonment remain in force. Such a regime needs to be applied for as short time as possible and be based on an individual risk assessment of the prisoner concerned. Furthermore, cases of ill-treatment by prison staff have occurred.

As regards **freedom of expression**, including the media, open debate continued in the Turkish media on a wide range of issues, including those perceived to be sensitive by Turkish society.

However, the prosecution and conviction for the expression of non-violent opinions under certain provisions of the Turkish Criminal Code are a cause of serious concern. The number of persons prosecuted almost doubled in 2006 compared with in 2005), and there was a further increase in the number of prosecutions in 2007. More than half of these charges were brought under the Criminal Code, and in particular under article 301, which penalises insulting "Turkishness", the Republic and the organs and institutions of the state. The

restrictive jurisprudence established in 2006 by the Court of Cassation on article 301 remains in force. Against this background, article 301 needs to be brought in line with the relevant EU standards. The same applies to other legal provisions⁷ which have been used to prosecute the non-violent expression of opinions and may limit freedom of expression. The potential impact of the anti-terror law on freedom of expression is a concern.

Hrant Dink, a Turkish journalist of Armenian origin who faced several criminal charges for expressing non-violent opinions related to historical issues, was assassinated in January 2007. While his death led to a movement of solidarity in Turkish society, there were also expressions of support for the perpetrators. The trial against the alleged perpetrators of Hrant Dink's murder opened on 2 July and is ongoing. There is a need for full investigations, including into allegations of police negligence.

Judicial proceedings and threats against human rights defenders, journalists and academics have created a climate which has led to occurrences of self-censorship in the country, including in the academic field. The weekly newspaper *Nokta*, which published several articles on issues relating to the military, stopped its publication in April 2007 at the decision of the owner. This followed a police raid on the paper's premises at the instruction of the public prosecutor acting on behalf of the General Staff Military Prosecutor. Journalistic freedom on military issues is restricted by an internal memorandum from the General Staff, which establishes that journalists most critical of the army are to be denied accreditation to military receptions and briefings.

Overall, prosecutions and convictions for expressing non-violent opinions, and actions against newspapers illustrate that the Turkish legal system does not fully guarantee freedom of expression in line with European standards. Article 301 and other provisions of the Turkish Criminal Code that restrict freedom of expression need to be brought into line with the ECHR and case law of the ECtHR.

The legal framework for **freedom of assembly** is broadly in line with European standards. Citizens have been able to exercise this right without interference by the authorities or the security forces in most cases. Mass demonstrations were held peacefully in Ankara, Istanbul and İzmir during the presidential election period. Few violent incidents were reported during the Kurdish New Year (Newroz) celebrations.

However, there is an investigation into the use of excessive force by the police at the 1 May demonstration in Istanbul when more than 700 persons were detained.

As regards **freedom of association**, amendments to the legal framework introduced in 2004 had positive results. These include an increase in the number of associations and their membership.

There were positive developments as regards the registration of religious associations. In the closure case against the Association for Supporting Jehovah's Witnesses, whose statute includes explicitly religious objectives, the Court of Cassation confirmed the acquittal decision. Representatives of the Association consider that their Association will have legal personality, i.e. that it will now be in a position to own property, rent or purchase meeting

⁷ Articles 215, 216, 217 and 220 of the Turkish Penal Code criminalising offences against public order have been applied to Kurdish issues. Comments by journalists, human rights defenders and lawyers on court decisions have also led to prosecution under Article 288 (attempt to influence a fair trial).

places, accept donations, and defend their legal interests in court. Another similar case is ongoing, following a first instance acquittal decision.

The Council of Europe Committee of Ministers closed cases related to execution of judgements of the ECtHR on the dissolution of political parties. In its resolution, the Committee of Ministers noted that the constitutional changes of 2001 and the amendments to the Law on Political Parties adopted in 2003 reinforced the requirements of proportionality for any interference by the state in the freedom of association.

However, the obligations imposed by the Law on Associations to notify the authorities before receiving financial support from abroad and to provide detailed documents on such support place a burden on associations' operations. Furthermore, some associations face difficulties. The accounts of Amnesty International Turkey have been blocked since 1 January 2007. Political parties are not allowed to use languages other than Turkish (*See cultural rights*).

The positive trend in civil society development and dialogue triggered by recent reforms and observed over the last few years has continued. **Civil society organisations** have been able to take a more active role in shaping policy and addressing social, economic and political causes. There are approximately 80,000 registered associations and several hundred unions and chambers (including vocational and professional associations). However, political pluralism would be enhanced if participation in policy-making would be higher.

As concerns **freedom of religion**, freedom of worship continues to be generally guaranteed.

The Association for Support of Jehovah's Witnesses has received a final decision from the Turkish authorities confirming that the association is legally registered. (*See Freedom of Association*)

The dialogue between the government and the non-Muslim communities continued. A delegation composed of high-level officials from various Ministries visited the religious leaders of these communities in June 2007 in Istanbul. On 19 June, the Ministry of Interior issued a Circular on freedom of religion of non-Muslim Turkish citizens. The Circular acknowledges that there has been an increase in individual crimes against non-Muslim citizens and their places of worship. It requests the governors of all provinces to take the necessary measures to prevent such incidents from happening again and to enhance tolerance towards individuals with different religion and beliefs. The impact of this Circular will need to be assessed in practice.

The regulation implementing the Law on Demographic Services entered into force in November 2006. It provides that information requested on religion in the family registries will be entered, amended or deleted only on the basis of a written statement by citizens.

However, administrative documents such as ID cards include an entry on religion that may be filled in or left blank. This might lead to discriminatory practices. In addition, there are still concerns regarding religions which are not recognised.

In April, three Protestants were killed in Malatya in the publishing house of the local Protestant community. The crime is being investigated under the Anti-Terror Law. Another court case against protestants for "insulting Turkishness" is ongoing amid intense security measures. Attacks against clergy and places of worship of non-Muslim communities have been reported. Missionaries have been portrayed in the media or by the authorities as a threat

to the integrity of the country and non-Muslim minorities as not being an integral part of Turkish society. To date, use of language that might incite hatred against non-Muslim minorities has been left unpunished.

Non-Muslim religious communities - as organised structures of religious groups - continue to face problems such as lack of legal personality and restricted property rights. These communities have also encountered problems with the management of their foundations and with recovering property by judicial means.

Local authorities differ from province to province on issuing construction permits for places of worship. This might lead to arbitrary implementation of the zoning law. Several churches have not been able to register their places of worship. Alevites face difficulties with opening their places of worship (Cem houses or "Cemevi"). Cem houses are not recognised as places of worship and receive no funding from the authorities.

As regards education, religious culture and ethics classes are compulsory. Further to an application lodged by a family who are followers of Alevism, the ECtHR held unanimously, in October 2007, that there had been a violation of Article 2 of Protocol No.1 (right to education) to the ECHR⁸. The Court took note of the Government's acknowledgement that these classes do not take into account the religious diversity which prevails in Turkish society; it further considered that the religious instruction syllabus in Turkey could not be considered to meet the criteria of objectivity and pluralism necessary in a democratic society, and that there is no appropriate method to ensure respect for parents' convictions. Consequently, the Court held that Turkey should bring its educational system and domestic legislation into conformity with the ECHR.

Restrictions on the training of clergy remain. Turkish legislation does not provide for private higher religious education for these communities and there are no such opportunities in the public education system. The Halki (Heybeliada) Greek Orthodox seminary remains closed. In December 2006, 122 foreign clergy were working in Turkey under the Bylaw on the Law on Work Permits for Foreigners. However, there are still cases reported of foreign clergy who wish to work in Turkey facing difficulties and whose right to equal treatment with Turkish nationals is not ensured.

The Ecumenical Patriarch is not free to use the ecclesiastical title Ecumenical on all occasions. In June 2007, the Court of Cassation ruled on a case against the Holy Synod of the Ecumenical Patriarchate. The Court acquitted the accused. However, it also concluded that there is no basis in Turkish legislation providing that the Patriarchate is Ecumenical; that the Patriarchate is a religious institution which has no legal personality; that persons who participate and are elected in religious elections held in the Patriarchate should be Turkish citizens and be employed in Turkey at the time of the elections. This decision potentially creates further difficulties to the Patriarchate and to other non-Muslim religious communities in the exercise of their rights guaranteed under the ECHR.

Overall, the environment as regards freedom of religion has not been conducive to the full respect of this right in practice. A legal framework has yet to be established in line with the ECHR so that all religious communities can function without undue constraints. No real

⁸ Case of *Hasan and Eylem Zengin v. Turkey* (application n° 1448/04).

progress can be reported on the major difficulties encountered by the Alevis and non-Muslim religious communities.

Economic and social rights

As concerns **women's rights**, amendments have extended the Law on Protection of the Family to all individuals in the family, including family members living separately. They have also abolished all fees for applications and administrative transactions related to court proceedings. The Turkish authorities have issued circulars to governorates, judges and prosecutors, with the aim of improving services to victims of violence. Implementation of the prime ministerial circular to combat honour killings and domestic violence against women is underway, under the coordination of the Directorate-General for the Status of Women. Cooperation between public institutions and civil society has improved and regular meetings are held with public institutions and women's NGOs to monitor the implementation of the circular.

Campaigns to prevent violence against women are continuing, supported by the government, the media, the private sector and the UN Population Fund. Conscripts in the army receive relevant training as part of the existing curriculum. The number of shelters for women subjected to domestic violence increased to 33, including those operated by the Social Services and Child Protection Agency, municipalities and women's NGOs.

The campaign conducted by an NGO to raise awareness about participation by women in politics and to promote female candidates in the July 2007 elections has been successful in drawing public attention to the issue. The need for more women in Parliament and the possibility to introduce quotas for this purpose was publicly debated. In the 2007 elections, almost double the number of women (51) was elected to Parliament compared with the previous Parliament.

As regards institutional capacity, additional staff were recruited by the Directorate-General for the Status of Women.

However, domestic violence against women continues to be widespread. Honour killings, early and forced marriages continue to occur. Moreover, access to reliable data on the incidence of violence against women and of honour killings continues to be a problem. More shelters for victims of domestic violence are needed to meet the demand, and services should be improved. Training for law enforcement bodies, judges and prosecutors should be stepped up.

In general, women's participation in the labour market remains low, although women occupy some high-profile positions. (*See Chapter 19 - Employment and social policy*). Women's participation in national and local elected bodies remains limited.

Overall, progress has been achieved on protecting women from violence. The legal framework guaranteeing gender equality is in place. However, further efforts are needed to translate it into social reality. The gap between men and women in economic participation and opportunity, educational attainment, health and survival, and political empowerment remains significant.

With respect to **children's rights**, efforts to combat child labour have continued. A child labour survey revealed a decrease in the proportion of working children, from 10.3% in 1999 to 5.9% in 2006.

As concerns education, the gender gap in primary education decreased to 4.6% in the 2006-2007 school year from 5% in the 2005-2006 school year. The first phase of the campaign on education for girls conducted by the Ministry of National Education and UNICEF ended. Between 2004 and 2006 a total of 191,879 girls and 114,734 boys were integrated into primary education. A cash transfer scheme reinforced the campaign by providing direct income support to families. Private-sector and NGO campaigns aimed at increasing enrolment rates in primary and pre-school education continued.

The Ministry of Labour and Social Security has started to develop a national strategy against child poverty. In order to provide the basis for tackling the incidence of street children, a government circular was issued to collect data on children working and/or living on the streets. Seven cities with large numbers of street children have adopted action plans under the new scheme.

A regulation implementing the Law on Child Protection has entered into force. It requires that during an investigation child victims who have been psychologically affected as a result of the offence committed will be heard as a witness only once and in the presence of an expert. Juveniles taken into custody will be detained in juvenile units of law enforcement agencies and may not be handcuffed or fettered. A Juveniles Bureau now needs to be set up at the offices of public prosecutors.

However, the primary school enrolment rate remains at 90%. In the area of education, improved monitoring of progress and drop-outs, especially of girls from primary education, is needed. More efforts are needed to reduce regional disparities in schooling rates. Girls' enrolment in primary education has increased, but the gap in secondary education remains wide.

Although in the last 10 years there has been a significant decrease in the proportion of unregistered children compared with 10 years ago, the proportion of children under five years of age who were not registered at birth remains high in particular in the East and Southeast of the country. This creates obstacles for children's subsequent access to health and education services. Official statistics show that the ratio of children who die at birth is still high.

The way in which children are treated in institutions remains a cause for concern. Efforts are required to review the existing standards of care and protection of the Social Services and Child Protection Agency and to improve the capacity of its staff. Efforts to encourage foster parenting as an alternative to institutional care need to be intensified.

Child labour is still widespread in seasonal agricultural work and on the streets. Shortcomings remain in the labour law and its implementation, and the national resources allocated to tackle child labour are insufficient (*See Chapter 19 – Social policy and employment*).

Further progress needs to be made as regards the implementation of the Law on child protection as well as the provision of educational and social services. The child courts need to be better equipped to deal with the challenges they face and their number needs to increase.

The vast majority of detained juveniles are awaiting a final court decision. Significant improvement is needed in physical conditions in detention centres and in the quality of care and protection provided to children by their staff.

Overall, there has been progress with regard to child labour, access to, and reduction of the gender gap in primary education and the registration of children at birth. However, sustained further efforts are needed in all these areas. Similar efforts are also needed to combat violence against children and improve the overall implementation of the Law on Child Protection.

As regards **socially vulnerable and/or persons with disabilities**, in the area of mental health, a government directive was issued to regulate the use of electro-convulsive therapy in hospitals in line with human and patients' rights. Relevant guidelines for implementation of the directive have also been prepared.

No progress can be reported on access to education, health, social and public services for persons with disabilities. In particular, physical barriers to access to public buildings remain. Lack of data and research in this area and on conditions of care for mentally ill persons are preventing informed policy-making. Implementation of the Law on People with Disabilities and related regulations is critical for improving the rights and living conditions of persons with disabilities.

On **labour rights and trade unions**, the requirement to have worked at least ten years in order to be elected to the management bodies of trade unions has been lifted by new legislation. Furthermore, some employers' and employees' unions have concluded joint declarations and protocols on bipartite social dialogue.

However, restrictions remain on the exercise of full trade union rights. Turkey fails to fully implement the International Labour Organisation (ILO) Conventions in particular as regards the right to organise, the right to strike and the right to bargain collectively. Turkey still maintains its reservations on Article 5 (right to organise) and Article 6 (right to bargain collectively) of the revised European Social Charter.

Overall, little progress has been achieved with regard to labour rights and trade unions. Turkey needs to adopt legislation guaranteeing full trade union rights in line with EU standards and the relevant ILO Conventions, in particular as regards the right to organise, the right to strike and the right to bargain collectively. Turkey also needs to reinforce the social dialogue mechanisms, including at tripartite level.

As regards **anti-discrimination policies**, the principle of anti-discrimination is enshrined in the Constitution and upheld in several laws. However, there is no specific protection against discrimination on grounds of age or sexual orientation. A closure case against an association, which represents lesbian, gay, bisexual and transgender people, is ongoing. Transsexuals and transvestites are, on occasion, subjected to physical harassment. There is a need for the police to properly investigate such cases.

With respect to **property rights**, the ECtHR judgment in the *Fener Boys High School Foundation v. Turkey* case became final in April. The Court held unanimously that there had been a violation of Article 1 of Protocol No 1 (peaceful enjoyment of possessions) to the ECHR and recommended either return of the property or financial compensation for the complainant. A friendly settlement was concluded between the Turkish government and the Istanbul Armenian Hospital Foundation on a case brought to the ECtHR by the Foundation regarding property it acquired in 1943 and 1963. Under the settlement, the government returns the property to the foundation. The Turkish government had confiscated the property on the basis of a Court of Cassation decision of May 1974.

However, the final adoption of the new Law on Foundations voted by Parliament in November 2006 and subsequently vetoed by the then President is still pending. Adoption of the new law would address a number of issues which religious communities face with property management and acquisition.

There has been no progress in the situation of Syriacs, who continue to face difficulties in relation to property. Complaints about seizures of their properties have increased.

Minority rights, cultural rights and protection of minorities

As regards the educational rights of minorities, the Law on Private Educational Institutions which entered into force in February 2007 reconfirms the right of non-Muslim minorities associated by the authorities with the Treaty of Lausanne to hold minority schools.

However, Turkey's approach to **minority rights** remains unchanged. According to the Turkish authorities, under the 1923 Treaty of Lausanne minorities in Turkey consist exclusively of non-Muslim religious communities. In practice the minorities associated by the authorities with such Treaty are Jews, Armenians and Greeks. Without prejudice to the Treaty, the Turkish authorities consider Turkish citizens as individuals having equal rights before the law rather than as individuals belonging to the majority or to a minority.

This approach should not prevent Turkey from granting specific rights to certain Turkish citizens on the grounds of their ethnic origin, religion or language, so that they can preserve their identity. Full respect for and protection of language, culture and freedom of association, assembly, expression and religion and effective participation in public life for all citizens irrespective of their background or origin, in accordance with European standards, have yet to be fully achieved.

The OSCE High Commissioner on National Minorities (HCNM) visited Ankara in December 2006 for the third time, following previous visits in 2003 and 2005. His proposal to visit regions - notably the South-East of Turkey - was not accommodated. There is a need to start a dialogue between Turkey and the HCNM on issues such as the participation of minorities in public life and broadcasting in minority languages. This would facilitate Turkey's further alignment with international standards and best practice in EU Member States.

Turkey is a party to the UN International Covenant on Civil and Political Rights (ICCPR). However, its reservation regarding the rights of minorities and its reservation to the UN Covenant on Economic, Social and Cultural Rights (ICESCR), regarding the right to education, are matters of concern⁹. Turkey has not signed the Council of Europe Framework Convention for the Protection of National Minorities or the European Charter for Regional or Minority Languages.

The management of the minority schools, including the dual presidency, remains an issue. Further efforts are needed to remove discriminatory language from textbooks.

⁹ Extract from the reservation to the ICCPR: "The Republic of Turkey reserves the right to interpret and apply the provisions of Article 27 of the International Covenant on Civil and Political Rights in accordance with the related provisions and rules of the Constitution of the Republic of Turkey and the Treaty of Lausanne of 24 July 1923 and its Appendixes."

The Greek minority continues to encounter problems with education and property rights. In this context, problems affecting the Greek minority on the islands of Gökçeada (Imvros) and Bozcaada (Tenedos) continue to be reported.

Overall, Turkey has made no progress on ensuring cultural diversity and promoting respect for and protection of minorities in accordance with European standards.

As regards **cultural rights**, broadcasting in languages other than Turkish, in March 2007 a new radio channel in Diyarbakır, Çağrı FM, received authorisation to broadcast in Kırmanchi and Zaza Kurdish. There are now four local radio and TV stations broadcasting in Kurdish.

However, time restrictions apply, with the exception of films and music programmes. All broadcasts, except songs, must be subtitled or translated into Turkish, which makes live broadcasts technically cumbersome. Educational programmes teaching the Kurdish language are not allowed. An appeal against these rules has been pending before the Council of State for three years. Court cases have been opened against some broadcasters for trivial reasons.

Children whose mother tongue is not Turkish cannot learn their mother tongue in the Turkish public schooling system. Such education can be provided only by private educational institutions. In the case of Kurdish, all such courses were closed down in 2004. Today there are no opportunities to learn Kurdish in the public or private schooling system.

No measures have been taken to facilitate access to public services for non-speakers of Turkish, although interpretation is usually available in courts. In a case against the municipality of Sur in June 2007 the Council of State dismissed the mayor from office and dissolved the Municipal Council for providing multilingual municipal services. The court ruled that this is contrary to the constitutional principles that the language of the state is Turkish and that no language other than Turkish should be taught as a mother tongue (Articles 3 and 42 of the Constitution respectively). An appeal is ongoing.

Use of languages other than Turkish remains illegal in political life. Several investigations and court cases have been opened against officials and executives of the Democratic Society Party (DTP) for alleged infringements of Article 81/c of the Law on Political Parties which forbids the use of languages other than Turkish by political parties¹⁰. In February and April 2007 several members and executives of the Rights and Freedoms Party (Hak-par) were sentenced in two separate Court cases for having spoken Kurdish at party's general congresses. A Court case for the closure of Hak-par is pending.

No steps have been taken to amend the Law on foreigners residing and travelling in Turkey which contains discriminatory provisions on **Roma**, particularly as regards extradition. Turkey does not participate in the 2005-2015 Decade of Roma Inclusion.

Further to an April 2006 decision by the Council of Ministers, an urban renewal programme targeting "wrecked urban areas" is being implemented. In this context Roma neighbourhoods have been demolished in several provinces, in particular in Istanbul. Istanbul municipalities have taken no steps to provide shelter, basic sanitary facilities or other social and economic

¹⁰ Other investigations are underway on grounds of illegal demonstrations (Law No 2911), praise of crimes and offenders (Turkish Penal Code (TPC) Article 215), inciting the population to hatred or denigration (TPC Article 216), establishing organisations for the purpose of committing crimes (TPC Article 220), propagating terrorist organisations, being a member of a terrorist organisation or aiding and abetting terrorist organisations (Anti-terror Law No 3713).

services for Roma people after the demolitions. Inhabitants of the Sulukule district in Istanbul and civil society organisations have applied to the Administrative Court of Istanbul to suspend the expropriations and evacuation of the district.

Turkey has made no progress in the area of cultural rights. Significant further efforts are required, in particular on use of languages other than Turkish in broadcasting, in political life and when accessing public services. The Roma continue to experience discriminatory treatment in access to adequate housing, education, social protection, health and employment.

As regards the **situation in the East and Southeast**, the legislative elections in July resulted in increased representation of voters from the south-east of Turkey compared to the previous Parliament.

However, the overall socio-economic situation in the south-east remains difficult. No steps have been taken to develop a comprehensive strategy to achieve economic and social development in the region and to create the conditions required for the Kurdish population to enjoy full rights and freedoms.

There has been a further deterioration of the situation in terms of attacks by the PKK and other terrorist groups. The PKK is on the EU list of terrorist organisations. Several hundred terrorist attacks have been recorded since the beginning of the year causing multiple casualties. On 22 May a suicide bombing in Ankara claimed the lives of 9 people. There was an increase of terrorist attacks targeting civilians throughout the whole country.

As part of the fight against terrorism, three security zones were established from June to December 2007, covering parts of three provinces along the border with Iraq. Strict security measures are applied in these zones, including restrictions on access. On 17 October 2007, the Parliament adopted a motion authorising the Government to intervene militarily in the northern part of Iraq ¹¹.

Landmines remain a security concern. In 2006 Turkey reported about one million mines within the country. Every year there are several casualties among civilians and security forces due to anti-personnel landmine explosions. Under the Ottawa Convention, of which it is a signatory party, Turkey has taken the commitment to clear the earth-laid landmines by 2014 and to eliminate its stocks by 2008.

With respect to **internally displaced persons**, progress continued on the process of compensation. By 24 May 2007, 269,759 persons had applied to the Damage Assessment Commissions for compensation under the Law on the Compensation of Losses due to Terrorism and the Fight against Terrorism 57,071 applications have been examined, of which 37,309 have obtained a favourable response.

To allow more potential beneficiaries to apply for compensation, the deadline for applications was extended until 30 May 2008. In order to tackle the backlog of open cases, in December 2006 Parliament extended to January 2008 the deadline for finalising the assessment of applications. In addition, the Council of Ministers was given the authority to further extend this deadline if necessary. Furthermore, the number of Damage Assessment Commissions was increased to 106. The Ministry of the Interior issued guidelines which aim to harmonise implementation of the law nationally.

¹¹ On 22 October, the EU Presidency issued a statement on this subject.

In December 2006 Hacettepe University's Institute of Population Studies released the quantitative results of a government-sponsored survey on migration and the internally displaced population in Turkey. The survey showed that the number of IDPs in Turkey is substantially higher than previous estimates, and stands between 950,000 and 1,200,000. The survey is intended to be a basis for planning policy solutions to the problems of IDPs.

However, the government lacks an overall national strategy to address the IDP issue. The office in charge of IDPs lacks resources. Institutional capacity-building is needed in all departments responsible for IDPs. Reports of inequitable implementation of the Compensation Law between provinces have continued. The practical effects of the measures taken by the government in this respect remain to be assessed.

IDPs in urban areas live in poverty with little or no access to social, educational and health services. The factors hindering the return of IDPs, i.e. the absence of basic infrastructure, lack of capital, limited employment opportunities and the security situation persist in the east and south-east. The presence of landmines and village guards also remain obstacles to the safe return of IDPs.

No progress has been made towards abolishing the system of village guards¹². On the contrary, amendments were adopted by Parliament in May 2007 to facilitate recruitment of village guards at the request of a provincial governor and with the approval of the Ministry of the Interior. The Law also improves the social rights and pensions of the village guards. There were cases of the hiring of new voluntary village guards, who are not paid but are armed by the state.

2.3. Regional issues and international obligations

Cyprus

The Turkish government has continued to express its commitment to a comprehensive settlement of the Cyprus problem under the auspices of the United Nations. It is expected that the government will continue to support the launching of fully fledged negotiations on a comprehensive settlement, for which the 8 July 2006 agreement between the leaders of the two communities on the island should prepare the ground.

Following Turkey's non-fulfilment of its obligation of full and non-discriminatory implementation of the Additional Protocol to the Association Agreement, in December 2006 the Council decided that accession negotiations will not be opened on eight chapters relevant to Turkey's restrictions regarding the Republic of Cyprus and that no chapter will be provisionally closed until the Commission confirms that Turkey has fulfilled its commitments. The Council also decided to review progress made on the issues covered by the declaration of 21 September 2005 and invited the Commission to report on this in its annual reports, in particular in 2007, 2008 and 2009.

Since the Council's decision of December 2006, Turkey has made no progress towards fully implementing the Additional Protocol.

¹² According to official figures, there are currently over 57,000 village guards on duty

Turkey has made no progress on normalising bilateral relations with the Republic of Cyprus. Turkey continues to veto Cyprus's membership of several international organisations and of the Wassenaar Agreement on the Code of Conduct on Arms Exports and on Dual-Use Goods.

In January Turkey protested against an agreement concluded by the Republic of Cyprus with Lebanon on delimitation of the maritime exclusive economic zone with a view to oil drilling which it claimed was not in line with the 1960 Treaty of Guarantee and the international law on maritime boundaries. Turkey thus contested the right of the Republic of Cyprus to conclude such agreements.

In March Turkey also protested against a defence cooperation agreement between France and the Republic of Cyprus which it claimed was not in line with the 1960 Treaty of Guarantee.

In its December 2005 verdict on the *Xenides-Arestis* case¹³ the European Court of Human Rights (ECtHR) asked Turkey to introduce a remedy which secures effective redress for property right violations in Cyprus. In its follow-up decision of December 2006, the Court accepted, in principle, the Immovable Property Commission established by the Turkish Cypriot Community as a legitimate domestic remedy. However, the Court could not address all the relevant issues concerning the effectiveness of this remedy due to lack of agreement between the parties on the issue of just satisfaction.

Peaceful settlement of border disputes

Turkey and Greece have continued their efforts to improve bilateral relations. The 36th round of exploratory talks was held in March in Athens. Exploratory talks have been continuing since 2002.

In November the Turkish Chief of General Staff visited Greece. On this occasion the military-related aspects of the previously agreed confidence-building measures were reviewed and evaluated. Further confidence-building measures in the military field were discussed, among them development of technical measures to ensure flight and traffic safety, establishment of a committee of Chiefs of General Staff from the Balkan countries, to meet periodically, establishment a Joint Operations Unit to ensure participation in peace support operations under NATO, establishment of a joint land force unit to participate in NATO Response Force operations and establishment of a Joint Turkish-Hellenic Civilian Standby Disaster Response Unit.

Implementation of confidence-building measures is continuing. Joint exercises between Military Disaster Response Units were conducted in Turkey in November and December. The Greek Coast Guard Commander visited Turkey in December.

Both countries' Chiefs of General Staff met again in the margin of the First Balkan Countries Chiefs of Staff Regional Conference in Thessaloniki in April. During the reporting period Greece formally complained about continued Turkish airspace violations.

The Negotiating Framework includes the requirement of "Turkey's unequivocal commitment to good neighbourly relations and its undertaking to resolve any outstanding border disputes in conformity with the principle of peaceful settlement of disputes in accordance with the

¹³ See also, the case of *Loizidou v. Turkey* (Application no 15318/89), on which the Committee of Ministers commented on 17 October 2007.

United Nations Charter, including if necessary jurisdiction of the International Court of Justice". Furthermore, the Accession Partnership has included as a short-term priority, to "unequivocally commit to good neighbourly relations; address any sources of friction with neighbours; and refrain from any action which could negatively affect the peaceful process of peaceful settlement of border disputes". It should be noted in this context that the threat of "*casus belli*" in relation to the possible extension of Greek territorial waters in the resolution adopted by the Turkish Grand National Assembly in 1995 still remains.

Bilateral relations with other enlargement countries and other neighbouring member states developed positively.

As concerns the International Criminal Court (ICC), *see Chapter 31 - Common Foreign and Security Policy.*

3. ECONOMIC CRITERIA

In examining the economic developments in Turkey, the Commission's approach was guided by the conclusions of the European Council in Copenhagen in June 1993, which stated that membership of the Union requires the existence of a functioning market economy, and the capacity to cope with competitive pressure and market forces within the Union.

3.1. The existence of a functioning market economy

Economic policy essentials

The Pre-Accession Economic Programme submitted to the Commission in December 2006 adequately reflects needs and commitments to further reform. The authorities largely adhered to economic policy agreed with international financial institutions, as stipulated in particular in the Stand-By Arrangement with the International Monetary Fund (IMF) and in the Country Assistance Strategy with the World Bank, revised in 2006. However, political considerations occasionally caused some reform deceleration. The fragmentation of responsibilities between government bodies is complicating coordination for budgeting and medium-term economic policy making. Decisions are sometimes taken on an ad hoc basis and impact assessments are either lacking or based on partial information. Turkey's further challenge is to lock in the economic success and stability for the future in a consistent, holistic approach.

Macroeconomic stability

Real GDP grew in 2006 by 6.1%, down from 7.4% in 2005. In the first half of 2007, growth decelerated to 5.3%. Domestic consumption slowed down since the second half of 2006 as a result of the monetary policy tightening, which followed the financial turbulences of May-June 2006. The slowdown in domestic demand appears to be partly alleviated by strengthening external demand. Government consumption and investment have been broadly kept under control by tight fiscal policies. Economic growth slowed down slightly, but remained strong.

Strong domestic demand fuelled by rapid credit growth and higher oil import prices led to a widening of external deficits. The current account deficit increased from 6 $\frac{1}{3}$ % of GDP in 2005 to 8% of GDP in 2006. In the first half of 2007 however, strong exports contributed to a slight reduction of the deficit to approximately 7.8% of GDP in the first seven months of 2007. Turkey can still comfortably finance its current account deficit and has recently

considerably increased its foreign currency reserves as a consequence of high privatisation revenues and rising interest from foreign investors. Moreover the current account deficit was also driven by higher investment, which should over the medium term further enhance the export capacity of the economy. External deficits were sizeable, but the financing became more sustainable.

Even though economic growth has been strong, few new jobs have been created, as employment grew by only 1.3% in 2006. The employment rate hovered around 44-45% in 2006-2007. In particular, the female employment rate remained low at 22-23%. The unemployment rate has remained between 8% and 10%. The skill-mismatch between labour demand and supply, and in particular the cost of hiring and firing continue to hamper job creation. Unemployment was much higher among the young (around 19%) and of a long-term nature for more than half of job-seekers. The lower unemployment rate in the agricultural sector, where unpaid family workers are incorporated, suggests the existence of large pockets of underemployment in the economy.

At the end-2006, inflation had increased to about 10% (from 8% early 2006) driven by various issues, including the exchange rate pass-through, rigidities in services prices and high energy prices. This rate was significantly higher than the central bank's year-end target of 5%. Inflation started to come down again in the second quarter of 2007, to 7.1% in the year to September 2007. Unprocessed food, oil prices, exchange rate volatility and fiscal policy loosening are major risks for the inflation trend. In sum, the downwards trend in inflation decelerated.

The Central Bank of Turkey (CBT) reacted firmly to the financial turbulence of mid 2006 by increasing policy rates by 425 basis points. Consequently, Turkish asset prices have bounced back and recovered most of the ground lost. In mid-September 2007, policy rates were unexpectedly cut by 25 basis points. Market participants saw the CBT actions as a reaffirmation of the independence of the bank and a signal of its continuing commitment to the disinflation process. The CBT implemented a new policy framework of inflation targeting as from 1 January 2006 in order to make its policy more transparent. It uses short-term interest rates as a main instrument. CBT's commitment to disinflation has brought about credibility after a very turbulent period and was appreciated by financial markets.

Consolidation of public finances has largely been on track, even though ahead of the parliamentary elections, fiscal consolidation has weakened slightly. The 2006 primary surplus target of 6.5 of GDP (IMF methodology) was reached, helped by buoyant one-off revenues. Revenues rose strongly by 27% annually, but spending in health, agriculture, and personnel was higher than budgeted. In 2006, the general government budget surplus amounted to 0.4% of GDP (according to ESA 95, the EU methodology) compared with a (revised) deficit of 0.3% in 2005. The budget for 2007 is designed to achieve a similar a public sector primary surplus. Fiscal targets for the central budget for the first half of 2007 have been missed by less than 1 percentage point of GDP, due to some election spending. Functional allocations of public expenditures could be improved in terms of efficiency and cost containment. The implementation of the social security reform is stalled. All in all, fiscal policy loosened slightly, but remains strong.

A significant primary surplus and strong GDP growth have further reduced the debt-to-GDP ratio. General government gross debt fell markedly to 60.7% of GDP by end-2006 from 69.6% the year before. Turkey has also launched various sovereign bonds on the international market. By mid-2007 the share of public debt denominated in domestic currency had risen to around

65%, up from 55% in 2003. Furthermore, debt has been shifted further to fixed interest rates and debt maturities have been lengthened, in particular on domestic borrowing, to almost 40 months by mid-2007. However, debt remains relatively high and the debt service dynamics still remains closely related to movements on global financial markets. The risks of the public debt structure and maturities to macroeconomic and financial stability have been further reduced.

The administration has put emphasis on the implementation of adopted legislation, in particular the Public Financial Management and Financial Control Law (PFMC). Several coordinating and controlling bodies have been created within the Ministry of Finance, and accountability, efficiency and transparency have benefited substantially. This resulted in, for example, an improvement of the budget preparation, as illustrated in the Medium-Term Fiscal Framework (2008-2010) which has been adopted by the authorities in June 2007. The law on PFMC is broadly consistent with EU standards on internal controls. Some key elements are still lacking, in particular the Turkish Court of Accounts Law, which would enhance transparency and provide significant support for anti-corruption efforts. Overall, measures to increase fiscal transparency have continued.

Interplay of market forces

The government has confirmed the independence of regulatory and surveillance agencies, although some imperfections persist. But despite the regulatory framework, government authorities have a tendency to set the prices in transport sector, in particular in the civil aviation. Ahead of the Parliamentary elections, the government did not allow global price changes have an impact on electricity consumption and natural gas prices. Cross-subsidies continued in the electricity sector. There remained large arrears regarding the utility bills of public institutions and local administrations. Although the regulatory framework is in place, the liberalisation of backbone services, in particular in the energy sector was stalled.

The share of administrated prices in the consumer price index (CPI) basket amounts presently to 10.2% of the total weight of the CPI basket. Price reform is not completed, and in particular electricity prices are far from reflecting costs and include cross-sector subsidies. In early 2007, the government refused to increase energy prices, which have been frozen for several years in spite of sharp increases in global prices. Price liberalisation is fairly advanced, but has not made much further progress.

In 2006, 87 privatisation deals were concluded. Their proceeds corresponded to 2% of GDP. The privatisation process slowed down in 2007. Two real estate sales were conducted in Istanbul. A 25% stake of state-owned Halkbank was sold through initial public offering. Petkim (petrochemicals) was privatised in July 2007. The government postponed the privatisation of electricity distribution assets after the tender process started. Energy, banking, petrochemicals, and air transport sectors are still awaiting some major privatisation. The agenda is not yet finished as 5% of GDP (and 15% of value added in manufacturing) is still accounted for by state enterprises. Privatisation proceeds were significant, but the agenda is not yet finished.

Market entry and exit

In 2006, the business registration process was further streamlined. As a result, it now takes on average only 9 days to open a business, one of the fastest registrations in the world. Almost 100,000 enterprises were established in 2006, almost unchanged from the previous year.

However, registration costs (estimated about € 750) are relatively high. Some fees are rather intransparent, such as those for the official registration of a company's articles and accounting books. Fees related to the trade registry are significant. Closing a business is expensive and time consuming in Turkey. Insolvency procedures take about 6 years and recovery rates are very low at 10% on average. Therefore, progress in removing exit barriers remains weak. Turkey has established most of the legal framework of a market economy, but must ensure further implementation.

The legal system

The legal system, including the regulation of property rights, is in place. However, the implementation of laws and contracts should be further improved. In particular the commercial courts work relatively slowly and the time lag between the adoption of framework legislation and its implementation is often long. Moreover, the enforceability of the decisions of the autonomous authorities and of courts continues to prove difficult, including with foreign investors. Training of judicial personnel is not always sufficient and hampers a swift settlement of commercial cases. The implementation of the legislation on intellectual property rights is not adequate.

Financial sector development

The banking sector has made significant progress in developing financial intermediation, encouraged by the strong economic growth and improvements in the regulatory framework. In spite of the volatility in several periods during 2006-2007, financial markets have shown remarkable resilience. After being hit by the financial turbulence in mid-2006, financial sector's risk ratios improved in the second half of 2006, driven mainly by the recovery in market prices. Private credits grew from 25% of GDP in 2005 to 32% by mid-2007. Total bank assets have expanded from 81% of GDP in early 2006 to almost 90% by mid-2007. In 2006, the sector benefited from a rapid revival of investor appetite for Turkish assets. Increased foreign participation in the banking sector has enhanced competition. Majority-owned foreign banks accounted for about 25% of Turkish banking assets in mid-2007, compared with 12% in 2005. Financial intermediation costs are still high at almost one-third of the loan interest rates and remain a major impediment to efficient intermediation. Overall, the banking sector is in good shape.

Supervision standards in the banking sector were significantly enhanced, due to the implementation of the banking Law adopted in 2005. Most of the by-laws - in particular those transferring the regulatory and supervisory power for financial holding companies, leasing companies, factoring companies and consumer finance companies to the Banking Regulation and Supervisory Agency - have been put in place in 2006-2007. However, the prudential regulatory framework's effectiveness is still hampered by the absence of a regulation on country and transfer risk as well as on interest rate risk in the banks' books. In addition, risks are not always assessed on a consolidated basis, in particular in the case of mixed conglomerates and integrated supervision of entire banking groups. Banking concentration can be qualified as moderate (just over 60% of total banking assets are with the five largest banks). In sum, supervision of the financial sector has been further strengthened.

The main non-bank financial institutions, i.e. insurance companies, pension funds, leasing and factoring firms experienced impressive growth, yet their total assets only amount to 10% of GDP in mid-2007. A new mortgage law was adopted in February 2007, and a new Insurance Law was passed by the Parliament in June 2007. This new legislation aims at facilitating more

flexibility and security in the financial sector's expansion. Rapidly growing, albeit still undercapitalised, equity markets are increasingly helping the corporate sector to raise funds. For the first time in a decade, a Turkish Lira denominated corporate bond was launched in mid-2006. Non-bank financial institutions are small, but increasingly dynamic and rapidly expanding.

3.2. The capacity to cope with competitive pressure and market forces within the Union

Existence of a functioning market economy

Macroeconomic stability has been largely preserved. Recent financial market turbulence added some uncertainty to the business environment, but at the same time underlined the economy's improved shock resilience. The authorities have improved the investment climate by reducing administrative barriers for firms' entry and operation; reducing and simplifying the personal and corporate income taxes and improving effectiveness of the tax administration and corporate governance, and privatising many state owned enterprises; and focusing on improving corporate governance. However, certain features remained which distort the functioning of markets, such as low transparency regarding state aid and market exit.

Human and physical capital

The authorities have designed a new educational reform programme as a key part of the National Development Plan (2007-2013). This programme has two key pillars for education, modernisation and reform: increase the responsiveness of education to the demand; and enhance the educational system. However, the challenges are significant. While the top students in Turkey perform well, the vast majority of Turkish students perform at the lowest proficiency levels in basic competencies and problem solving. The distribution of Turkish scores is highly skewed toward the lower levels of proficiency. Participation in higher education remains low relative to international standards. Around 40% of 20 to 24 year olds had a secondary degree and about ten percent of school-age children are still not enrolled in primary schools. Reforms and increased spending on education are generating some positive impact on educational attainment, but significant problems pertain.

Labour force participation rates are low, particularly for women and older people, and increased only marginally in 2006 and 2007. The fast-growing working-age population and the sectoral shift out of agriculture create a strong demand for new jobs, but due to the limited diversity of the rural economy, a skill mismatch and labour market rigidities major imbalances pertain. There have been few systematic efforts to reduce the substantial employment in the informal economy. No significant changes have been made to the labour framework. The legal focus remains on protecting jobs, while less than 4% of the unemployed workforce get unemployment benefits. The non-wage costs of hiring labour remain large. Active labour market policies do not have a broad scope and have had limited success in reducing unemployment. Corporate income tax rates are high and complex, although reductions have recently been introduced. Taxes on labour (personal income tax rates –PIT- and social security contributions) are also relatively high. This system contributed to creating incentives for self-employed entrepreneurs to remain in the informal part of the economy. In 2006, the top PIT rate was reduced from 40% to 35% and the number of brackets down to four. Overall, the situation in the labour market remains challenging and policy responses have been limited.

Private gross fixed capital formation grew by around 30% in 2006, but growth fell to 7% in the first half of 2007. Private capital formation amounted to around 17% of nominal GDP. FDI inflows increased significantly in 2006, to 4.9% of GDP. Around 85% of these FDI inflows were equity investment and around 14% real estate purchases. As a result, the FDI stock reached € 37.3 billion (about 20% of GDP), with almost half (46%) due to 2006 inflows. Most of the equity investments in 2006 occurred in financial services (40%), communication (36%), wholesale and retail trade (9%) and chemicals (3%). FDI inflows remained strong, as they amounted to about 5% of GDP in the first half year of 2007.

Infrastructure investments have for many years been hampered by the need for consolidating public finances and the failure to reduce lower-priority spending. No major investments have been initialled. Although the official target of the government is to increase the research and development expenditures to 2% of GDP by 2010, realisations remain much lower, as Research and development expenditure amounted to just 0.7% of GDP in 2006. Inadequate infrastructure, including in the area of power supply, increasingly affects economic activity. Gross electricity consumption growth has averaged some 7% in each of the past four years, and no extra-power generating capacity has been constructed. Improvements in infrastructure have been modest.

Sector and enterprise restructuring

The share of agriculture in employment decreased from 30% of total employment in 2005 to 27% in 2006. Jobs were created in the industrial sector (including construction) and its share in the total labour force rose from 24% to 26.5% in 2006. Employment in the services sector increased from 42% in 2005 to over 47% in 2006. For the first time in five years, job creation in industry and services fully compensated for the reduction in agricultural employment. The relative size of agriculture fell from 10.3% in GDP in 2005 to 9.2% in 2006. The industry (including construction) proportionally remained stable at roughly 31% of GDP. Services increased to about 60% of GDP. The informal economy has remained sizeable, affecting the competitiveness of the economy. Overall, the process of structural transformation of the economy accelerated.

SMEs in Turkey account for 99% of total enterprises and 80% of total employment. However, SME ratios for capital investment (38% of the total), value added (26%), exports (10%) and bank credit (5%) point at low labour productivity, insufficient access to finance and barriers to enter foreign markets. Informality is widespread throughout all corporate sectors, but particularly amongst SMEs. In sum, SME have insufficient access to finance and are often operating in the grey economy.

Restructuring was supported by privatisation in some areas, such as the telecom sector. Progress was achieved in restructuring and preparing privatisation of the state owned banks, including by launching the IPO of 25% of Halkbank, but the process has been delayed repeatedly. Efforts to restructure and liberalise the energy sector also fell behind schedule. Some of the main outstanding problems in the sector are related to cross-subsidies and large distribution losses. In the private sector, strong productivity gains indicated a largely successful restructuring process. Enterprise restructuring continued at a mixed pace.

State influence on competitiveness

Overall, the role of the state as an active player in the markets has been further reduced. The work of the Competition Authority continued. It is widely appreciated by economic agents

and its role was further strengthened by the privatisation process. Transparency in the corporate sector improved and accounting standards were upgraded although the new legislation has not yet fully implemented. The absence of a transparent monitoring of state aid and of supporting policies to decrease distortions adversely affects competition and competitiveness in the economy. Public procurement policies continued to be undermined by the exceptions made to the regulatory framework.

Economic integration with the EU

Turkey's trade openness increased marginally. Exports and imports of goods and services totalled 63% of GDP in 2006. The share of exports destined for the EU declined from 52.3% in 2005 to 51.6% in 2006, as exports to neighbour countries benefited from increased stability in the region. Imports from the EU as a share of total imports also declined, from 42.1% to 39.3%, mainly due to the rising import bill on energy, which Turkey imported almost exclusively from non-EU countries. The EU remained Turkey's largest trading partner, but other markets are gaining in importance. In 2006, FDI-inflows from the EU amounted to 82% of total FDI, compared to 58% a year earlier. The FDI-stock totalled about 20% of annual GDP of which roughly two thirds originated from EU countries.

Labour productivity growth in the manufacturing sector further increased in 2006 and 2007, from almost 15% to less than 5% annualised. During the same period production per working hour also increased by 5.3%. Productivity also continued to improve in the public sector, where the number of employees decreased by 6% while productivity increased by almost 10%. The pace at which the real effective exchange rate increased (based on Unit Labour Costs) slowed down considerably. Productivity growth slowed down in most sectors of the economy.

Turkey's average per capita income, measured in purchasing power standards, reached in 2006 nearly 30% of the EU-27 average in 2007, slightly up from the corresponding level in 2005.

4. ABILITY TO ASSUME THE OBLIGATIONS OF MEMBERSHIP

This section examines Turkey's ability to assume the obligations of membership – that is, the *acquis* as expressed in the Treaties, the secondary legislation, and the policies of the Union. It also analyses Turkey's administrative capacity to implement the *acquis*. The analysis is structured in accordance with the list of 33 *acquis* chapters.

4.1. Chapter 1: Free movement of goods

Some progress can be reported regarding alignment on **general principles** applicable to free movement of goods. The Communiqué on *standardisation in foreign trade*, applicable in 2007, further reduced the list of items which are subject to mandatory standards or technical specifications upon import; 35 mandatory standards in the area of construction products were abolished. The remaining mandatory standards are in the area of foodstuffs and various other sectors, including old standards and purely national standards. In principle, products which are in free circulation in the EU, and bearing the “e”, “E” or “CE” marking, are exempted from conformity assessment procedures. However, implementing provisions and administrative requirements continue to impose limits on the free circulation of products.

Licences remain necessary for goods considered as old, renovated or faulty and for second-hand motor vehicles.

As regards **horizontal measures, progress can be reported in** the area of *standardisation*. The Turkish Standards Institute (TSE) continued adopting EN standards of the European Committee for Standardisation (CEN), the European Committee for Electro-technical Standardisation (CENELEC) and the European Telecommunications Standards Institute (ETSI). More than 90% of EN standards are now adopted. ETSI standards are adopted as part of the harmonisation of related EU directives; 382 such standards are in use. The TSE has been reorganised in order to reach full compatibility with the EU requirements concerning standardisation.

In terms of *conformity assessment*, significant progress was achieved in the area of Notified Bodies. Three Turkish Notified Bodies are now assigned and operating in the area of lifts, appliances burning gaseous fuels, construction products (cement) and pressure equipment.

Significant progress can be noted regarding *accreditation*. TURKAK, the national accreditation agency, signed a mutual recognition agreement with the International Laboratory Accreditation Cooperation (ILAC), which adds to the multilateral agreements (MLA) of the European Accreditation Cooperation (EA). Of these four out of seven are in force. TURKAK has still to sign the 3 remaining MLAs with EA. TURKAK has also become a member of the International Accreditation Forum (IAF). The number of TURKAK accreditations increased by 70% in the last year, and currently stands at 217. No progress took place in the area of *metrology* as regard administrative capacity. Minor amendments of legislation regarding measurements and measuring instruments remain to be adopted.

Some progress on *market surveillance* can be reported. The Ministry of Public Works and Settlement re consolidated its market surveillance strategy on construction products and introduced new implementing provisions. The Ministry of Health published a regulation on the principles and methods of market surveillance limited to legislation under its responsibility. The Ministry of Industry and Trade, the Ministry of Health, the Telecommunication Authority, the Ministry of Public Works and Settlement and the Ministry of Labour and Social Security carried out market surveillance activities.. There was some improvement in the capacity to conduct market surveillance, but the activities remain spread over several authorities and are not entirely effective.

Overall, alignment in the area of horizontal measures is advanced. However, implementation capacity, in particular concerning market surveillance, is not sufficiently developed.

Significant progress took place in the area of **new approach** product legislation. Regulations under 17 "new approach" directives were revised, and full alignment has been achieved in 20 sectors, allowing the designation of notified bodies in three of these sectors.

Provisions for the energy labelling of household air-conditioners entered into force. The Ministry of Labour and Social Security published harmonised standards on personal protective equipment. The Ministry of Public Works and Settlement established a EUROCODES Technical Committee in the area of construction products. It made revisions regarding the reaction-to-fire performance and conformity assessment systems of construction products. This Ministry also adopted a national mark, known as the "G" mark, for construction products that fall within the unregulated area. Overall, alignment ranges from very advanced to complete in most areas covered by the new approach.

The alignment of **product legislation** adopted under the **old approach** was already considerably advanced. There has been further progress in the area of motor vehicles, veterinary pharmaceuticals and cosmetics. The Ministry of Agriculture and Rural Affairs published a communiqué on foodstuffs and materials that come into contact with foodstuffs aimed at eliminating technical barriers to trade. Other barriers remain concerning foodstuffs and energy drinks, pharmaceuticals and veterinary products. With regard to pharmaceuticals, a pricing decree was published, however the problem concerning regulatory data protection and the authorisation regime for generics, in respect of which a marketing authorisation was applied for before 1 January 2005, has not been resolved. The dual licence requirement for import alcohol and tobacco products continues to constitute an impediment to trade. This is a key element for the accession negotiations in this chapter

As regards **procedural measures** which constitute a key element for the accession negotiations in this chapter, provisions to align with Regulation 339/93 were not been adopted, provisions on external border checks remain to be adopted. There was no progress regarding *cultural goods* and *firearms*. Alignment remains limited.

In the **non-harmonised area**, no progress can be reported. Provisions on mutual recognition, which is a key element for the accession negotiations in this chapter, were not adopted.

The chapter "Free movement of goods" is one of eight chapters covered by the conclusions on Turkey adopted by the Council (GAERC) on 11 December 2006 and endorsed by the European Council on 14/15 December 2006. As long as restrictions remain in place on the free movement of goods carried by vessels and airplanes registered in Cyprus or where the last port of call was Cyprus, Turkey will not be in a position to fully implement the acquis relating to this chapter.

Conclusion

Progress can be reported in areas such as accreditation, standardisation and conformity assessment. The overall system required for implementing the EU technical legislation is in place, including the operation of Turkish Notified Bodies in some sectors. There was further progress in the area of market surveillance. However, the extent and coordination of market surveillance activities remain limited considering the size of the country. Technical barriers to trade remain in non-harmonised areas and in areas covered under the old approach legislation. There is no progress on mutual recognition and licensing requirements. The level of alignment is advanced in most areas, in particular concerning general principles, horizontal provisions, new approach, and old approach. Alignment is more limited for notification procedures.

4.2. Chapter 2: Freedom of movement for workers

With regard to **access to the labour market**, new legislation on work permits for foreign nationals makes the procedure for obtaining such permits easier and exempts certain professionals, including those working for national and international projects, from the requirement to obtain work permits.

Efforts to increase the capacity of the Public Employment Service have continued. Additional staff has been recruited and training has been provided. Work has been initiated to provide jobseekers with public employment services through the internet. Further efforts are needed to prepare for participation in the **EURES** (European Employment Services) network.

With regard to the **coordination of social security systems**, efforts to build the administrative capacity of the Social Security Institution, the competent authority under Community legislation, continued in particular through the establishment of an EU department.

Preparations with a view to introduction of the **European health insurance card** have not started.

Conclusion

Overall, limited progress has been achieved. Alignment is at an early stage. The administrative capacity needs to be strengthened further.

4.3. Chapter 3: Right of establishment and freedom to provide services

Limited developments can be reported concerning the **right of establishment**. The gender requirement for nurses has been abolished by an amendment to the Law on Nurses adopted in May 2007. A number of other requirements under Turkish law are not in line with Community law, such as nationality, and residence requirements. Also incompatible are disproportionate language requirements, or rules limiting the number of offices professionals may operate (e.g. the ‘one-office’ rule for pharmacists). Other examples are rules requiring self-employed EU nationals to obtain a work permit on top of the establishment and registration of their company, or rules requiring the deposit of a warranty at the Central Bank or a State bank when establishing a stock company.

Limited developments can be reported in the area of the **freedom to provide cross-border services**. Current registration, license or authorization requirements for firms already established in a Member State are not in line with the *acquis*. Neither is the requirement for any service provider to have a work permit and a residence permit. Work towards a systematic and complete identification of obstacles in Turkish law to EC Treaty provisions related to the right of establishment and the freedom to provide services has not yet been undertaken. The establishment of an inter-service coordination structure is necessary for that purpose; Turkey has not taken steps to set up such a structure.

There was no particular development in the field of **postal services**. Turkey has not started aligning its legislation. The legal monopoly regardless of weight limit continued and is not in line with the *acquis*. The existence of some *de facto* private sector activity in express mail and private parcel delivery does not suffice to ensure competition in the sector. Turkey does not have an independent regulatory authority as required by the *acquis*, neither has it instituted transparency in the accounting system of the Post and Telegraph Organisation as universal service provider.

Limited progress was made in the area of **mutual recognition of professional qualifications**. The Council for Higher Education adopted a regulation for six health professions and architects purporting to transpose elements of Directive 2005/36 relating to minimum training requirements; its alignment with the *acquis* remains to be confirmed. With regard to these professions Turkey applies the reciprocity principle, instead of automatic recognition. Turkey’s legislation still does not distinguish between recognition of professional and academic qualifications. It contains nationality requirements restricting access to a considerable number of professions to Turkish nationals. Administrative structures for recognition of foreign qualifications are limited to academic recognition, as opposed to professional qualifications. Turkey has created a unit for EU and international relations within

the Council for Higher Education. However, this will not be able to cope effectively with tasks required by the *acquis* until the relevant legislation is adopted. Turkey has not designated a contact point for the purpose of directive 2005/36 on the recognition of professional qualifications.

The chapter "Right of establishment and freedom to provide services" is one of eight chapters covered by the conclusions on Turkey adopted by the Council (GAERC) on 11 December 2006 and endorsed by the European Council on 14/15 December 2006. As long as restrictions remain in place on the free movement of goods carried by vessels and airplanes registered in Cyprus or where the last port of call was Cyprus, Turkey will not be in a position to fully implement the *acquis* relating to this chapter.

Conclusion

Overall alignment with the *acquis* is limited. Alignment with Community law on the right of establishment and the freedom to provide services remains fragmentary. There has been no tangible progress toward alignment in the area of postal services. In the area of mutual recognition of professional qualifications some limited progress was made.

4.4. Chapter 4: Free movement of capital

Progress has been made in the area of **capital movements and payments**; certain restrictions have been lifted or eased. The Treasury adopted a new implementing regulation for the collateral requirements in the insurance sector. In addition to the Turkish Treasury debt paper, public debt instruments issued by other OECD countries have become eligible as collateral. A Council of Ministers decree abolished the prior approval requirement previously applied to foreign companies in order to transfer profits, sale and liquidation proceeds, and payments related to licences. The same decree abolished the authorisation requirement on outward foreign direct investment (FDI) transfers exceeding € 3.7 million. Turkey removed the provisions requiring the banks and intermediary institutions to inform the Treasury on the issuance of securities markets instruments abroad by residents and the issuance of the same instruments in Turkey by non-residents. The decree also annulled the provisions requiring the DG Land Registry, banks and special finance institutions to inform the Under-secretariats of the Treasury and Foreign Trade about immovable property and the real estate acquisitions of non-residents. In addition, Turkey removed the restrictions on the establishment of foreign currency-denominated pledges for ship owners. The Ministry of National Defence submitted detailed maps and coordinates of military forbidden zones and security zones to the DG Land Registry. As a consequence, the time required for foreigners' real estate acquisitions will be shortened. The Constitutional Court annulled the Council of Ministers' right to increase the legal limits on real estate acquisitions by foreigners and to set additional limits.

Restrictions on FDI exist in sectoral legislation, such as radio and television broadcasting, electricity, tourism, defence, maritime, air and road transport, education and employment offices. A number of restrictions exist in the area of acquisition of real estate by foreigners.

No progress can be reported as regards **payment systems**. The legislative framework is not aligned with the *acquis*. There is no body for the out-of-court settlement of disputes between banks and their customers.

Turkey made some progress in the **fight against money laundering**. A new law on the prevention of laundering proceeds of crime has entered into force. It addresses in particular

the system for suspicious transactions reporting, record keeping and protection of obliged parties, and the role of the Financial Intelligence Unit (MASAK) of Turkey. Some provisions require the adoption of implementing regulations. A regulation setting out principles and procedures for investigation was adopted. Turkey has signed the Council of Europe Convention on laundering, search, seizure and confiscation of the proceeds from crime and on the financing of terrorism. Turkey was subject to the third review of the Financial Action Task Force (FATF), which published a report indicating non-compliance with FATF recommendations in areas such as customer due diligence, list of liable parties, and suspicious transaction reporting. The number of suspicious transaction reports notified to the MASAK increased from 352 in 2005 to 1,140 in 2006, mostly coming from the banking sector. In 2006, a total of 23 cases resulted in prosecutions, compared to 33 cases in 2005. Court results leading to convictions, confiscations, seizures and freezing of assets remained limited in 2006. An action plan to strengthen enforcement of the legislation - which is a key element for the accession negotiations in this chapter - still needs to be adopted.

Conclusion

Progress has been made as regards capital movements and payments, in particular by the removal of several restrictions or approval processes. However, no progress can be reported in payment systems. Further progress has been achieved in the fight against money laundering, in particular with the adoption of the new legal framework on the prevention of laundering the proceeds of crime. Overall, alignment is incomplete..

4.5. Chapter 5: Public procurement

No progress can be reported on **general principles**. There continues to be a discriminatory price advantage of 15% for domestic bidders. In 2006, this price advantage was applied to 8% of the total tender value.

Limited progress can be noted with regard to the **award of public contracts**. Recent legislative draft amendments, which are under examination, brought in the concepts in line with the *acquis*, such as framework agreements. The Turkish public procurement legislation, however, differs from the *acquis* in several respects. Some of the basic definitions, for example "contracting entity", do not correspond to those in the EC Directives. The public procurement law does not address instruments and methods such as central purchasing bodies, competitive dialogue and e-procurement. There is no specific legislation for entities operating in the utilities sector or for concession contracts.

The updated 2007 thresholds and financial limits for procurement are above EC levels. Such high limits reduce the opportunities for foreign bidders to apply, and also distort competition. Complicated qualification procedures form an additional bureaucratic obstacle and increase the cost of participation in public tenders.

Progress can be reported regarding *administrative capacity*. The Public Procurement Authority operates in an increasingly effective and efficient manner. As of 2007, tender bulletins are published only in electronic format and are accessible via internet free of charge. Nevertheless, an organisation responsible for overall policy coordination and implementation in all areas related to public procurement, including concessions and public private partnerships, does not exist.

In-service training courses and certificate programmes for potential bidders on public procurement practices continue to increase awareness about public procurement procedures. The recently developed IT infrastructure on establishing work flow management and document archive system, board agenda and decision archive system, administrative and financial affairs system, personnel operations management system and the basis for electronic procurement should contribute to increased capacity.

With regard to **remedies**, a set of regulations has been adopted aiming at reducing the number of complaints. Review procedures are not fully in line with the *acquis*. The appointment of the 8 members of the Public Procurement Board avoided any potential disruption in the functioning of the board. Complaints submitted to the Public Procurement Board amounted to 4612 out of 172,649 tenders announced in 2006. In comparison to the previous year, the number of complaints increased significantly.

Conclusion

Limited progress can be reported in this chapter. The introduction of the method of framework agreement was a positive development. However, the fragmented administrative structures involved in policy making and implementation prevent further reinforcement of the mechanisms established by the Public Procurement Law. The Public Procurement Authority is enhancing its administrative capacity. Alignment in this chapter is underway.

4.6. Chapter 6: Company law

There was limited progress in the area of **company law**. There was no progress on the adoption of the Turkish Commercial Code, a key element for advancing the negotiations in this chapter. Company registries operated by Chambers of Commerce do not have the technical infrastructure required by the *acquis*.

Some progress was recorded in the area of **corporate accounting**. The Turkish Accounting Standards Board (TASB) adopted three accounting standards, and published several interpretations and clarifications of a number of previously adopted international accounting standards. The adopted standards are binding for listed companies only. These are very few compared to the number of non-listed companies. The Banking Regulation and Supervision Authority (BRSA) published four regulations and one communiqué concerning reporting, mergers and divisions of shares of banks.

The familiarity of the "users" of the system is uneven; this applies particularly to accountants and financial advisors, the Turkish business community and also judges in commercial courts.

In terms of administrative capacity at TASB, some new recruitment took place. However staffing levels and office space remained insufficient.

Limited progress can be recorded with regard to **auditing**. A new regulation was published in the Official Gazette in November 2006 which deals with the authorisation and operation and revoking powers of independent audit firms that will conduct audit at banks.

Conclusion

Limited progress was made in this chapter. Overall, alignment remains limited. The new Turkish Commercial Code, which is meant to substantially improve alignment with the *acquis*, has not been adopted yet.

4.7. Chapter 7: Intellectual property law

The overall legislative framework for copyrights and related rights is largely aligned with the acquis, but administrative capacity remains insufficient to ensure effective enforcement, as required by the Customs Union Decision. Turkey remains one of the countries in the world where IPR protection and enforcement is most problematic. Enforcement is also a key element for the accession negotiations in this chapter.

Limited progress was made in the area of **copyright and related rights**. Turkey has improved coordination, and cooperation of different stakeholders in copyright and related rights. Awareness and specialisation of the administration and collecting societies have increased. Some improvements have been made with regard to the regulation of collecting societies and further improvements are being prepared. The WIPO Copyright and Phonograms Treaties were ratified. However, piracy on books and other media, such as CDs and DVDs remained widespread; Turkey's enforcement capacity is lagging behind.

Some progress can be reported concerning the legislative framework for **industrial property rights**. The "Law Amending the Treaty on Granting European Patents", which regulates the procedures of European Patents within the Member States of the European Patent Organization, entered into force. The Law on the accession of Turkey to the Protection of New Varieties of Plants (UPOV) Convention was ratified and published. The Turkish Patent Institute (TPI) further improved its internal and external IT structure, online services and public relations, and established an on-line trademarks applications system. The speed and consistency of the services provided by the industrial design department also improved. The quality of search activities at publicly accessible databases is improving. However, inconsistent decisions by trademark examiners continue to occur.

Some Turkish large and medium-sized companies repeatedly infringed well-known trade marks (registered packaging and three-dimensional trade marks); the registration system is weak. The authorities have not taken preventive measures. The TPI is not providing proper justification for appeal and opposition procedures. Inconsistencies between TPI decisions and IPR court decisions continued. The regulatory framework, including a code of ethics for patent and trademark agents to prevent malpractice of agents and to take implementation forward, is not in place. Exchange of information among the various professional groups dealing with the filing of IPR, and with the TPI, is weak.

With regard to **enforcement**, the law on intellectual and artistic works has been amended to give more incentives to enforcers: civil servant members of the provincial anti-piracy commissions will be paid premiums on the basis of their activities in the fight against piracy. At the moment, provincial anti-piracy commissions are not functioning effectively. Criminal enforcement of IPR is entrusted to the Turkish Police and IPR criminal courts. In 2005 and 2006, 10.020 offenders were referred to the judicial authorities. In 8.780 raids, pirate materials with a market value of € 600 million were seized. Most violations concerned the music and publishing sectors. The police can currently take *ex-officio* action in case of copyright violation. However, they cannot in cases of trademark infringement.

Conclusion

Overall, some progress has taken place against the background of a legislative framework which is largely aligned. However, serious deficiencies remained with regard to industrial

property rights, in particular its implementation and enforcement. Reinforcement of the administrative capacity is at an early stage.

4.8. Chapter 8: Competition policy

Turkey made further progress in the field of anti-trust. No progress can be reported on state aid.

In the field of **anti-trust**, including mergers, further progress can be reported. Regarding legislation to implement the *acquis*, the Competition Authority adopted a block exemption on vertical agreements in the motor vehicle sector. The Authority also adjusted the general block exemption on vertical agreements to make it clear that exclusive distribution agreements of companies with a market share of 40% or above may not benefit from the exemption. In addition, it defined the methods for calculating market shares. The Competition Authority adjusted the level of fines that can be imposed for infringements of competition rules. Turkey adopted the guidelines for regulatory impact analysis, placing an obligation on all public authorities to analyse -in consultation with the Competition Authority- the impact which any draft laws would have on competition. Transposition is not completed with regard to the rules on horizontal cooperation agreements, the *de minimis* rules and the sector-specific block exemption rules on insurance, technology transfer, telecommunications and postal services. The level of alignment in this field is high.

The continuing strong emphasis on staff training contributes to the Competition Authority's high administrative capacity, which is at a good level to ensure effective enforcement of the competition rules. The level of independence of the Authority is sufficient.

As regards the enforcement record, in 2006 the Competition Authority took decisions on 108 cases of anti-competitive agreements or abuse of a dominant position and on 33 cases of negative clearances and individual exemptions. It dealt with 186 merger and acquisition cases. The Competition Authority imposed fines totalling 26.9 million Turkish Lira (around 14.5 million Euros), among them fines adding up to 9.4 million Turkish Lira (around 5.2 million Euros) on a cartel of 10 cement companies. This level of activity continued during the first half of 2007, where the Competition Authority took 75 decisions on anticompetitive behaviour and assessed 92 merger notifications. However, there is no improvement concerning the limited administrative capacity of the Supreme Administrative Court for handling appealed competition cases. No progress has been made in aligning the rules concerning public undertakings and undertakings having exclusive and special rights.

No progress was made on adopting **state aid** legislation or establishing an operationally independent state aid monitoring authority. Furthermore, Turkey has no rules ensuring the transparency of financial relations between public authorities and public undertakings. Turkey has neither established a state aid inventory nor reported any state aid schemes to the European Commission, although it did adopt new aid schemes during the reporting period.

Regarding aid to the steel sector, progress has been limited. Turkey sent to the Commission a proposal for National Restructuring Programme (NRP). This draft NRP, and subsequent discussions, clarified the structure of the steel industry and most of the past state aid. Moreover, the new investment aid scheme eliminated the possibility of additional aid certificates for manufacturing steel products. However, important gaps remain. The main elements missing include the industrial restructuring strategy, capacity evolution and state aid,

especially the purpose and beneficiaries of future aid. In addition, Turkey has not sent individual business plans from any of the steel companies concerned by the NRP.

Conclusion

Some progress has been achieved on this chapter. The level of alignment in the field of anti-trust, including mergers, is high. However, there has been no progress in the field of state aid. Finalising the National Restructuring Programme for the steel industry remains a priority. Turkey has not fulfilled its obligation to report state aid schemes to the Community. Alignment with the *acquis* in this chapter is underway.

4.9. Chapter 9: Financial services

Good progress has been made in the area of **banks and financial conglomerates**. A new implementing regulation on bank and credit cards has entered into force. This has improved the prudential standards and consumer protection. The Banking Regulatory and Supervisory Authority (BRSA) adopted implementing regulations to the Banking Law. These cover a wide range of issues, such as loan reserves, annual reports, external audit, merger and acquisition activities and transfer of ownership, internal systems (internal control and risk management), rules for loan disbursements, calculation of capital, notification of the changes in executive positions, financial holding companies, corporate governance, liquidity requirements, accounting principles, financial reporting and disclosure requirements, capital adequacy requirements, asset management companies, net foreign exchange position, credit derivatives and market and other risk-related issues. In addition, an implementing regulation on authorisation and operation of rating agencies was published. The Banker's Association of Turkey has established an arbitration body to settle disputes between customers and banks.

The BRSA has set the target capital adequacy ratio for the banking sector at 12%. The BRSA recruited new legal, IT, and banking experts and auditors to improve its administrative and supervisory capacity. Activities continued for the implementation of the roadmap on the adoption of the EU capital requirements framework. Working groups continued to meet regularly, BRSA staff received external training and the BRSA has conducted an impact study for the banking sector. As a result of this study the new capital adequacy regime will enter into force in 2009.

The Saving Deposits Insurance Fund (SDIF) adopted a new regulation laying down the applicable rules for the publication of banking licence withdrawals, the applicable bankruptcy proceedings and the steps in the liquidation process for banks that are taken over. A new regulation enabled banks to pay quarterly insurance premiums as a percentage of the insured deposits (previously, banks had to pay insurance premiums on the uninsured portion). In addition, the insurance premium will change according to the perceived risk of the bank concerned. Overall alignment with the *acquis* remains sufficient in the field of banking.

Good progress has been made in **insurance and occupational pensions**. A new Insurance Code - Law No. 5684 on Insurance - was adopted and published in the Official Gazette. It regulates the taking up and pursuit of the insurance and reinsurance business and established rules for insurance mediation. Secondary legislation governing technical reserves, collaterals, general conditions for annuities and contractual information for policy holders has also been adopted. The introduction of out-of-court settlement body for customer protection is a welcome development. However, the new insurance law is only partly in line with the *acquis*, since certain basic principles of the EU insurance law are not respected. The freedom to set

tariffs is restricted in the compulsory insurance sector and policy conditions are subject to approval by the Treasury.

Turkey introduced "miscellaneous financial expenses" and "assistance" as two additional insurance classes. Turkey adopted new secondary legislation setting the rules for the calculation of technical provisions and the asset types that can be held as technical reserves, as well as secondary regulation concerning financial reporting requirements of insurance, reinsurance and occupational pension companies. As far as specific non-life insurance *acquis* is concerned, no progress can be reported as regards co-insurance, credit insurance, legal expenses insurance and tourist assistance.

Turkey transposed the *acquis* which sets the minimum insurance requirements for air carriers and aircraft operators in respect of passengers, baggage, cargo, third parties and mail. Turkey introduced new legislation as regards the compulsory motor insurance which to a limited extent liberalises the motor insurance tariffs. In addition, Turkey adopted legislation which extended the scope of the insurance guarantee scheme, including all types of compulsory insurances. Turkey adopted secondary legislation concerning minimum qualifications of occupational pension companies' staff and actuaries.

No progress can be reported on the enforcement capacity and the independence of the General Directorate of Insurance and the Insurance Supervisory Board which regulate and supervise the insurance sector. Alignment with the *acquis* is partial in the area of insurance and supplementary pensions.

Some progress can be reported with regard to **financial market infrastructure**. The implementing regulation on voluntary liquidation of banks was published. Provisions are largely aligned with *acquis*.

Progress has been made in the field of **securities markets and investment services**. The mortgage law and related implementing regulations have entered into force. This will inter alia enable financial institutions to sell their housing loan portfolios as mortgage-backed securities on the capital markets. Sophisticated investors were defined and in relation to that certain types of portfolio management and advisory activities for intermediaries. The Capital Markets Board (CMB), which regulates and supervises securities markets and investment services, issued a communiqué regarding the rules for the establishment and authorisation of intermediaries dealing with derivative instruments. The CMB removed the provision requiring the majority of the board of directors of a real estate investment company to be Turkish citizens. A new fund type (fund of funds) has been introduced by the CMB. The CMB required certain types of intermediary institutions to provide special independent audit reports on their internal control systems. Supervision of intermediary institutions dealing with credit derivatives has been strengthened.

The Turkish Accounting Standards Board adopted two accounting standards on the presentation of financial instruments and recognition and measurement of financial instruments, which correspond to the International Accounting Standards 32 and 39. The Board also adopted a new reporting standard on the disclosure of financial instruments, which follows International Financial Reporting Standard 7. Alignment with the *acquis* in securities markets and investment services is partial.

The chapter " Financial Services " is one of eight chapters covered by the conclusions on Turkey adopted by the Council (GAERC) on 11 December 2006 and endorsed by the

European Council on 14/15 December 2006. As long as restrictions remain in place on the free movement of goods carried by vessels and airplanes registered in Cyprus or where the last port of call was Cyprus, Turkey will not be in a position to fully implement the *acquis* relating to this chapter.

Conclusion

Good progress has been made in banking, in particular with the adoption of the implementing regulations related to the Banking Law. Turkey also made good progress in the area of insurance and occupational pensions, in particular with the adoption of the new Insurance Supervision Law. Progress has been recorded in the field of securities markets and investment services. Alignment is not complete, in particular with regard to undertakings for collective investment in transferable securities (UCITS).

4.10. Chapter 10: Information society and media

Some progress can be reported in the field of **electronic communications and information technologies**. The sector has continued to expand with the mobile market representing the driving force behind the development of telecommunications services in Turkey. Penetration rate in mobile services is about 73.3% with an increase of 15% compared to the same period last year. The broadband market has increased significantly mainly through the incumbent's digital subscriber lines (DSL). The incumbent's internet service provider (ISP) has 97% of the market share, but all DSL access options were recently offered to alternative ISPs.

Fixed network competition remains limited and the new entrants are not allowed to offer local telephone services. Turkey continued its alignment with the introduction of some new regulations which relate to management and inspection of the spectrum frequency use, to revision of significant market power operator (SMP) and price cap regulations, to number portability (not yet implemented), to the publication of standard reference interconnection offers for SMP operators, and to the preparation of important new licenses for fixed telephone services (including local calls), to mobile virtual operator services, broadband wireless access services (Wimax), and 3G services. The regulatory body is well staffed with 137 employees dealing with regulatory issues and self financed with a considerable operational budget.

However, several key outstanding issues remain to be tackled. In particular the adoption of the new electronic communications law (pending since October 2005) would ensure a basis of alignment with the EU regulatory framework. Equally important are the implementation of universal service obligations in compliance with the EU Directive, the licensing regime, including addressing the problem of high communications taxes imposed on operators which are detrimental to market entry, and the effective independence of regulatory body from Government (which remains an important shareholder in several operators).

In the area of **audiovisual policy**, there was no progress in terms of alignment with the *acquis*.

As in previous progress reports, the issue of independence, including adequate funding of the public service broadcaster TRT and RTÜK remain a matter of concern. In particular, a number of sanctions imposed by RTÜK, on private media raise question marks over its independence. With regard to the administration of the broadcasting sector, RTÜK has not reallocated frequencies and reviewed temporary licences. The new regulation on licensing and authorisation of cabled transmissions obliges cable operators not to transmit programmes of

foreign origin, if these are deemed inappropriate by RTÜK. This obligation is not compatible with the Television Without Frontiers Directive.

Conclusion

Turkey has made some progress in the area of electronic communications, in particular regarding the secondary legislation. However, the country is only partially aligned with the EU framework. Turkey's level of alignment with the audiovisual *acquis* remains limited. (See also the section on human rights and the protection of minorities)

4.11. Chapter 11: Agriculture

Limited progress has taken place regarding the legislative alignment with the Common Agricultural Policy (CAP). No progress was made in the restructuring of the Ministry of Agriculture and Rural Affairs (MARA), however, its administrative capacity has improved through more efficient procedures and training of staff. Further strengthening is still needed.

As regards **horizontal issues**, Turkey made very limited progress in aligning its policy and legislation. An important range of support instruments coupled to production continues to be implemented. This practice differs substantially from the current trend of the reformed Common Agricultural Policy, in which the use of agricultural support instruments without any link to production has been expanded to almost all sectors.

The preparations for the introduction of the Integrated Administration and Control System (IACS) are ongoing with a pilot implementation in the frame of EU pre-accession assistance. Steps were taken to set up the Farm Accountancy Data Network (FADN). The National Farmers Registration System (NFRS) is in line with EU legislation. However, about 10% of farms remain unregistered. The further development of the system of land identification and the NFRS to prepare for controls on agricultural land are necessary.

Concerning the **common market organisations**, there are limited developments, which is understandable at this stage of the enlargement process. The Commission approved the conformity checks carried out by Turkey at export stage for fruits and vegetables, which will facilitate the customs procedures. More transparency is expected with regard to the operations of the state economic enterprises in general. The TMO (Turkish Grain Board) has expanded its area of activity and is now acting as an intervention agency not only for cereals and rice, but also for hazelnuts.

Initial progress was observed regarding **rural development**. Concerning administrative structures, the law on the establishment of the paying agency for the pre-accession assistance instrument for rural development (IPARD) was adopted. Preparations for the national accreditation of the IPARD agency are ongoing and are closely linked to the timely finalisation of the IPARD programming exercise. The timely submission of a receivable IPARD programme to the Commission is a pre-condition to enable Turkey to make full use of IPARD funds.

As regards **quality policy**, no development was recorded. Progress was made in **organic farming**, where legislation was amended to take into account certain EU provisions on production technology as well as requirements for the certification bodies. Training sessions have been organised as well in the context of a pre-accession assistance project. No progress was made on the inclusion of Turkey in the third countries list which would facilitate Turkish

exports of organic produce to the EU. Concerning bilateral trade relations, Turkey has not removed technical barriers to trade of beef meat, live bovine animals and derivate products. These technical barriers are not in line with bilateral obligations. In a positive development, the mechanism operated by TMO to support wheat flour exports was suspended during 2007.

The chapter "Agriculture" is one of eight chapters covered by the conclusions on Turkey adopted by the Council (GAERC) on 11 December 2006 and endorsed by the European Council on 14/15 December 2006. As long as restrictions remain in place on the free movement of goods carried by vessels and airplanes registered in Cyprus or where the last port of call was Cyprus, Turkey will not be in a position to fully implement the *acquis* relating to this chapter.

Conclusion

The alignment with the *acquis* remains limited. Progress was made in the field of rural development where the necessary legislation for the implementation of the IPA rural development programme was adopted. However, the IPARD operating structures need to be set up. The national as well as the Commission accreditation will require careful preparation. The timely implementation of IPARD is at risk. Very limited progress was made as regards administrative structures related to the CAP, although some progress could be noted in specific areas such as organic farming, FADN and fruit and vegetables. Importance of support coupled to production did not show signs of decreasing, which is not in line with the current trend of reforms in the CAP. Technical barriers to trade in bovine products remained. Overall, preparations remain at an early stage in this chapter.

4.12. Chapter 12: Food safety, veterinary and phytosanitary policy

Progress remained limited on transposition and implementation of the food safety *acquis*. The legislative package comprising the laws on food, on feed, on veterinary, on hygiene and official controls, which would provide the basis for alignment with the *acquis*, has not been adopted.

Concerning general foodstuffs policy, Turkey has established the national Rapid Alert System for Food and Feed in order to ensure proper monitoring of food safety alerts. The network between the central and local units was strengthened by improving the IT infrastructure. However, the number of alerts remains high and they often relate to the same companies, which confirms the importance of continuing improvements of a follow-up to alerts.

As regards **veterinary policy**, limited progress was made on legislative alignment. Implementation has improved. Turkey continued its efforts to combat animal diseases, particularly avian influenza (AI) and foot and mouth disease (FMD). AI outbreaks in the first quarter of 2007 were handled efficiently. Cooperation between the Ministry of Agriculture and Rural Affairs (MARA) and the Ministry of Health has improved. Information on animal diseases is provided to the EU and other international organisations; however improvement in this field is still necessary. Due to new outbreaks of FMD in Thrace, the status of free region without vaccination according to rules of the World Organisation on Animal Health (OIE) was not reached. The veterinary authorities, with the assistance of the European Commission for the Control of FMD (EUFMD), carried out intensive vaccination campaigns for FMD; however, coverage remained too limited to stop the spread of the virus. Concerning transmissible spongiform encephalopathy (TSE), no progress can be reported.

Identification and registration of bovines and registration of their movements progressed. Turkish efforts have focused on bringing the system fully into line with the *acquis*. Initial work on identification and registration of ovine and caprine animals has started; however, no progress on the ground can be reported. Turkey's first veterinary border inspection post (BIP) is now in operation in Istanbul, but the legislation on import control systems has not been aligned with the *acquis*. The legislation in the area of non-commercial movements of pets is not in line with the *acquis*. Turkey revised its residue monitoring plan and added missing active substances required by the EU. Residue plans was approved by the EU for aquaculture, poultry, milk and honey.

Turkey's current system for financing veterinary inspections and controls is not in line with EU practices. No progress was observed regarding import requirements for live animals and animal products. The *de facto* beef ban remains in place (See also Chapter 11). Turkey showed no progress on animal welfare and zoo technical issues.

No progress has been made on the rules for **placing on the market food and feed**. Transposition of the hygiene package has not been completed. Legislation in place is based on obsolete EU rules. Unclear division of powers between departments and institutions is leading to problems both with the work on transposition and with official controls. The administrative structures for official controls have improved, due partly to an increase in the number of trained inspectors. Nevertheless, further strengthening is important for proper implementation of the *acquis*. Sector-specific hygiene guides were developed. The number of accredited laboratories has increased to 16. No action has been taken on upgrading food establishments; the vast majority of these establishments are non-compliant with the EU hygiene requirements. No progress was observed on animal by-products.

Turkey's legislation in the areas of labelling, presentation and advertising, additives and purity criteria, extraction solvents, quick-frozen foodstuffs and irradiated food is mostly in line with the *acquis* and implementing measures are in place. Alignment needs to be completed in the area of flavourings and food contact materials. Turkey has not completed transposition of the *acquis* on food supplements, genetically modified organisms (GMOs) and novel foods. The main requirements of the *acquis* are in place as far as contaminants are concerned; however, further adaptation is required to comply fully with EU practices. Aflatoxin contamination remains an important problem despite the implementation of a specific plan on the subject. The communiqué concerning the sampling methods for the official control of pesticide contamination in foodstuffs has entered into force. The legislation relating to food for particular nutritional uses has been transposed and implemented. Concerning mineral waters, alignment is advanced. No progress can be reported on specific rules for feed.

Progress on phytosanitary policy remains limited. Alignment concerning plant health and quarantine has not been completed. The *acquis* regarding plant protection products has been transposed. The Regulation on the registration of plant protection products has been published. The Law on Seeds has been adopted and the first implementing legislation on seed varieties has been brought into force. Inspectors' technical capacity has been increased by means of training courses. As regards international agreements, Parliament ratified the Convention on the International Union for Protection of New Plant Varieties and the Turkish Council of Ministers approved Turkey's membership to this organisation.

Conclusion

Limited progress has been made concerning food safety, veterinary and phytosanitary policies. Transposition and implementation of the *acquis* in these fields require significant efforts to complete compliance. Moreover, strengthening administrative capacity at central and local levels is vital in order to carry out the tasks required under this part of the *acquis*. Control of animal diseases, in particular FMD, remains a major cause for concern.

4.13. Chapter 13: Fisheries

Turkey made no substantial progress on the alignment of its legislation with the *acquis*. The new Fisheries Law was not adopted. The central administrative structures remain unsatisfactory. The spread of competencies between ministries, as well as different departments within the Ministry of Agriculture and Rural Affairs (MARA) persisted.

Progress has been achieved concerning **resource and fleet management**. Turkey completed the construction and the equipment of 29 fisheries port offices (FPOs). Furthermore, 121 fisheries **control** inspectors have been appointed. A fisheries information system was established. It allows inspectors to record daily catch and landing data in a central database. This system fulfils some basic requirements of Common Fisheries Policy. However, further work is needed to make this system fully operational and allow for crosschecks of data from logbooks and landing declarations. Technical works on the development of the fishing fleet register and the vessel monitoring system (VMS) have progressed. A pilot application of VMS to about 80 vessels of the blue-fin tuna fishing fleet started. Some improvement can be recorded on inspection and control activities following the construction and equipment of the FPOs and the appointment of inspectors.

The Ministry of Agriculture and Rural Affairs issued circulars to regulate commercial and amateur fishing activities in order to increase quality, protect resources and achieve sustainable fishing. However, no progress can be recorded on stock assessment research. Information on the status of marine resource stocks is not sufficiently accurate or reliable.

No progress can be recorded on alignment in the areas of **market policy, structural actions and state aid**. Turkey has no comprehensive policy document for the fisheries sector. Turkey did not conclude new **international agreements**. However, Turkey is actively promoting the establishment of an international framework for fisheries management in the Black Sea.

The chapter "Fisheries" is one of eight chapters covered by the conclusions on Turkey adopted by the Council (GAERC) on 11 December 2006 and endorsed by the European Council on 14/15 December 2006. As long as restrictions remain in place on the free movement of goods carried by vessels and airplanes registered in Cyprus or where the last port of call was Cyprus, Turkey will not be in a position to fully implement the *acquis* relating to this chapter.

Conclusion

Progress has been achieved concerning resource and fleet management. However, Turkey made no progress with regard to legislative alignment to the Common Fisheries Policy. Important gaps remain in its legislation. Administrative structures are not sufficiently prepared for the implementation of the Common Fisheries Policy

4.14. Chapter 14: Transport policy

Some progress was made in the field of **road transport**. The professional competence certification of all professional drivers is ongoing and nearing completion. Licensing of operators in the domestic road market, as required by the 2003 Road Law, is nearly completed.

A regulation for the transport of dangerous goods by road has been published.

However, the regulation could not enter into force as Turkey is not a party to the European agreement on international carriage of dangerous goods on road (ADR). The Directorate General for Land Transport (DGLT) has not specified the role and tasks of safety advisors of dangerous goods. The institutional capacity of the DGLT has been improved. An IT system was put into operation to establish an information infrastructure with regional transport directorates and enables all licensing of road transport activities to be conducted electronically. DGLT also established a new unit for road side checks on the weights and measures of vehicles. DGLT signed protocols with the governors of 80 provinces to devolve authority regarding weight and measure inspections. However, the number of weighing stations in Turkey is limited compared to the travel frequency and the number of heavy vehicles in traffic. Insufficient inspection of overloaded vehicles exacerbates damage to transport infrastructure and increases high accident rates. An agreement was signed on the privatisation of vehicle worthiness stations. The Ministry of Transport has recruited new staff for the EU Coordination Department. Policy making and policy coordination among the competent bodies are being improved; preparations in this field are advancing.

There has been no progress on **rail transport**. Legislation is not in line with *acquis* requirements. There is no rail market as the Turkish railway company (TCDD) has a monopoly. TCDD is operating at a substantial loss and relies on government subsidies. Preparations in this sector are lagging behind.

There is no **inland waterways transport** as covered by the *acquis* in Turkey.

In the area of **air transport** some progress can be reported. Implementing legislation was adopted on liability insurance for air carriers, on occurrence reporting in civil aviation, on licensing and rating of air traffic controllers, on certification and licensing of safety electronics staff, reporting and assessment of safety incidents, on approved maintenance organisations and commercial air transport operators. The General Directorate of Civil Aviation (GDCA), which has become financially autonomous, started generating revenues from service charges as well as from the issuing of licences to operators and ground handling organisations. GDCA also completed its re-organisation, recruited new staff, and established another branch in Antalya. GDCA staff is foreseen to nearly double to 300 within four years. Turkey has not engaged with the Commission in negotiations on a "horizontal air transport agreement", and does not accept Community designation, a fundamental requirement under Community law. Air Traffic Management is suffering from a lack of regional cooperation. The lack of communications between air control centres in Turkey and the Republic of Cyprus is seriously compromising air safety in the Nicosia Flight Information Region. Preparations in this area are underway.

In the area of **maritime transport**, there has been further progress concerning legislative alignment and strengthening of administrative capacity. Implementing regulations were issued on the inspection and certification of ships, Ro-Ro passenger ships, registration of passengers

on ships and the safety of passenger ships, response to pollution by oil and other harmful substances, a vessel traffic monitoring and information system, and the international ship and port security (ISPS) code. Training of flag-state and port-state inspectors continued. The procedures to become a signatory party to certain international conventions (SOLAS-78, SOLAS-88 and Mar-Pol annexes III and IV) have not been finalised. Turkey moved from the black list to the grey list of the Paris Memorandum of Understanding. The detention rate of Turkish vessels improved slightly, however it remained too high with a rate over 7%. The rules on market access and ship registration are not in line with the *acquis*. Preparations in this sector are advancing at a good pace.

No progress has taken place concerning **state aid** in the transport sector. There is no established institution or legal framework in Turkey to regulate state aid. Preparations on this issue are lagging behind.

The chapter "Transport policy" is one of eight chapters covered by the conclusions on Turkey adopted by the Council (GAERC) on 11 December 2006 and endorsed by the European Council on 14/15 December 2006. As long as restrictions remain in place on the free movement of goods carried by vessels and airplanes registered in Cyprus or where the last port of call was Cyprus, Turkey will not be in a position to fully implement the *acquis* relating to this chapter.

Conclusion

Some progress can be reported in the transport sector. The road sector is largely in line with the *acquis*. No progress can be reported in the rail sector. Decisions to reform the structure of the rail sector are outstanding. In the areas of maritime and air transport, Turkey is not a party to all relevant international conventions. The risks to air safety in the South East Mediterranean region have not been addressed. Turkey has not removed all restrictions on the free movement of goods, including restrictions on the means of transport. Turkey needs to continue to strengthen its administrative capacity in the transport sector.

4.15. Chapter 15: Energy

Limited further progress has been made as regards **security of supply**, an area in which Turkey's preparations are fairly advanced. Parliament adopted the petroleum law for prospecting, exploration and production of oil, but it did not enter into force. Oil stocks are not calculated according to EU methodology. The starting ceremony for the Samsun-Ceyhan crude oil pipeline project was held in Ceyhan.

Regarding the **internal energy market**, five new implementing regulations were adopted covering continuity and quality of electricity supply, monitoring distribution system investments, electricity market activities of organised industrial zones, a price equalisation mechanism, and revenue requirements of 20 distribution companies. The eligible consumers limit was lowered further to 3 GWh. As regards the electricity sector reform and privatisation strategy, operating rights for distribution assets have been transferred to 20 newly established regional distribution companies. The Energy Market Regulatory Authority (EMRA) granted licences and approved the tariffs of the companies. However, the privatisation of distribution assets was postponed. Electricity theft and technical losses remained high at around 17%. Electricity tariffs do not reflect costs. Turkey is an observer to the Energy Community Treaty.

Concerning the internal gas market some progress can be reported. The incumbent Botaş has started the process of transferring 4 bcm/year of its import contract of 1998 with Gazexport to four private companies, which will end its monopoly on import activities. Turkey's first underground storage facility has become operational in Silivri. The Energy Market Regulatory Authority (EMRA) continued with in-city distribution tenders for the gas delivery to regions and cities. The tendering process for 51 distribution zones has been completed as of. The privatisation process for the Ankara natural gas distribution system has been made possible due to an amendment to the natural gas market law. EMRA also issued a manual which provides guidelines for investors in the energy sector in Turkey. Overall alignment with the internal energy market is fairly advanced. Implementation, however, needs to be improved.

Some progress can be reported in the field of **energy efficiency**. Turkey adopted a framework law on energy efficiency. However, it does not include targets and its provisions on the promotion of high-efficiency cogeneration are not in line with the *acquis*. The framework law for energy efficiency also amended some provisions of the law on **renewable energy** which improve the incentives for generation of electricity from renewable energy sources. A national target for renewable energy has not been set. Turkey is partially aligned in this area.

Regarding **nuclear energy and radiation protection**, implementing regulations were adopted on basic requirements of quality management for safety of nuclear facilities, on nuclear safety inspections and sanctions and on the issuance of the certificate that will be the basis for authorization of the exports of nuclear and nuclear dual use goods. The existing legislative framework needs to be completed, translated and verified. Practical implementation of the legislation and regulations on nuclear safety and radiation protection also needed to be verified, in particular at the nuclear facilities. The Turkish Atomic Energy Agency (TAEK) so far does not participate in the horizontal programme on nuclear safety and radiation protection. The independence of TAEK remains to be enhanced; its regulatory functions need to be segregated from any operational task.

Turkey has not signed the Joint Convention on the Safety of Spent Fuel Management and Radioactive Waste Management.

Conclusion

In the field of energy, some progress can be reported. Turkey adopted a framework law on energy efficiency. Legislative alignment is advanced, but uneven. Implementation needs to be strengthened. An ambitious target for renewable energy has not been set. The independence and capacities of the regulatory authorities need strengthening.

4.16. Chapter 16: Taxation

No progress can be reported in the area of **indirect taxation**. In the area of *Value Added Tax* alignment is partial. Significant differences remained in the structure, rates, exemptions, and special schemes. Turkey introduced reduced rates on contract manufacturing for textile and ready-to-wear works, restaurant services, services provided in care houses and rest-homes. The scope of the 1% reduced rate was extended to certain agricultural products, such as tannin, colza, liquorice and other seeds. These changes are contrary to the *acquis*.

On *excise* duties, Turkey has made limited progress. The minimum excise levels on tobacco products were raised. However, the structure of excise duty on tobacco and tobacco products

is not in line with the *acquis*. Turkey operates a Tobacco Fund, imposing a special duty on imported tobacco and cigarettes, which is not applied to similar domestic products. Taxation of alcoholic beverages is based on the levying of an *ad valorem* duty, but subject to certain minimum tax yields, supplemented by a specific duty when below a certain amount. The duty levels are differentiated on the basis of the type of product, rather than on the basis of the alcoholic content. This is not in line with the *acquis*, the Customs Union and WTO rules. It also has discriminatory effects: the rates applied are generally higher for imported products than for comparable domestic ones. Turkey has not introduced a duty-suspension regime for domestic movements and fiscal warehouses.

Turkey made some progress in the area of **direct taxation**. The amended corporate tax law has introduced concepts such as split-off, split-up and transfer pricing.

Regarding **administrative cooperation and mutual assistance**, limited progress can be reported. The semi-autonomous Revenue Administration continues its restructuring and capacity improvement and has published activity reports that provide for more transparency.

There was progress with regard to **operational capacity and computerisation**. All provincial tax offices were computerised. Taxpayers filed 85% of their tax returns electronically. Electronic tax audit software is under development. A large taxpayer office was established. Citizenship identification numbers became valid for tax purposes. As a means of reducing tax evasion, new strip stamps for tobacco and alcohol products were introduced. Some elements of this new system have not been sufficiently discussed with industry and give reason for concern. Preparations for IT-interconnection with the Community systems have not begun. Turkey continued improving the effectiveness of the tax administration. However, additional and sustained progress is needed. Measures for reducing the unregistered economy need to be included in a time-bound and result-oriented tax strategy.

Conclusion

There has been some progress. Alignment is incomplete, in particular regarding the structure and rates of VAT and excise legislation with regard to the structure of the duties, the exemptions, and the duty suspension regime for domestic movements. Discriminatory practices with regard to taxation of alcoholic and tobacco products persist. Administrative capacity needs further strengthening.

4.17. Chapter 17: Economic and monetary policy

Progress can be reported in the area of **monetary policy**. Turkey adopted new regulations introducing new internal audit standards for the Central Bank of Turkey (CBT). Progress can also be reported as regards the prohibition of privileged access by the public sector to financial institutions, in particular through the adoption of the new Insurance Law. However, full central bank independence is not ensured. There are also outstanding issues as regards the prohibition of monetary financing of the public sector and the prohibition of privileged access of the public sector to financial markets. Furthermore, the CBT has not adopted a secondary objective that allows for general economic objectives of the European Community to take precedence over domestic objectives. It has not adopted the relevant rules and structures related to the integration of the CBT into the European System of Central Banks by the time of EU accession. Overall, alignment in the area of monetary policy is advanced.

Progress can be reported concerning **economic policy**. The implementation of the Public Financial Management and Control Law contributes to enhancing the administrative capacity in the area of fiscal policy. Guidelines applicable to regulatory impact assessments have been issued. These have become an obligatory part of the legislative process for the adoption of laws and statutory decrees.

Economic policy formulation and implementation are overall of good institutional quality. However, it has remained fragmented among responsible institutions and is often insufficiently coordinated. The function of coordination of economic policy has been put under the responsibility of a deputy prime minister. The economic impact of key legislation is only partially assessed. In addition, policy consistency is at times hampered by measures which are taken on an ad-hoc basis, i.e. not foreseen in the Pre-accession Economic Programme or the Programme underpinning the agreement with the IMF or not sufficiently discussed with major stakeholders. Preparations in the area of economic policy are on track.

Conclusion

Progress has been made in the area of economic and monetary policy. However, some important issues are outstanding, notably ensuring full central bank independence. In addition, economic policy formulation remains fragmented and often insufficiently coordinated. Overall, preparations in the area of economic and monetary policy are advanced.

4.18. Chapter 18: Statistics

Significant progress has been made in the field of **statistical infrastructure**. The Official Statistics Programme for 2007-2011 was adopted. The programme identifies the principles and standards to be used in the production and dissemination of statistical data by all related institutions. The Turkish Statistical Institute (Turkstat) increased its coordination efforts with other data-providing ministries and conducted an assessment of the level of harmonisation in a number of ministries.

With regard to the administrative capacity, streamlining the internal decision making processes is at an early stage. Cooperation with important data providers, such as the Ministry of Agriculture and the Ministry of Finance, needs strengthening to ensure the most effective use of administrative data and avoid duplications. Moreover training of staff of Turkstat and main other data providers training remains indispensable. The role of regional statistical offices is not clearly defined.

As regards **classifications and registers**, Turkey has made progress. Turkstat published the Turkish translation of the Statistical classification of economic activities in the European Community. The classification server at its website provides detailed information on the EU and international classifications. Moreover the development of Turkstat's business register has made progress.

Progress has been made regarding **sector statistics**. In *demographic and social statistics*, the establishment of an address based population registration system based on the place of residence advanced well. *Structural business statistics* surveys are regularly conducted. However, there are delays in publication. In *short-term statistics and labour statistics* progress can be noted. As regards *macro-economic statistics*, the methodology is being revised substantially. Work to establish sector accounts and financial accounts has started in cooperation with the Central Bank, the Ministry of Finance and the Treasury. The Treasury

has begun publishing data in accordance with the European System of Accounts, ESA 95. In *agriculture statistics*, work on setting up a farm register continued. The implementation of agricultural surveys on farm structure, crop production, and animal stock has started.

Conclusion

Turkey has made further progress in statistical infrastructure, in particular with the adoption of the Official Statistics Programme for 2007-2011. Progress has also been made as regards classifications, and in the area of sector statistics. However, regular data delivery to Eurostat in more areas, as well as the establishment of a full system of national accounts in accordance with EU standards require further attention. The overall alignment with the *acquis* remains well advanced, albeit incomplete as regards in particular registers, agricultural statistics and economic and monetary statistics. The coordinating role of Turkstat needs reinforcing in these areas.

4.19. Chapter 19: Employment and social policy

There is no progress to report in the area of **labour law**. Shortcomings in the transposition of a number of directives remain; these include the limited scope of application of the Labour Law. On administrative capacity, recruitment of additional qualified personnel by the Ministry of Labour and Social Security and its affiliated institutions continued.

Efforts to reduce child labour continued. The National Child Labour Survey has revealed a decrease in the rate of children involved in an economic activity (from 10.3% in 1999 to 5.9% in 2006). However, there are shortcomings in the current legislation. The labour law prohibits night work for children under 18 only for the industry sector; it does not provide protection for children working in agricultural enterprises employing less than 50 employees; and it does not regulate the work of children in artistic and cultural activities and in the media. Lastly, the current legislative framework does not tackle the issue of children working on the streets. Turkey needs to continue its efforts to reduce child labour. (*See also the section on Economic and Social Rights*).

As regards **health and safety at work**, Turkey has attained a good degree of alignment with the *acquis*. However, shortcomings remain. In particular, new legislation to transpose the Framework Directive has not been adopted. Furthermore, existing legislation does not cover all workers in the private sector and excludes workers in the public sector. In addition, further efforts to implement the legislation are needed, including through awareness-raising, training and strengthening the capacity of the inspection bodies.

As regards **social dialogue**, there is limited progress. The requirement to have worked for at least ten years in order to be elected to the management bodies of trade unions has been lifted. However, the draft legislation aimed at bringing the currently applicable Trade Union and Collective Bargaining, Strike and Lockout Laws into line with ILO and EU standards is still pending. Full trade union rights have to be established in Turkey. There is some progress regarding bipartite social dialogue in certain sectors; however, overall, social dialogue is weak, and tripartite social dialogue mechanisms, in particular the Economic and Social Council, remain ineffective. The number of workers covered by collective agreements is still low and further decreasing. (*See also the section on Economic and Social Rights*).

There is little progress to report with regard to **employment policy**. In 2006, the unemployment rate fell to 9.9 %, while the overall employment rate – at 43.2% – was slightly

down compared to 2005. The labour market is characterised by low labour force participation and low employment rates, in particular for women, and high levels of youth unemployment. The large size of the informal economy and the marked rural/urban divide in the labour market are the main challenges. More than half of those in employment are not registered with any social security institution. The Prime Minister's circular on combating undeclared work identifies various targets and activities. However, more concrete policies and measures, including greater inspection capacities, are needed in order to tackle the problem together with the social partners. No further progress was made in finalising the Joint Assessment Paper on Employment Policy Priorities (JAP). The Turkish Employment Agency (ISKUR) continued its efforts to improve its institutional capacity.

Turkey will prepare for the implementation of the **European Social Fund (ESF)** programmes by implementing the component on Human Resources Development of the Instrument for Pre-accession Assistance (IPA). Progress has been made on the programming of the assistance with a view to supporting activities in the areas of employment, education and training, and social inclusion. The Turkish authorities have initiated the setting up of the structures needed for the implementation of the Human Resources Development component of IPA. Administrative structures and legislation need to be further adapted in order to build up an adequate institutional capacity for the future management, implementation, monitoring, audit and control of ESF-type measures.

Concerning **social inclusion**, there is little progress to report. Work under the JIM (Joint Inclusion Memorandum) process has not been completed. The percentage of the population at risk of poverty is among the highest when compared to those of Member States and candidate countries. The lack of efficient social transfers, together with the high percentage of 'working poor', leads to an important child poverty rate. Resources allocated to increase the employability of people with disabilities have increased. Sound mechanisms for monitoring the implementation of social inclusion policies are required to measure progress.

In the field of **social protection**, little progress has been achieved. The enforcement of the social security reform was postponed to 2008. A Prime Minister's circular has been issued to initiate a "one-stop service" aimed at simplifying procedures for obtaining several forms of social assistance. The Social Security Institution recruited additional staff and reinforced its technical infrastructure.

As regards **anti-discrimination and equal opportunities**, limited progress was achieved and further alignment is required. A circular was issued by the Turkish Employment Agency banning gender-based discrimination in job matching services. Male nurses are now allowed. The administrative capacity of the Directorate-General for the Status of Women was strengthened. Low participation of women in the labour market and access to education remain points of concern. Transposition of the EC Directives concerning discrimination on grounds of racial or ethnic origin, religion or belief, disability, age and sexual orientation is incomplete. An effective and independent "Equality Body" needs to be established to promote non-discrimination and equal treatment (*See also Section-Economic and Social Rights*).

Conclusion

Overall, Turkey has made limited progress on alignment with the *acquis*. Ensuring full trade union rights and combating undeclared work require particular attention. Further efforts are also needed to fight against child labour and to finalise the JAP and JIM documents. Gender

equality should be improved in all economic and social life. In general, there is a need to increase administrative capacity for the effective implementation of the *acquis*.

4.20. Chapter 20: Enterprise and industrial policy

Turkey made some progress with regard to **enterprise and industrial policy principles**. Turkey has prepared a number of related strategic policy documents in recent years, which already respect the principles of EU enterprise and industrial policy to a large extent. It has prepared a new medium-term programme (2007-2009) and a new annual investment programme. It will need to improve the implementation and follow-up to policy documents, and to update its industrial strategy and SME strategy documents, as these are key elements for the accession negotiations in this chapter.

The Investment Support and Promotion Agency has become operational. Foreign direct investment inflows to Turkey increased by 105%, reaching € 15.2 billion in 2006. Foreign investor interest continued in 2007, and FDI inflows reached € 8.8 billion in the first half of the year (higher than the € 6.7 billion recorded in the first half of 2006). FDI inflows were concentrated mainly in the financial services (66%), and the rest in manufacturing and telecommunication sectors as well as in real estate.

Some measures were taken as regards corporate governance principles, in particular with respect to market disclosure requirements and auditing and accounting standards. Further improvement is needed in key areas, such as the potential for unfair treatment of minority shareholders. There is scope for further improving the business environment in Turkey by simplifying administrative procedures for business, in particular with regard to market exit. The application of regulatory impact assessments needs to be generalised.

Preparations in this area are advanced.

Some progress has been made with respect to **enterprise and industrial policy instruments**. A new budget regulation has been adopted for KOSGEB (Public administration for the development and support of small and medium-size enterprises). The regulation brought KOSGEB's budget into line with the principles stated in the public financial management and control law, with the aim of increasing the transparency and accountability of the institution. Turkey expressed its intention to participate in the new Competitiveness and Innovation Programme (CIP). No further progress has been made with regard to completing alignment with EC Directive 2000/35 on combating late payment in commercial transactions. Preparations in this area are advanced.

Some progress has been made in **sector policies**. The High Planning Council adopted the new tourism strategy for Turkey and the tourism strategy action plan (2007-2013). Turkey's privatisation performance in the last two years (2005-2006) exceeded its previous performance between 1986 and 2004. The volume of concluded privatisations amounted to €6.1 billion and €6 billion in 2005 and 2006 respectively, before somewhat slowing down in the first half of 2007. Privatisation of electricity distribution assets has been postponed following the adoption of the relevant provisions by the Ministry of Finance. The state retained its control on all three public banks. Preparations in this area are fairly advanced.

Conclusion

Overall, Turkey has made some progress in this chapter. This relates in particular to the Investment Support and Promotion Agency becoming operational, the adoption of a tourism strategy, and a significant increase in foreign direct investment. Turkey needs to update its industrial strategy and SME strategy documents. Overall, Turkey has achieved a good alignment with the *acquis* in the field of enterprise and industrial policy.

4.21. Chapter 21: Trans European networks

Good progress has been made regarding **Trans-European Networks (TEN)**. The transport infrastructure needs assessment study (TINA) is nearing completion. It identifies the core transport network that forms the basis for the development of the TEN-Transport. The assessment of projects on the core network, including those proposed for Community financing, requires economic and technical studies. In the area of **energy networks**, the Community is supporting transmission infrastructure feasibility projects to increase competitiveness in the EU electricity and gas markets, whilst equally reinforcing security of supply. The construction of the Turkey-Greece gas interconnector is finalised. Development of the Nabucco natural gas pipeline project from the Caspian and Central Asian region to the EU via Turkey is among the TEN-Energy projects of European interest. The transit regime of the new pipeline requires attention. The construction of the Baku-Tbilisi-Erzurum BTE (South Caucasus pipeline (SCP)) gas pipeline has been completed. Preparations in this sector are well advanced.

Conclusion

Good progress has been made on the development of the TEN-Transport. However, the final TINA report remains to be approved. Special attention must be paid to strengthening administrative capacity as a condition for proper and timely implementation of major infrastructure transport projects. The finalisation of the Turkey-Greece gas inter-connector is an important step forward in the promotion of the TEN-Energy priorities.

4.22. Chapter 22: Regional policy and coordination of structural instruments

Turkey made progress with regard to the **legislative framework** in adopting legislation on the status of the Central Financing and Contracting Unit (CFCU), which – during a transition period - will be delegated tasks, such as procurement and tendering, contracting, financial management related to the implementation of structural components (III - Regional development and IV - Human resources development) of the new Community Instrument for Pre-accession Assistance (IPA). No decision has been taken concerning the exact set up of structures and division of tasks between bodies of the operating structures. The Ministry of Finance (MoF) has introduced flexibility into the transfer of co-finance among different EU projects in the 2007 budget. The law setting up regional Development Agencies (DAs) has been challenged by a number of associations, with 12 articles being brought before the constitutional court, principally on the grounds that the setting up of DAs would undermine the territorial integrity of Turkey. There is no timetable for the examination of this file by the court. Preparations in this area are at an early stage.

Some progress can be noted with regard to the **institutional framework**. With a view to the implementation of the structural components (regional development and human resources development) of the IPA financial instrument, Turkey has designated a number of relevant structures. This includes appointing the Undersecretary of the State Planning Organisation (SPO) as the strategic coordinator, who has been responsible for the preparation of the

Strategic Coherence Framework (CSF) and ensure coordination between strategies and programmes. It also includes the designation of operating structures (in principle, the future managing authorities under the Structural Funds and the Cohesion Fund) for the four planned operational programmes under IPA Transport, Environment, Regional Competitiveness and Human Resource Development.

Although the SPO has set up and coordinated inter-ministerial working groups, no formal mechanism, such as an inter-ministerial committee for regional development, has been established. Funding for the two DAs established in Izmir and Adana has been suspended pending the decision of the Constitutional Court on the legality of the legal basis for DA. Plans to establish any further DAs at regional level have been shelved on the same grounds. Further progress has been made in setting up regional statistical offices for the collection and analysis of data at levels II and III of the classification of statistical regions in Turkey. In time, an overhaul of the provisional NUTS classification in Turkey may be necessary to align with the provisions of the EC Regulation on the establishment of a common classification of territorial units for statistics (NUTS).

Administrative capacity remains limited at central level in the ministries which are likely to act as the future managing authorities for the Structural Funds and the Cohesion Fund. EU-funded training is ongoing and technical assistance has been provided to support the preparation of Operational Programmes (OP) under IPA. The ministries concerned are not yet prepared to carry out some functions which will be delegated to the CFCU for a transition period. At regional level, administrative capacity remains very weak, particularly in view of the lack of progress in establishing regional DAs. Preparations in this area are at an early stage.

Good progress was made with regard to **programming**. The Strategic Coherence Framework (SCF), which sets out Turkey's strategy for implementing the structural instrument components (III and IV) of IPA, was agreed by the Commission after negotiation with national authorities. In addition, three OPs on environment, transport and regional competitiveness for component III and one on human resources for component IV have been prepared by the respective ministries and have been submitted to the Commission. They are expected to be finalised by the end of 2007. Preparations in this area are being initiated.

No progress can be noted with respect to the structures and processes for **monitoring and evaluation**. Preparations in this area, although not advancing, have been initiated.

For developments on **financial management and control**, see Chapter 32.

Conclusion

Progress has been made, particularly in designating implementing structures for the structural instrument components of IPA and in preparing relevant programming documents, as precursors for the future Structural Funds. Significant improvements are needed with regard to the administrative capacity of key bodies at central level to cope both with IPA and the Structural Funds in the longer term. A formal mechanism needs to be established to ensure the necessary inter-ministerial coordination in the context of pre-accession financial assistance and regional policy. At regional level, the process of establishing structures for the implementation of regional policy measures needs to be resumed. Overall, Turkey's alignment with the *acquis* in this chapter is limited.

4.23. Chapter 23: Judiciary and fundamental rights

Overall, some progress can be reported on the **judiciary**.

As regards the *independence* of the judiciary, YARSAV¹⁴ filed an application with the Council of State in October 2006 to limit the role of the Ministry of Justice in the process of selecting candidate judges and prosecutors; also, to stop conducting the planned examinations¹⁵ to recruit some 600 candidate judges and prosecutors. These examinations could not, thus, be held. In March 2007 the Council of State ruled that the written examination should be organised by the Student Selection and Placement Centre, the examinations as a whole should be conducted in an impartial and objective manner, and that the interview board should also include those members of the Justice Academy representing the Council of State and the Court of Cassation. In June, the Ministry of Justice amended the relevant regulation apparently meeting the conditions set by the Council of State and planned the examinations for early November 2007. However, in August 2007 YARSAV lodged a complaint with the Council of State for the annulment of the new regulation as well. The case is pending before the Council of State.

According to a court decision of 2006, judges and prosecutors could access their appraisal files. This is no longer possible under a new regulation on judicial inspectors issued by the Ministry of Justice in January 2007. This regulation also extends the responsibilities of the inspectors who now cover, among other things, probation centres and regional courts of appeal to be established. In March, YARSAV filed a lawsuit with the Council of State for the annulment of the regulation, arguing that the inspectors should not be attached to the Ministry of Justice. The case is still pending.

There has been no progress either on the composition of the High Council of Judges and Prosecutors¹⁶ or on the reporting lines of judicial inspectors¹⁷. In addition, in its final decision of November 2006, the High Council of Judges and Prosecutors dismissed the prosecutor who had prepared the indictment on the Şemdinli case¹⁸.

Concerns remain as regards *impartiality* of the judiciary. In the context of the election of the new president in April, the Constitutional Court ruled by a majority of seven to four that a quorum of two thirds (367 deputies) is necessary for the first and second rounds of presidential elections in Parliament, and annulled the first round of voting. This decision led to strong political reactions and allegations that the Constitutional Court had not been

¹⁴ YARSAV is an association of judges and prosecutors

¹⁵ Under the procedure for the selection of judges and prosecutors, law school graduates may sit for the competition to enter the Judicial Academy and thus become candidate judges and prosecutors

¹⁶ The composition of the High Council is not representative of the judiciary as a whole: only senior members of the judiciary from the Court of Cassation and the Council of State are members of this Council

¹⁷ The judicial inspectors, who are responsible for evaluating the performance of judges and prosecutors, are attached to the Ministry rather than the High Council

¹⁸ Further to the publication in March 2006 of the indictment of the Semdinli bombing, which included accusations against the Land Forces Commander and other high-ranking military commanders, the General Staff criticised the indictment and urged those bearing constitutional responsibility to take action. In April 2006, the High Council of Judges and Prosecutors reviewed charges against the prosecutor and applied the highest disciplinary sanction, i.e. dismissal from office. This was considered to be disproportionate and raised questions on the independence of the High Council from other state institutions

impartial when reaching this decision. In the event, and as regards the election of the President of the Republic by Parliament, the Court introduced a one-third blocking minority.

In relation to the *professionalism and competence* of the judiciary, the Ministry of Justice and the Justice Academy have organised training on a wide range of issues for judges, prosecutors and court staff. The training covered, among other things, the new Criminal Code and the Criminal Procedure Code, freedom of expression, courts of appeal, court management, internet crimes and juvenile justice. However, the Justice Academy has still not developed into a strong and independent training provider for the entire magistracy, including at regional level.

In terms of the *efficiency* of the judiciary, judges have reported positive results of the National Judicial Network Project (UYAP) on court proceedings. With the integration of a lawyers' portal into the network in March, lawyers are now in a position to follow their on-going court cases electronically, file new lawsuits, send documents related with their cases to the courts and deposit trial fees and charges. In May the Ministry of Justice signed two protocols with the Telecommunications Institution and the Union of Notaries for sharing of information.

According to information provided by the Turkish authorities, the funds for the judiciary increased in 2006 to approximately € 482 million from € 409 in 2005 while they are planned to reach € 865 million in 2007. This covers salaries and social security payments for all members of the judiciary as well as services and real estate acquisition for the judiciary. The number of the newly appointed judges during the period from 3 October 2006 to 27 April 2007 was 864 and that of prosecutors 476. Thus, as of 1 May 2007, the total number of judges reached 6,785 and that of prosecutors 3,744. During the reporting period, 21 new courts have been established, including civil, criminal, enforcement, labour, juvenile, and administrative courts; also, the construction of 10 new court houses has begun including the Ankara, Diyarbakir and Erzurum regional courts of appeal.

However, some provisions introduced under the CPC such as return of the indictment, mediation (plea bargaining) and cross-examination have not been used sufficiently in practice. As regards the regional courts of appeal, under the 2004 legislation establishing these courts, they were due to start operating in June 2007: in the event, this did not materialise. Finally, the bar examination for a lawyers' licence was abolished under legislation adopted in November 2006. The implementation of this provision should be monitored as it might lead to lower standards in the profession.

There were no significant developments in the area of *judicial reform*. The Strategy Development Directorate established under the Ministry of Justice in September 2006 has launched field studies in cooperation with the Turkish Scientific and Technological Research Council TÜBİTAK to identify the future needs of courts. There is no overall National Reform Strategy for the Judiciary or a plan to implement it.

Limited progress can be reported in the area of **anti-corruption**.

As regards transparency in public administration, the use of the right of access to information has increased as a result of the amendments to the Law on Access to Information. According to official statistics, a total of 864,616 requests for information have been submitted and public agencies responded positively to 86.40 % of the requests. The Board of Access to Information does not check the reliability of these statistics.

However, no progress has been made in strengthening the legal framework and institutional set up to combat corruption. Weaknesses in the legal framework such as for election campaign financing continue. There have been no developments in limiting parliamentary immunity. Ethical principles for deputies and other groups of public officials, that is academics, the military or the judiciary, are lacking. The Ethical board of civil servants established in 2004 is still dependent on the Prime Ministry, with no separate budget or personnel of its own. It thus incurs limitations as to the proper fulfilment of its tasks of monitoring the respect of ethic principles and investigating complaints.

There have been no particular developments as regards the implementation of a total of 21 recommendations of the 2005 evaluation report on corruption in Turkey by the Council of Europe Group of States against Corruption (GRECO). The GRECO report is based on numerous contacts with the Turkish administration and non-governmental institutions and analyses a wide range of issues such as the extent and scope of immunities, proceeds of corruption or corruption within the public administration.

In the public sector, corruption remains a widespread issue for central and local governments. It has got a relatively more limited dimension in the private sector. The Turkish Criminal Code partially criminalises corruption in the private sector in cases such as bribery in publicly held companies.

A comprehensive anti-corruption strategy and plan with effective implementing institutions to prevent and fight corruption is still lacking. The development of such a strategy needs to be addressed at the highest political level.

As regards **fundamental rights**, there has been limited legislative progress (*see also under political criteria*).

There have been no developments as regards the *institutions* in charge of monitoring and promoting human rights. These institutions, such as the Human Rights Presidency, lack independence and resources. The Law on the establishment of the Ombudsman is still before the Constitutional Court following the veto by the President in November. The Constitutional Court ordered the stay of execution of the law, but has yet to give its verdict.

As regards *the prohibition of torture and inhuman or degrading treatment or punishment*, legislative safeguards continue to have positive effects. The downward trend in the number of cases of torture and ill-treatment is confirmed. However, there continued to be reports of torture and ill-treatment, especially before detention starts. Impunity remains an area of concern. There is a lack of prompt, impartial and independent investigations into allegations of human rights violations by members of security forces. There is no independent monitoring of places of detention by national bodies, as provided for under the Optional Protocol to the Convention against Torture.

With regard to *respect for private and family life and communications*, amendments to the Law on Police Duties and Authority in June 2007 authorise the law enforcement bodies to take fingerprints and pictures of persons applying for a drivers' licence, passport or a gun licence. These data can be stored for up to 80 years. The Directorate for the Protection of Personal Data has been granted observer status with the Article 29 Working Party on data protection in June 2007. A representative of the Directorate is now participating in this Working Party. However, the Directorate remains understaffed. Turkey needs to align its

legislation with the Data Protection Directive and, in that context, to set up a fully independent data-protection supervisory authority.

Regarding *freedom of thought, conscience and religion*, a regulation adopted in November lifts the requirement to fill in the religious affiliation in family registries. A delegation composed of high-level officials from various Ministries visited the religious leaders of the non-Muslim communities in June in Istanbul. Following this visit, the Ministry of Interior issued a Circular on freedom of religion of non-Muslim Turkish citizens, acknowledging the increase in individual crimes against non-Muslim citizens and their places of worship and requesting governors to take measures. However, problems encountered by the non-Muslim religious communities and by Alevis continue to persist. Three Protestant Christians working for a publishing house in Malatya were killed in April. The killing took place against the background of statements and press reports which are not conducive to the establishment of an atmosphere of tolerance in the country. In June, the Court of Cassation ruled on a case against the Holy Synod of the Ecumenical Patriarchate. While acquitting the accused, the Court concluded that there is no basis in Turkish legislation providing that the Patriarchate is Ecumenical; that the Patriarchate is a religious institution which has no legal personality; that persons who participate and are elected in religious elections held in the Patriarchate should be Turkish citizens and be employed in Turkey at the time of the elections. This decision might create further difficulties to the Patriarchate and to other non-Muslim religious communities in the exercise of their rights guaranteed under the ECHR. Further to an application lodged by a family who are followers of Alevism, the ECtHR held unanimously, on 9 October 2007, that there had been a violation of Article 2 of Protocol No.1 (right to education) of the ECHR¹⁹.

There has been no progress regarding matters related to conscientious objection. Turkey has yet to comply with the judgement of the ECtHR *Ülke vs. Turkey* and adopt legislation that would prevent repetitive prosecutions and convictions of those who refuse to perform military service for conscientious or religious reasons on grounds of persistent disobedience of military orders.

Regarding *freedom of expression including freedom and pluralism of the media*, the implementation of certain provisions of the Turkish Criminal Code, in particular Article 301, has resulted in numerous prosecutions and, at times, convictions of people for the expression of non-violent opinions on, among other things, Armenian and Kurdish issues, and the role of the military. Judicial proceedings and threats against human rights defenders, journalists, writers, publishers, academics and intellectuals have created a climate which has led to occurrences of self-censorship in the country.

As regards *freedom of assembly and association, including the right to form political parties, the right to establish trade unions*, citizens have been able to exercise these rights without interference by the authorities or the security forces in most cases. However, there is an investigation into the use of excessive force by security forces that occurred during 1 May demonstrations in Istanbul.

As regards *the treatment of socially vulnerable and disabled persons and the principle of non-discrimination*, Turkey has signed in March the UN Convention on the Rights of Persons with Disabilities. New legislation addresses the issue of discrimination on the grounds of gender on

¹⁹ Case of *Hasan and Eylem Zengin v. Turkey*, (application n° 1448/04)

the labour market (*see also chapter 19 – Employment and social policy*). However, lack of data and research on disability prevents informed policy-making. The legal framework on antidiscrimination is incomplete, and does not provide for protection against discrimination on the grounds of age or sexual orientation.

With regard to *right to education*, the campaign to increase girls' enrolment in schools has continued. However, approximately 10% of children of school age do not attend school. There is a regional and gender aspect to the problem: the majority of those children not attending schools are in the Southeast part of the country and are girls.

On *right to property*, there have been no developments regarding problems faced by the non-Muslim religious communities. The Law on Foundations adopted in November 2006, which once in force and applied would address a number of issues regarding the non-Muslim religious communities, was vetoed by the then President Sezer and has not been re-adopted by the Parliament since. It is currently before the new Turkish parliament. In December the ECtHR ruled that Turkey violated the rights of a minority foundation in relation to its property and ordered either the return of the property or the financial compensation of the foundation²⁰. Community foundations continue to encounter problems with regard to the seizure of their property by the authorities.

With regard to *gender equality and women's rights*, and, in particular, domestic violence, amendments to the Law on the Protection of the Family adopted in April have included into the scope of the law spouses living under separate roof and the workplace; also, they have introduced medical consultation or treatment in a health institution as a new measure that can be enforced by courts on violent family members. Further, the law stipulates that no fees will be charged for applications and execution of court decisions alleviating, thereby, the financial burden of legal proceedings for victims. In January the Ministry of Justice issued a Circular to public prosecutors regarding cases of custom and honour killings, asking for judicial proceedings of victims to be dealt with rapidly, confidentially and in a humane manner. However, women continue to have low participation in the political and economic life of the country and to be victims of violence (*see also Chapter 19: Social policy and employment*).

As regards the *rights of the child*, a child labour survey revealed a decrease in the proportion of working children, from 10.3% in 1999 to 5.9% in 2006. The gender gap in primary education decreased to 4.6% in the 2006-2007 school year from 5% in the 2005-2006 school year. The Ministry of Labour and Social Security has started to develop a national strategy against child poverty while a regulation implementing the Law on Child Protection has entered into force. There has been a significant decrease in the proportion of unregistered children compared with 10 years ago. However, the proportion of children under five years of age who were not registered at birth remains high in particular in the East of the country. Child labour is still widespread in seasonal agricultural work and on the streets. The way in which children are treated in institutions remains a cause of concern. Regarding children's right to education, the primary school enrolment rate remains at 90% and further efforts are needed in this area.

With regard to *liberty and security* as well as the *right to a fair trial*, there has been no progress on the establishment of an organised, professional interpretation system in courts.

²⁰ Case of *Fener Rum Erkek Lisesi Vakfı v. Turkey*, (application n° 34478/97).

Interpreters are not included on the list of expert witnesses and are often summoned among court auxiliary staff.

As regards legal aid, amendments to the Turkish Criminal Code and the Criminal Procedure Code were adopted in December. They relate, among other things, to the compulsory commissioning of a defence lawyer. In cases where the suspect or the defendant does not have a defence lawyer and the offence is calling for a lower limit of imprisonment of more than five years, a defence lawyer shall be appointed for suspects and defendants without requesting them. Previously, a defence lawyer was appointed in case of offences calling for an upper limit imprisonment of 5 years or more. The scope of offences qualifying for compulsory commissioning of a defence lawyer might, thus, be limited. This will have to be verified in practice. The implementing rules provide that the fees are part of trial costs; thus, the State may recover them in the event of conviction irrespective of the defendant's financial standing. The bar associations verify the delivery of services and the prosecutor's office authorises payments. No particular developments can be reported as regards legal aid in civil matters.

The heavy workload of courts does not leave sufficient time to hearings; consequently the implementation of the principle of cross-examination continues to suffer. In addition, judges and lawyers need training on the new practice.

Turkey's position with regard to *minority rights and cultural rights* has not changed. No progress can be reported with respect to alignment of Turkish practices with international standards.

There have been no developments as regards **EU citizens' rights**.

Conclusion

As regards the judiciary, some progress can be reported, in particular, on its efficiency. However, concerns remain regarding its independence and impartiality. There is no overall National Reform Strategy for the Judiciary or a plan to implement it.

As regards corruption, little progress has been made in developing a comprehensive anti-corruption strategy and strengthening the legislative framework. There is still no overall strategy or action plan to prevent and fight corruption.

As regards fundamental rights, there has been limited progress in legislation and in practice. No major issue has been addressed and significant problems persist. Finally, the atmosphere in the country in particular as regards issues related to minorities and religion has not been conducive to the full respect of fundamental rights and might *de facto* restrict their exercise.

4.24. Chapter 24: Justice, freedom and security

Limited progress has been achieved in the field of **migration**. Further steps were taken to start the implementation of the National Action Plan for alignment with the *acquis* on migration and asylum, which had been adopted in March 2005. The task force of representatives of all line ministries, institutions and agencies in charge of coordinating and promoting the effective implementation of the National Action Plan was re-activated. It is essential that the legal reforms in the field of migration and asylum listed in "Turkey's Harmonisation Programme to EU Acquis" be carried out in the foreseen timeframe.

The number of illegal migrants that were apprehended declined slightly, from 57,428 in 2005 to 51,983 in 2006. In the first seven months of 2007, 32,151 illegal migrants were reported. To increase the capacity (of) to shelter illegal migrants, a new centre with a capacity of 200 persons was opened in Istanbul.

The bilateral readmission agreement with Syria, signed in 2001, was ratified by Turkey. The agreement lays down the procedures for the readmission of Turkish and Syrian citizens as well as third country nationals that are illegally present in the other country's territory. Negotiations on bilateral readmission agreements are ongoing with Pakistan, Sri Lanka, Jordan, Uzbekistan, Lebanon and Libya.

The last round of negotiations on a readmission agreement between Turkey and the EC took place in December 2006. Some contacts on the issue have taken place since then. However, no actual progress in negotiations was made.

In the area of **asylum**, limited progress can be reported in preparing for de-centralisation of asylum procedures and for improved reception conditions and accommodation arrangements. The Ministry of Interior, in cooperation with UNHCR, provided for training in asylum case processing. To improve information for applicants for asylum new brochures in seven languages were published: English, Russian, French, Somalian, Arabic, Persian and Kurdish. Following the issuing of the implementation directive, the right of the applicant for asylum as well as the right of the legal representative to access the file have been extended.

The number of new asylum seekers rose in the reporting period. While 2,909 persons applied for asylum in 2005, 3520 asylum applications were registered in 2006. In the first eight months of 2007, 3210 people sought asylum. As of September 2007, a total of 12,150 asylum seekers reside in Turkey.

The children of applicants for asylum have the right to attend Turkish schools. Primary schools can be attended free of charge. 312 out of 1045 children of asylum seekers at school age are enrolled in education. Awareness among asylum seekers on education opportunities needs to be improved.

To ensure that all asylum seekers undergo a fair and standardized asylum procedure (including access to legal aid) and to ensure uniform implementation, new legislation is required, in particular, on procedures at international airports. Steps are necessary to ensure the review of the merits of the asylum cases at the judicial appeal stage. A new law on asylum, lifting the geographical limitation to the 1951 Geneva Convention and the creation of an asylum authority, with specialised staff employed exclusively for asylum issues and capable to screen asylum applications independently remain key issues for alignment in this field. The same applies to screening mechanisms to identify asylum seekers among apprehended illegal migrants and UNHCR access to such applicants.

Some progress was made on **visa policy**. Further alignment with the *acquis* has been achieved by the introduction of new visa instructions used by both consular and border officials. Italy was included in the EU positive list. For alignment with EU visa lists, eight countries remain to be included in the positive list. Pursuing the efforts in aligning with the negative list remains a key issue. Lifting visa obligations for Azerbaijan, Mongolia, Uzbekistan, Tajikistan and Turkmenistan is not in line with the *acquis*. Steps are needed to introduce airport transit visas and to abolish the practice of issuing visas at borders. Turkey continues to require nationals of 35 countries to apply for visas at the borders, including citizens of 17 Member

States. The capacity of Turkish consulates needs to be further enhanced to check for forged and falsified documents. Turkey needs to pursue its efforts to align with EU security features and standards for visas and travel documents.

On **external borders and Schengen**, limited progress has been made. Implementation of the National Action Plan on integrated border management has started *inter alia* by organising inter-agency cooperation meetings at political level and developing guidelines on operational procedures. The Ministries of Foreign Affairs, Interior and Customs have started to share databases for the screening of persons crossing the borders. A risk analysis unit was established within the Customs Administration. A new sea border gate was opened in Izmir, and two air border gates were opened in Sivas and Malatya. Modernisation of several border gates is ongoing. Efforts should be made to establish a risk analysis unit within the police administration. The National Action Plan needs to be equipped with a more precise roadmap containing concrete actions, targets, realistic deadlines, responsible authorities and an estimated budget for each of the actions requiring important investment. No concrete steps were taken in view of establishing the new border law enforcement authority. Further attention needs to be paid as regards training and professionalism of border staff, risk analysis capacity and modernisation of checking equipment.

As regards **judicial cooperation in criminal matters** no progress can be reported. Direct involvement between judicial authorities, direct execution of foreign decisions, abolishment of dual criminality and restricting the scope of refusal grounds are not allowed in the Turkish legal system. Judicial cooperation in criminal matters is carried out to a large extent through bilateral agreements and legislation is not in line with EU standards. Turkey cooperates with Eurojust since 2001 but no cooperation agreement has been signed. There is no specific legislation on Mutual Legal Assistance

Limited progress was achieved in the area of **police cooperation**. Turkey is party to all main international conventions and signed several bilateral agreements on police cooperation. Lack of legislation on data protection continues to be a difficulty in terms of cooperation at international level and is an obstacle the conclusion of an operational agreement with Europol. The adoption and implementation of new legislation on protection of personal data and the creation of an independent supervisory authority remain key issues. An ethical code for law enforcement agents in line with international standards awaits adoption. Turkey should continue its efforts in its regional law enforcement cooperation.

Progress was registered in the **fight against organised crime**. A national strategy against organised crime was adopted. A new law on anti-smuggling was adopted. It aims at adapting legislation to the provisions of the new Turkish penal code and code on criminal procedures. A new law puts the Telecommunication Authority in charge of monitoring, supervision and coordination in order to prevent cyber-crime. The law foresees effective fight against offences committed via internet by making reference to criminal provisions in other laws. It aims to protect against illegal broadcasting and is *inter alia* supposed to fight child pornography.

The national strategy against organised crime should be complemented by a concrete action plan and implemented accordingly. To fight crime more effectively, infrastructure and equipment for forensic analysis need to be improved. Inter-agency cooperation, data protection and forensic capacity in investigations remain issues to be improved.

Progress continued in combating **trafficking in human beings**. A legislative amendment was made on the offence of human trafficking to allow for effective judicial implementation. The

Minister of Interior issued a circular to all personnel working on the cases of human trafficking followed by a handbook on the subject. 422 traffickers were arrested in 2006 and 279 more as of end of September 2007. The free emergency helpline for trafficking victims, which rescued 122 individuals as of end of September 2007, was opened to international calls. In 2006, 246 persons were identified as victims and returned voluntarily to their countries of origin. In the first nine months of 2007, 124 were identified as victims. 101 of those returned voluntarily to their countries of origin. Victims of trafficking continued to benefit from two shelters run by civil society organisations. Protocols on cooperation and information exchange for the fight against human trafficking were ratified with Kyrgyzstan and with Moldova. Awareness raising and training activities to enhance the combating of trafficking in human beings need to be conducted.

*For the **fight against money laundering** see Chapter 4.*

There has been progress on alignment with the acquis concerning **fight against terrorism**. The Supreme Council on counter terrorism remains the leading authority. The new Law on the Prevention of Laundering Proceeds of Crime, authorizes the Financial Intelligence Unit which is the Financial Crimes Investigation Board (MASAK), to collect suspicious transaction reports concerning financing of terrorism. Turkey has not ratified the International Convention for the Suppression of Acts of Nuclear Terrorism and the Council of Europe Convention on the Prevention of Terrorism. There has been no progress as to further developing compliance with nine special FATF (Financial Action Task Force) recommendations on financing of terrorism, particularly on freezing and confiscation of terrorist assets.

Progress has been made in the area of **fight against drugs**. A National Strategy was adopted in November 2006 in line with the EU Drug Strategy and the EU Drug Action Plan 2005-2012. A number of successful operations were carried out by the Turkish National Police in cooperation with Member States and other countries. A considerable amount of seizures was made. Joint actions for controlled deliveries continued.

Human resources of the National Reitox Focal Point were strengthened. A drug information and documentation centre became operational. Turkey submitted the first national report to the European Monitoring Centre for Drugs and Drug Addiction (EMCDDA).

The adoption of an action plan to implement the new National Strategy on Drugs and the improvement of drug demand reduction and data collection remain key issues. Reinforcing the human resources of the National Reitox Focal Point is of importance.

Treatment facilities have insufficient capacity. It is essential that Turkey, when it will fully participate in the work of the EMCDDA, further develops a network for information collection in line with EMCDDA standards; cooperation between relevant agencies needs to be enhanced.

Turkey has notified the Central Dublin Group that it wishes to become a member. No progress has been made concerning the establishment of a mini-Dublin Group in Ankara.

Some progress has been made in the area of **customs cooperation**. An increase of seizure of drugs was registered resulting from cooperation between police and customs authorities. The Undersecretariat's efficiency in preventing human trafficking also increased. A strategy for risk management and an action plan was prepared for the Undersecretary of Customs.

Training was conducted for customs officials on risk analysis, narcotics, organized crime and surveillance. Mutual administrative assistance agreements were signed with Slovenia and Sudan. Lack of specific legislation on data protection continues to be a problem for customs cooperation on crime.

In the area of **protection of the euro against counterfeiting**, expertise for analysis and classification of counterfeited notes and coins is present and administrative capacity is sufficient. The counterfeit monitoring system is operational. The system needs to be complemented by the establishment of new structures and introduction of sanctions into legislation.

Conclusion

Turkey continued to make further progress in aligning its legislation with the *acquis* and EU practices in the area of justice, freedom and security, and the Turkish legislation is aligned to a certain extent with the EU *acquis*.

Progress can be reported particularly in the areas of organised crime, drug trafficking and human trafficking. Considerable and sustained efforts are required in areas such as police cooperation and external borders. The same applies to migration and asylum, where there is a need to establish an asylum authority.

4.25. Chapter 25: Science and research

Turkey continued to make good progress in science and research. Concerning **research policy**, a national innovation strategy and accompanying action plan were adopted, emphasising higher value added products and the development of employment through increased competitiveness. Support programmes were diversified to promote *inter alia* international cooperation. Turkey's active cooperation with the Joint Research Centre (direct actions) continued. In addition to the 15 new universities established in 2006, a further 17 universities were established in 2007.

Turkey's association with the 6th **Framework Programme** for Research and Technological Development (FP6) yielded an improved success rate (18.7 %) in the last two years of FP6. The number of applications remains low, however, and Turkey is far from meeting its full potential. The number of researchers (472 per million population) is low compared to the EU average (2627 per million). A European Investment Bank loan of €400 million was agreed to promote research and technological development activities, strengthen basic infrastructure potential as well as enhance research capacities in Turkey. The share of the private sector in research and technological development remained low.

Turkey participates in the Seventh EC Research Framework Programme (FP7 2007-2013). In order to assist Turkey in increasing its participation in FP7, compared with FP6, an Action Plan is being established identifying a number of support measures to facilitate information and networking of research partners. A similar Action Plan with the Joint Research Centre was agreed.

Turkey requested its association to the Seventh Euratom Research Framework Programme (2007-2013), which is currently under negotiation.

Concerning Turkey's integration into the **European Research Area**, a number of actions were taken with respect to international cooperation, mobility of researchers, and science and

society. An action plan for an international science, technology and innovation strategy was prepared. A programme was initiated to provide cash support to **science and society** projects.

Conclusion

Good progress has been achieved in the area of science and research. Overall, Turkey is well prepared for accession in this area and is well advanced in designing and applying an integrated research strategy. The number of researchers and the role of the private sector and SMEs in research need to be strengthened.

4.26. Chapter 26: Education and culture

Over the reporting period good progress has been made in the area of **education, training and youth**. Turkey has continued its successful participation in the Community's Leonardo da Vinci, Socrates, and Youth programmes, and ensured smooth transition with the successor programmes Lifelong Learning and Youth in Action, for which a Memorandum of Understanding was concluded. In 2006, the Turkish National Agency contracted 98% of funds allocated for projects under the three Community Programmes, involving more than 18,000 Turkish participants. To increase the number of potential beneficiaries, Turkey has provided supplementary funds for Erasmus students and increased its financial contribution to the Lifelong Learning and Youth in Action Programmes. A directive was adopted to ease some procedural requirements and facilitate the implementation of the programmes. However, the administrative capacity of the national Agency needs to be enhanced in order to deal with its increased workload.

Turkey has established a working group on the Credit Transfer System for Vocational Education and Training (ECVET) and initiated the establishment of a national qualifications system, which can be considered as an important development in the area of Lifelong Learning. It is expected that the efforts made in this regard will improve participation by adults in lifelong learning in the coming years.

In the area of **culture**, Turkey signed an agreement to participate in the new Culture Programme (2007-2013). Turkey has signed but not yet ratified the UNESCO Convention on the Protection and Promotion of the Diversity of Cultural Expressions.

Conclusion

There has been good progress in the area of education, training, youth and culture. Turkey will need to continue alignment with the Lisbon strategies.

4.27. Chapter 27: Environment

A national environmental approximation strategy (UCES) was adopted by the High Planning Council. It includes a plan for the transposition, implementation and enforcement of the EU environmental *acquis*, as well as an estimation of related costs.

In the field of **horizontal legislation**, some progress can be reported. The Environmental Impact Assessment (EIA) Directive has been transposed to a large degree. However procedures for consulting the public and trans-boundary consultations are not fully aligned. A circular regulating the import of substances depleting the ozone layer was adopted in accordance with the Montreal Protocol. With regard to civil protection, an implementing law

on intervention and compensation on emergency marine pollution was adopted in line with the *acquis* and the Marpol protocol.

Turkey has submitted the Greenhouse Gas Inventory for the years 1990-2004 to the UNFCCC Secretariat. Turkey has not ratified the Kyoto Protocol and is not a party to the Espoo and Aarhus Conventions. A greenhouse gas emission allowance trade scheme has not been established. The Emissions Trading Directive is not transposed.

There has been no progress on transposition of environmental liability, public participation, and public access to environmental information. Transposition of the Strategic Environmental Assessment Directive is at a very early stage.

As regards **air quality**, limited progress can be reported. Rules on control of fuel imports with regard to environmental protection were adopted. The network of monitoring stations was expanded. However, transposition of the air quality framework legislation and related directives is not complete. There was no progress on legislation related to the *acquis* on volatile organic compound emissions, on sulphur content of certain liquid fuels, or on national emission ceilings.

Some progress can be reported concerning the alignment with the **waste management** *acquis*. A regulation on waste tyres and a circular on the control of waste imports were adopted. An amendment to the packaging implementing regulation was adopted. Alignment in this area is well advanced. However, progress on directives relating to polychlorinated biphenyls (PCB), end-of-life vehicles and waste electrical and electronic equipment is very limited. There is no progress regarding the directives on landfill, waste incineration, restrictions of certain hazardous substances in electrical and electronic equipment. Turkey does not have a national waste management plan.

No development can be reported concerning **water quality**. Some aspects of the water quality *acquis* are covered by Turkish legislation. However, overall alignment is low as the water framework directive has not been transposed. Trans-boundary consultations are at an early stage. The institutional framework for water management is not organised on a river basin management basis.

Limited progress can be reported in the area of **nature protection**. Three nature parks, one national park, and twenty-four wildlife rehabilitation areas have been designated as protected areas under national legislation. However, the level of legal harmonisation and implementation has remained very low. The continuing rapid loss of habitats is a cause of concern. A framework law on nature protection and implementing legislation on birds and habitats has not been adopted.

No progress can be reported regarding **industrial pollution control and risk management**.

Some elements of the Seveso Directive, and the large combustion plants and waste incineration directive are aligned. However, overall transposition and implementation remained very low. The introduction of an integrated permit system is at an early stage.

There are some developments to report as regards **chemicals**. A circular on the control of chemicals imports with regard to environmental protection was adopted. Overall, the level of transposition remained low. The capacity for effective implementation is insufficient.

No progress can be reported on **genetically modified organism**, or on **noise**. The level of harmonisation of the latter is advanced. However, preparations of noise maps and action plans are at an early stage.

Considerable progress can be reported in the area of **administrative capacity**. Following the amendment of the Environmental Law, a substantial number of experts were recruited and trained by the Ministry of Environment and Forestry (MoEF). An environmental fund was established under the MoEF to support environmental projects. A project prioritisation methodology has been introduced.

There was no progress, however, on the establishment of a national environmental agency. The administrative capacity, including coordination between the relevant authorities, needs further strengthening. Responsibilities, such as regards inspection activities, are not clearly defined. Horizontal integration of environmental protection into other policy areas, as well as ensuring that new investments comply with the environmental *acquis*, is at an early stage.

Conclusion

Turkey has made substantial progress in strengthening the administrative capacity at central level. However, limited progress can be reported on horizontal legislation, air quality, chemicals, noise and waste. Turkey made no progress in the area of industrial pollution and risk management. The overall level of transposition of the environmental *acquis* is low.

4.28. Chapter 28: Consumer and health protection

There has been some progress in the field of **consumer protection**. With regard to administrative capacity, the General Directorate for Protection of Consumer and Competition of the Ministry of Industry and Trade improved its on-line services. Staff training was carried out. However, the implementation of the decisions of the Consumer Council, as well as the number of legally qualified staff members is lagging behind. With regard to consumers' access to justice, the publication of a ministerial consumer bulletin on standard regular training for arbitration committees was a positive step. Furthermore, the number of consumer courts increased. However, consumer protection case-law and consumer court statistics are not publicly accessible. Consistency in interpretation and comprehension of consumer legislation by the courts is not always ensured.

The consumer movement is weak, as cooperation and partnership among the existing NGOs is limited, the NGOs suffer from lack of funds and their relationship with State bodies is not satisfactory. Preparations in this field are underway.

No particular progress was made in the field of **product-safety related issues**. Legal alignment is advanced. Turkey continued to carry out safety checks on import for toys, personal protective equipment, radio telecommunication equipment, construction products and batteries. Coordination between the relevant authorities, including customs, is weak. Preparations in this area are on track.

In the area of **non-safety related issues**, there has been some progress. A new regulation obliges electricity distribution companies to inform consumers 48 hours before possible electricity cuts. The regulation also provides for compensation. Turkey further aligned its legislation in the area of package travel. Preparations in this area are on track.

Progress in the field of **public health** has been moderate.

In the area of **tobacco**, legal alignment is advanced. A national tobacco control programme entered into force and a national tobacco control committee was established. However, no progress was made on further aligning tobacco product legislation, in particular on high tar yields and oral tobacco, and tobacco advertising. Preparations in this field are fairly advanced.

In the field of **communicable diseases**, an implementing law on surveillance and control principles entered into force. Turkey continued strengthening the institutional structure, administrative capacity and legal framework. However, investment in testing laboratories and laboratory diagnostic capacities is lagging behind. Preparations in this field are on track.

In the field of **blood**, progress was made through the adoption of legislation setting standards of quality and safety for the collection, testing, processing, storage and distribution of human blood and blood components. However, no legal developments can be reported. Facilities for handling blood, blood components, tissues and cells have not been upgraded and restructured to meet EU technical requirements. Preparations in this area has started.

Some progress can be reported in the area of **mental health**. Community-based services are not sufficiently developed as an alternative to institutionalisation, and resources (budget, staff, capacity, etc.) for mental health improvement are limited in relation to the needs. Preparations in this field are at an early stage.

Conclusion

Turkey made some progress in the area of consumer and health protection. Turkey has reached a satisfactory level of alignment. However, further legal alignment is needed in the fields of blood, tissues and cells and to a lesser extent in tobacco legislation and communicable diseases. Implementation, especially in the area of consumer protection, is lagging behind. The consumer movement in Turkey remained weak.

4.29. Chapter 29: Customs union

Turkey has made limited progress with regard to **customs legislation**. Two implementing laws transposing the amendments of EC-Turkey Association Council decisions into Turkish legislation were adopted. The procedures regarding TIR carnets, temporary importation, and outward processing regimes were amended.

No progress has been recorded concerning the Turkish duty relief legislation, which is not in line with customs union obligations. The Turkish duty-free shop regime allows the sale of duty-free goods to travellers entering Turkish customs territory, which is also contrary to Turkey's obligations under the customs union. No progress has been made with regard to free zones, which are considered as areas outside Turkish customs territory.

Turkey has reached a high level of alignment due to the Customs Union with the EU. However, alignment with regard to free zones, customs duty relief, transit, the fight against counterfeit goods, and post clearance, is at an early stage.

The chapter "Customs Union" is one of eight chapters covered by the conclusions on Turkey adopted by the Council (GAERC) on 11 December 2006 and endorsed by the European Council on 14/15 December 2006. As long as restrictions remain in place on the free movement of goods carried by vessels and airplanes registered in Cyprus or where the last port of call was Cyprus, Turkey will not be in a position to fully implement the *acquis* relating to this chapter.

The Undersecretariat of Customs has strengthened its **administrative and operational capacity**. Responsibility for implementing customs liquidation acts and destruction of goods seized at customs was transferred from the Ministry of Finance to the Undersecretariat of Customs. A new section responsible for risk analysis has been established in the Directorate General for customs enforcement. A strategy for risk management and an action plan have been prepared. 134 customs officials have received training in risk analysis and surveillance as part of EU- financed technical assistance. Furthermore, the Undersecretariat of Customs adopted a strategy for business change management and a national action plan targeting the overall modernisation and restructuring of its administration. The rate of import and export declarations that were processed electronically by the 103 customs offices integrated into the electronic data interchange System (EDIS) reached 84% of all import and export declarations made during the first quarter of 2007. A pilot project allowing operators to make electronic payments has started in the Ankara office. The “Say2000i” system of the Directorate General for public accounts has been integrated into the Undersecretariat's BILGE system, which allows public accountants to query the collection of customs duties. The administration has started business and IT preparations for IT interconnectivity with the EU systems in the field of transit (NCTS) and tariff (TARIC, Quota and Surveillance).

Efforts towards modernisation, particularly the training of customs officers in regional offices, need to be extended to all regions. The enforcement of intellectual property rights (IPR) through the Undersecretariat of Customs is not sufficient. The level of coordination with other relevant IPR public authorities such as the Ministry of Culture, the Turkish Patent Institute and Turkish police force is low.

Agreements on cooperation and mutual administrative assistance in customs matters were signed with Slovenia and Sudan.

Conclusion

Turkey has a high level of alignment owing to the Customs Union. The alignment in the areas of free trade zones, customs duty relief, fight against counterfeit goods, and post clearance is not completed. The legislation allowing duty free shops at arrival points is not in line with the *acquis*.

4.30. Chapter 30: External relations

Turkey has made limited progress regarding the **common commercial policy**.

In several areas Turkey has maintained a high level of alignment with the EC common commercial policy. However, a number of infringements of the EU-Turkey customs union rules remain and distort bilateral trade relations (*see Chapter 1 - Free movement of goods, Chapter 29- Customs union*). In several respects, the Turkish generalised system of preferences (GSP) is not aligned with the EU's, in particular as concerns product and country coverage.

Turkey's increasing use of safeguard measures, which also affects EU exports, is a cause for concern. These measures do not seem to be proportionate and therefore not in line with the Customs Union. Turkey has continued to require supplementary certificates of origin for certain goods originating from the EU. The level of alignment of Turkey with the EU within the World Trade Organisation, in particular as regards the Doha Development Agenda needs

to be improved. In certain international organisations, such as the OECD, Turkey often does not align its position with the EU.

Turkey adopted a decision requiring a Kimberly Process certificate for raw diamonds imported from countries where there are wars or armed conflicts.

No progress can be reported with regard to medium- and long-term export credits to companies as well as dual-use goods, in particular with regard to the single control list and the licensing format.

Concerning **bilateral agreements with third countries**, some progress has been made. Turkey signed a free trade agreement (FTA) with Albania. The FTAs with Egypt and Syria entered into force.

In the field of **development policy** and **humanitarian aid**, Turkey granted around € 0.5 billion of official development aid in 2006. The Turkish development agency (TIKA) established a new field office in Montenegro, reached 22 field offices in total. Turkey's level of alignment in the field of development and humanitarian aid policy is satisfactory.

Conclusion

The customs union has enabled Turkey to reach an advanced level of alignment in this area. However, further efforts are needed, in particular in areas which are not in line with the customs union.

4.31. Chapter 31: Foreign, security and defence policy

The regular **political dialogue** between the EU and Turkey has continued to cover foreign policy issues. Turkey supports the **European Neighbourhood Policy**. *Concerning neighbourly relations with other enlargement countries and Member States, see section under Political Criteria.*

As concerns **Iraq**, Turkey continued to support efforts towards achieving national reconciliation, security and peace. Turkey has offered to train Iraqi security forces. Turkey has organized seminars for Iraqi political parties, diplomats, media representatives and health personnel. Turkey hosted an enlarged meeting of Iraq's neighbouring countries aimed at achieving national reconciliation and stabilisation in the country. Cross-border terrorist activities of the PKK, listed on the EU list of terrorist organizations, represent a security challenge to Turkey. The possibility of carrying out a military operation into Northern Iraq was widely discussed in Turkey. In August, Turkey signed a memorandum of understanding with Iraq on enhancing mutual cooperation in the field of security.

Turkey has supported all statements related to **Iran** nuclear programme. In the context of talks with high-level Iranian officials, Turkey encouraged compliance with international requirements. In April, Turkey hosted a meeting between High Representative Solana and Iranian Chief Negotiator. In July a bilateral Memorandum of Understanding on energy was signed.

As concerns relations with the South Caucasus, in February, Turkey signed the framework agreement on the Baku-Alkhalkalaki-Kars railway with **Azerbaijan** and **Georgia**. With **Armenia**, meetings between high level Armenian and Turkish officials took place. Furthermore, Turkey took the symbolic steps of inviting Armenian representatives to the

funeral of the assassinated Turkish journalist of Armenian origins Hrant Dink in January 2007 and to the inauguration of the restored Armenian Church of the Holy Cross Akdamar in March. However, there were no further substantial developments. Turkey maintained its land border with Armenia closed.

Turkey maintained its support for the **Middle East Peace Process**. In line with the position of the Quartet, Turkey supported the formation in March of a National Unity Government. Relations with **Syria** continued to develop positively; high level exchanges took place. The Turkish Prime Minister continued to encourage Syria to play a constructive role in the region. In May, the Turkish Grand National Assembly extended the mandate of Turkish troops serving within the framework of the UNIFIL mission to **Lebanon**.

Between May and November 2007 Turkey assumed the Chairmanship-in-Office of the Organization of the **Black Sea Economic Cooperation (BSEC)**. Turkey has reiterated its continuing effort aimed at revitalizing BSEC.

In April, Turkey hosted a meeting between the Presidents of **Pakistan** and **Afghanistan**. In July Turkey hosted a joint Working Group between the two countries. Turkey maintains its strong support for the “Bonn process”. Turkey took on a regional command mission in Kabul for a second term in April.

Turkey has continued alignment with **Common Foreign and Security Policy** statements, declarations and demarches. In 2007, Turkey aligned itself so far with 45 out of 46 Common Foreign and Security Policy declarations. The administrative capacity of the Turkish Ministry of Foreign Affairs is compatible with EU CFSP structures. The Ministry of Foreign Affairs has further strengthened its organisational structure. Turkey has a Political Director and officials performing the task of the European correspondent

Alignment and implementation of EU sanctions and **restrictive measures** remains to be completed.

As regards **non-proliferation** of weapons of mass destruction, Turkey is party to all (to be double checked) of the existing international regimes. In December 2006, the Parliament adopted the national law on the implementation of the UN Chemical Weapons Convention. Turkey is aligned with the Council Joint Action of 12.7.2002 on the European Union's contribution to combating the destabilising accumulation and spread of small arms and light weapons. Turkey is working to fully align its arms export control system with the EU Code of Conduct on Arms Exports. Turkey has not aligned with the EU position on membership of certain suppliers' groups, such as the Wassenaar Arrangement on Export Controls for Conventional Arms and Dual-Use Goods and Technologies. (*For dual-use goods, see chapter 30 – External relations*).

With regard to the area of **cooperation with international organisations**, Turkey is not part to the Statute of the International Criminal Court. Turkey considers the failure to include a reference to terrorism in the Statute as a serious omission, and pleads for this issue to be taken up at the Statute review conference in 2009. Turkey does not intend to sign the Statute before that date.

With regard to the **security measures (classified information)**, the communication with the EU is ensured via the ACN mechanism.

Within the framework of the **European Security and Defence Policy (ESDP)**, Turkey continues to contribute to EU-led military EUFOR operation ALTHEA. Turkey also assists EU-led police missions EUPM-II in Bosnia-Herzegovina and EUPOL KINSHASA in the DRC. In April 2007 Turkey ratified the Agreement with the EU establishing a framework for the participation of Turkey in EU crisis management operations. Turkey wishes to further enhance cooperation in this area and seeks increased involvement in the ESDP decision-making process. Turkey signed an Administrative Arrangement with the European Defence Agency. However, difficulties are experienced in relation to the full implementation of this document. In June, Turkey withdrew its contribution to Headline Goal 2010 as listed in the supplement of the Force Catalogue 2007.

Turkey provides support for the NATO-led peacekeeping mission in Darfur. In May, Turkey assumed the command of Multinational Task Force South regional command of KFOR for a period of one year. However, as regards EU-NATO cooperation, Turkey objects to the inclusion of the Republic of Cyprus and Malta in the EU-NATO strategic cooperation based on the “Berlin Plus” Agreement.

Conclusion

Turkey’s close alignment with EU Common Foreign and Security Policy continued. Turkey maintained its efforts to promote regional stability in line with EU policies. Turkey shares the EU efforts to ensure stability in Iraq. However, due to Turkish concerns on lack of security at the border, relations with Iraq present challenges. Turkey supports the European Neighbourhood Policy.

Turkey contributes substantially to ESDP and seeks increased involvement in ESDP decision-making process. As regards EU NATO cooperation, Turkey’s position on Cyprus contributes to hamper its functioning. Turkey continues to block Cyprus’ membership of the Wassenaar Arrangement.

4.32. Chapter 32: Financial control

There has been some progress in the area of **public internal financial control (PIFC)**. Implementing legislation for the public financial management and control law (PFMCL) has been adopted; however it is not being fully implemented. The internal audit function has become operational in some general government institutions through the appointment of internal auditors. However, certification and continuous training is required. Public institutions representing a part of the general government have issued their accountability reports. The establishment of strategy development units and the process of recruiting staff for them have continued, but are not completed. The Internal Audit Coordination Board has issued key documents on internal audit. However, the harmonisation and coordination tasks of the board are not transferred to a permanent central harmonisation unit that allows for a more efficient and effective operation. The board needs to further develop its advisory function. The 2002 PIFC Policy Paper and its Action Plan are in need of revision so as to explain and develop further the principles of managerial accountability and of functionally independent internal audit and to help advance the implementation thereof.

A number of regulations on public accounting were issued. The regulation on budgeting and accounting of local administrations ensured compliance with the public financial management and control law at the local level. The Ministry of Finance adopted the regulation on budgeting and accounting in revolving funds managed by the general government institutions.

This regulation brought the budgeting and accounting procedures in the management of revolving funds into line with those in the general government. The state accounting standards board continued to determine and publish accounting and reporting standards applicable to public bodies falling within the category of general government. Overall, preparations are moderately advanced in this area.

There are no developments to report in the area of **external audit**. The revised law of the Turkish Court of Accounts has not been enacted. The delay in the adoption of the revised Turkish Court of Accounts Law has important consequences, for example with regards to the external audit of local administrations. For the full implementation of the PFMCL, Turkey will need to adopt the revised law. Preparations in this area are advancing.

There has been limited progress in the field of **protection of EU financial interests**. The Prime Minister's Inspection Board (PMIB) has started to cooperate with OLAF as its Turkish contact point. Turkey has not decided on an operationally independent anti-fraud coordinating structure (AFCOS) for coordination of all legislative, administrative and operational aspects of the protection of the Communities' financial interests, and to notify the Commission of suspected fraud and cases of irregularity. As an interim measure, an OLAF contact point was established in the Prime Ministry Inspection Board. S. Legislative amendments to complete alignment with the convention on the protection of the European communities' financial interests (PIF-convention) and its protocols are pending. Preparations are moderately advanced in this field.

No progress can be reported with regard to the **protection of the euro against counterfeiting**. Expertise for analysis and classification of counterfeited notes and coins in the Turkish administration and administrative capacity of four enforcement bodies is sufficient. The counterfeit monitoring system has not been complemented by the establishment of a national analysis centre, a national coin analysis centre and a national central office. There are no sanctions for credit institutions failing to withdraw counterfeits from circulation or against medals and tokens similar to Euro coins. In the context of its planned re-design in 2008, the Turkish 1 Lira coin is expected to redress similarity with the 2 Euro coin. Turkey is moderately advanced in this area.

Conclusion

Overall, limited further progress has been made. Implementing legislation of the PFMCL was issued. However, further efforts are needed to ensure the full implementation of the public financial management and control law. In order to further develop PIFC standards and principles, Turkey will need to update its 2002 PIFC policy paper and revise PIFC legislation. The revised law of the Turkish Court of Accounts needs to be adopted.

Permanent Structures are needed for ensuring cooperation with the European Anti-Fraud Office on the protection of EU financial interests. Such mechanisms are also necessary for establishing permanent contact with the relevant Commission services for the protection of the euro against counterfeiting.

Overall, Turkey's level of alignment with the *acquis* in this chapter enables meaningful accession negotiations.

4.33. Chapter 33: Financial and budgetary provisions

There have been no particular developments in this chapter.

There continue to remain no significant divergences with the EU system concerning the basic principles and institutions in the underlying policy areas linked to the application of the own resources system. Turkey needs to continue its efforts to align with the relevant *acquis* chapters, in particular customs, taxation, statistics and financial control. This includes setting up effective instruments to combat customs duty and VAT fraud so that the financial interests of the EU can be protected.

Although the *acquis* in this area does not require transposition, Turkey will need to establish in due course coordination structures and implementing rules so as to ensure the correct calculation, collection, payment and control of own resources and reporting to the EU for implementation of the own resources rules.

Conclusion

There has been no development in this chapter. Appropriate coordination structures and implementing rules will need to be established in due course.

STATISTICAL ANNEX

STATISTICAL DATA (as of 5 October 2007)

Turkey

Basic data	Note	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Population (thousand)	1)	63 490	64 644	65 787	66 888	67 895	68 835	69 769	70 695	71 611	72 520
Total area of the country (km ²)	2)	783 562	783 562	783 562	783 562	783 562	783 562	783 562	783 562	783 562	783 562

National accounts	Note	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Gross domestic product (GDP) (million national currency)	3)	28 836	52 225	77 415	124 584	178 412	277 574	359 763	430 512	487 202	576 322
GDP (million euro)		169 009	178 365	173 097	216 736	161 836	192 803	212 268	242 262	290 503	318 586
GDP (euro per capita)		2 662	2 759	2 631	3 240	2 384	2 801	3 042	3 427	4 057	4 393
GDP (in Purchasing Power Standards (PPS) per capita)	1)	5 200e	5 400e	5 200	5 700	5 200	5 600	5 600	6 000	6 400	6 900f
SI: GDP (in PPS per capita, EU-25=100)	1)	30.7e	30.3e	27.7	28.5	25.3	26.1	25.8	26.8	27.4	28.3f
SI: Growth rate of GDP (national currency, at constant prices, % change on previous year)		7.5	3.1	-4.7	7.4	-7.5	7.9	5.8	8.9	7.4	6.1
SI: Employment growth (national accounts, % change on previous year)		-2.5	2.8	2.1	-0.4f	-1.0f	-1.8f	-1.0f	3.0f	1.4f	1.6f
Labour productivity growth: GDP growth per person employed (% change on previous year)	4)	:	:	:	:	-6.5	8.8	6.1	:	:	:
SI: Unit labour cost growth (national accounts, % change on previous year)	4)	:	:	:	:	-4.6	:	:	:	:	:
SI: Labour productivity (GDP in PPS per person employed, EU-25=100)	1)	38.1e	37.7e	34.5	37.9f	34.8f	37.1f	37.6f	38.5f	39.2f	41.0f
Gross value added by main sectors (%)											
Agriculture		13.6	16.9	14.6	13.6	11.4	11.4	11.6	11.1	10.1	9.0
Industry		24.2	21.4	21.9	22.5	24.2	24.3	23.8	23.8	24.4	24.5
Construction		5.8	5.6	5.4	5.1	4.8	3.9	3.3	3.4	4.2	5.1
Services		56.4	56.1	58.1	58.8	59.6	60.5	61.3	61.7	61.4	61.3
Final consumption expenditure, as a share of GDP (%)		80.6	79.9	81.6	83.4	81.8	80.2	80.5	79.9	81.6	83.1
Households and NPISH, as a share of GDP (%)		68.3	67.5	67.4	69.7	68.3	66.3	66.8	66.6	68.3	69.4
General government, as a share of GDP (%)		12.3	12.4	14.2	13.7	13.5	13.9	13.7	13.3	13.2	13.7
Gross fixed capital formation, as a share of GDP (%)		26.5	24.0	20.4	21.8	17.2	16.5	15.5	18.0	19.8	21.9
Changes in inventories, as a share of GDP (%)		-1.3	-0.4	1.4	2.1	-1.3	4.7	7.3	8.0	5.3	3.0
Exports of goods and services, relative to GDP (%)		24.7	23.8	21.7	23.4	32.0	29.2	27.5	29.1	27.8	29.5
Imports of goods and services, relative to GDP (%)		30.5	27.2	25.1	30.7	29.7	30.6	30.8	35.0	34.4	37.5

Industry	Note	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Industrial production volume index (2000=100)		:	:	:	100.0	91.3	99.9	108.7	119.3	124.8	135.7

Inflation rate	Note	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
SI: Consumer price index (CPI), (total, % change on previous year)	5)	99.1	69.7	68.8	39.0	68.5	29.7	18.4	9.3	7.7	9.7

Balance of payments	Note	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Balance of payments: current account total (million euro)		-2 326	1 771	-1 256	-10 634	3 785	-1 609	-7 104	-12 542	-18 168	-26 102
Balance of payments current account: trade balance (million euro)		-13 269	-12 534	-9 556	-23 775	-4 168	-7 702	-12 385	-19 196	-26 951	-32 843
Balance of payments current account: exports of goods (million euro)		28 315	27 350	27 061	33 262	38 380	42 432	45 267	53 901	61 851	73 222
Balance of payments current account: imports of goods (million euro)		41 584	39 884	36 618	57 038	42 548	50 134	57 652	73 097	88 802	106 065
Balance of payments current account: net services (million euro)		9 622	12 058	7 039	12 316	10 201	8 339	9 292	10 288	12 276	10 641

Balance of payments current account: net income (million euro)		-2 657	-2 663	-3 319	-4 333	-5 583	-4 818	-4 912	-4 532	-4 661	-5 244
Balance of payments current account: net current transfers (million euro)		3 978	4 910	4 580	5 158	3 335	2 573	902	898	1 169	1 344
of which government transfers (million euro)		277	133	330	221	224	526	257	252	485	459
Foreign Direct Investment (FDI) in the reporting economy (million euro)		710	838	735	1 063	3 743	1 202	1 549	2 318	7 878	15 984

Public finance	Note	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General government deficit/surplus, relative to GDP (%)		:	:	:	-14.5	-33.0	-12.9	-11.3	-5.8	-0.3	0.4
SI: General government debt, relative to GDP (%)		:	:	:	57.4	104.4	93.0	85.1	76.9	69.6	60.7

Financial indicators	Note	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Gross foreign debt of the whole economy, relative to GDP (%)		44.6	47.8	56.3	59.7	77.1	71.0	59.8	53.5	46.7	51.6
Gross foreign debt of the whole economy, relative to total exports (%)	6)	180.6	200.8	259.4	255.1	240.9	243.2	217.5	183.8	168.0	174.9
Money supply: M1 (banknotes, coins, overnight deposits, million euro)		7 029	7 000	8 635	12 205	8 965	9 291	13 188	15 762	26 483	25 517
Money supply: M2 (M1 plus deposits with maturity up to two years, million euro)		25 154	31 206	41 325	51 591	37 253	36 326	47 398	59 415	96 487	99 599
Money supply: M3 (M2 plus marketable instruments, million euro)		27 196	32 878	42 950	54 207	38 974	38 041	50 488	63 411	103 583	105 908
Total credit by monetary financial institutions to residents (consolidated) (million euro)		34 082	30 790	30 856	44 492	26 977	20 035	29 025	43 328	76 195	91 682
Interest rates: day-to-day money rate, per annum (%)	7)	70.4	74.5	73.2	54.1	93.2	49.5	36.0	21.8	14.8	15.6
Lending interest rate (one year), per annum (%)	8)	99.4	79.5	86.1	51.2	78.8	53.7	42.8	29.1	23.8	19.0
Deposit interest rate (one year), per annum (%)	9)	93.0	93.3	85.5	38.2	62.2	53.9	40.3	23.6	19.9	21.5
Euro exchange rates: average of period - 1 euro = ... national currency	10)	0.171	0.293	0.447	0.575	1.102	1.440	1.695	1.777	1.677	1.809
Effective exchange rate index (2000=100)	11)	20.1	12.6	7.9	6.5	3.1	2.6	2.6	2.6	2.9	2.6
Value of reserve assets (including gold) (million euro)		17 233	18 494	22 695	25 095	22 130	29 702	31 094	30 263	42 143	50 403

External trade	Note	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Trade balance: all goods, all partners (million euro)		:	:	-13 387	-29 263	-11 194	-16 341	-18 620	-27 637	-34 560	:
Value of exports: all goods, all partners (million euro)		:	:	24 964	30 182	35 062	38 137	41 516	50 891	58 850	:
Value of imports: all goods, all partners (million euro)		:	:	38 351	59 444	46 256	54 478	60 136	78 528	93 410	:
Terms of trade (export price index / import price index, % change on previous year)	12)	114.0	114.1	112.6	103.0	100.7	100.1	100.0	102.0	99.3	96.0
Share of exports to EU-27 countries in value of total exports (%)		:	:	58.0	56.4	56.0	56.6	58.3	57.9	56.4	:
Share of imports from EU-27 countries in value of total imports (%)		:	:	55.4	52.4	47.9	49.8	50.6	49.3	45.2	:

Demography	Note	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Natural growth rate: natural change (births minus deaths) (per 1000 inhabitants)	13)	16.5	16.0	15.4	14.1	13.7	13.5	13.2	12.9	12.6	12.4
Net migration rate: immigrants minus emigrants (per 1000 inhabitants)		:	:	:	:	:	:	:	:	:	:
Infant mortality rate: deaths of children under one year of age per 1000 live births	13)	38.8	36.5	33.9	28.9	27.8	26.7	25.6	24.6	23.6	22.6
Life expectancy at birth: male (years)	13)	66.3	66.7	67.1	68.1	68.2	68.4	68.6	68.8	68.9	69.1
Life expectancy at birth: female (years)	13)	70.9	71.3	71.8	72.8	73.0	73.2	73.4	73.6	73.8	74.0

Labour market	Note	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Economic activity rate (15-64): share of population aged 15-64 that is economically active (%)	14)	55.2	55.3	55.2	52.4	52.3	52.3	51.1	51.5	51.3	51.1
SI: Employment rate (15-64): share of population aged 15-64 that is in employment (%)		51.3	51.4	50.8	48.9	47.8	46.7	45.5	46.1	45.9	45.9
Share of male population aged 15-64 that is in employment (%)		74.8	74.3	72.7	71.7	69.3	66.9	65.9	67.9	68.2	68.0
Share of female population aged 15-64 that is in employment (%)		28.0	28.5	28.9	26.2	26.3	26.6	25.2	24.3	23.7	23.8
SI: Employment rate of older workers (55-64): share of population aged 55-64 that is in employment (%)		40.5	41.1	39.3	36.4	35.9	35.3	32.7	33.1	30.8	30.1

Employment by main sectors (%)												
Agriculture	14)	41.7	41.5	40.2	36.0	37.6	34.9	33.9	34.0	29.5	27.3	
Industry	14)	17.5	17.1	17.2	17.7	17.5	18.5	18.2	18.3	19.4	19.7	
Construction	14)	6.2	6.1	6.2	6.3	5.2	4.5	4.6	4.7	5.3	5.7	
Services	15)	34.6	35.3	36.5	40.0	39.7	42.1	43.4	43.0	45.8	47.3	
SI: Unemployment rate: share of labour force that is unemployed (%)		6.8	6.9	7.7	6.5	8.4	10.3	10.5	10.3	10.3	9.9	
Share of male labour force that is unemployed (%)		6.5	6.9	7.7	6.6	8.7	10.7	10.7	10.5	10.3	9.7	
Share of female labour force that is unemployed (%)		7.8	6.8	7.6	6.3	7.5	9.4	10.1	9.7	10.3	10.3	
Unemployment rate of persons <25 years: share of labour force aged <25 that is unemployed (%)		14.3	14.2	15.0	13.1	16.2	19.2	20.5	19.7	19.3	18.7	
SI: Long-term unemployment rate: share of labour force that is long-term unemployed (%)		2.7	2.7	2.1	1.3	1.7	2.9	2.5	4.0	4.1	3.5	

Social cohesion	Note	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Average nominal monthly wages and salaries (national currency)	16)	:	:	:	:	:	372.1	492.0	529.4	595.4	:
Index of real wages and salaries: index of nominal wages and salaries divided by CPI (2000=100)		:	:	:	:	:	:	:	:	:	:
SI: Early school-leavers: share of population aged 18-24 having not completed upper secondary education and not currently in education or training (%)	17)	:	:	:	58.1	58.1	55.1	52.9	54.4	51.5	47.9

Standard of living	Note	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Number of passenger cars per 1000 population		56.2	59.4	61.9	66.1	66.8	66.8	67.4	76.4	80.6	84.7
Number of subscriptions to cellular mobile telephone services per 1000 population	18)	25.4	54.3	116.8	225.2	269.5	338.8	399.7	491.0	609.3	726.2

Infrastructure	Note	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Density of railway network (lines in operation, per 1000 km ²)	19)	11.0	11.0	11.1	11.1	11.1	11.0	11.1	11.1	11.1	11.1
Length of motorways (thousand km)	20)	1.5	1.7	1.7	1.8	1.9	1.9	1.9	1.9	1.8	2.0

Innovation and research	Note	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
SI: Spending on human resources (public expenditure on education) relative to GDP (%)	21)	2.9	3.3	3.1	3.5	3.7	3.6	3.7	3.8	:	:
SI: Gross domestic expenditure on research & development, relative to GDP (%)		0.5	0.5	0.6	0.6	0.7	0.7	0.6	0.7	:	:
SI: Percentage of households who have Internet access at home (%)		:	:	:	:	:	:	:	7.0	8.7	:

Environment	Note	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
SI: Total greenhouse gases emissions, CO2 equivalent (tons, 1990=100)	22)	150.0	151.0	151.0	165.0	154.0	159.0	168.0	174.0	184.0	:
SI: Energy intensity of the economy (kg of oil equivalent per 1000 euro GDP)	6)	369.6	363.0	378.7	382.1	386.9	372.5	376.8	362.5	351.0	334.2
SI: Share of renewable energy in electricity consumption (%)	23)	38.1	37.3	29.5	24.3	19.1	25.6	25.2	30.9	24.7	25.5
SI: Road freight transport as a share of total inland freight transport (modal split) (%)	20)	93.6	94.8	94.8	94.3	95.3	95.5	94.6	95.3	95.5	94.3

Energy	Note	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Primary production of all energy products (thousand TOE)	23)	28 209	29 324	27 659	26 047	24 576	24 281	23 783	24 332	24 549	26 636p
Primary production of crude oil (thousand TOE)	23)	3 630	3 385	3 087	2 887	2 679	2 564	2 494	2 389	2 395	2 504p
Primary production of hard coal and lignite (thousand TOE)	23)	13 106	13 935	13 272	12 488	12 281	11 360	10 777	10 532	11 213	13 038p
Primary production of natural gas (thousand TOE)	23)	230	514	665	582	284	344	510	644	816	743p
Net imports of all energy products (thousand TOE)	23)	45 268	45 607	46 029	54 291	49 536	54 234	60 505	63 233	67 682	65 626p
Gross inland energy consumption (thousand TOE)	23)	73 779	74 709	74 275	80 500	75 402	78 331	83 826	87 818	91 336	92 261p
Electricity generation (thousand GWh)	23)	103.3	111.0	116.4	124.9	122.7	129.4	140.6	150.7	162.0	173.0p

Agriculture	Note	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Agricultural production volume index of goods and services (producer prices, previous year=100)		97.7	110.6	94.7	104.2	93.3	108.5	98.0	101.6	106.9	:
Total utilised agricultural area (thousand hectare)		39 242	39 344	39 180	38 757	40 967	41 196	40 645	41 210	41 223	40 459p
Livestock: cattle (thousand heads, end of period)	24)	11 185	11 031	11 054	10 761	10 548	9 803	9 788	10 069	10 526	10 871
Livestock: pigs (thousand heads, end of period)		5	5	3	3	3	4	7	4	2	1
Livestock: sheep and goats (thousand heads, end of period)		38 614	37 492	38 030	35 693	33 994	31 954	32 203	31 811	31 822	32 260
Production and utilisation of milk on the farm (total whole milk, thousand tonnes)		:	:	:	:	:	:	:	:	:	:
Crop production: cereals (including rice) (thousand tonnes, harvested production)		29 650	33 060	28 749	32 108	29 426	30 686	30 658	33 863	36 231	34 365
Crop production: sugar beet (thousand tonnes, harvested production)		18 400	22 283	17 102	18 821	12 633	16 523	12 623	13 517	15 181	14 452
Crop production: vegetables (thousand tonnes, harvested production)		18 784	21 151	22 083	22 357	21 930	23 698	24 018	23 215	24 320	24 018

SI: Structural Indicator

e: estimate

f: forecast

p: provisional

1. Source: Eurostat.
2. Including lakes.
3. New Turkish Liras; 1 TRY (New Turkish Lira) = 1.000.000 TRL (Turkish Liras).
4. Partially harmonised according to national accounts concept.
5. National consumer price index (not strictly comparable with interim HICPs).
6. Eurostat estimates.
7. Averages of monthly data.
8. Averages of monthly data, lending to enterprises more than one year.
9. Averages of monthly data, up to one year or longer.
10. 1999-2006, source: Eurostat.
11. 1994=100.
12. Calculated on the basis of ISIC Rev.3, base year 2003 as Paasche.

13. Break in series in 2000.
14. Weighted annual Labour Force Survey (LFS) results.
15. Weighted annual Labour Force Survey (LFS) results; services defined as NACE Sections G to Q.
16. In million national currency.
17. Weighted annual Labour Force Survey (LFS) results; questions related with "training" were added into the LFS questionnaire from 2004.
18. Source for the number of subscriptions to cellular mobile telephone services: the Telecommunications Authority.
19. Source for the length of railway network: the Turkish State Railways.
20. Source: the General Directorate of Highways.
21. Questions related with "training" were added into the LFS questionnaire from 2004.
22. Total greenhouse gas emissions (CO2 equivalent) include direct emission gases (CO2, CH4, N2O, HFCs and SF6) by the sectors of energy, industrial processes, agriculture and waste disposal. The data include HFCs emissions starting from 2000 and SF6 emissions from 1997.
23. Source: Ministry of Energy and Natural Resources.
24. Excluding the number of buffaloes.