

## The Association Council

**UE-TR 4806/15**

**Subject:** 53rd meeting of the EU-Turkey Association Council  
(Brussels, 18 May 2015)

Delegations will find attached the statements by Turkey tabled on the occasion of the 53rd meeting of the EU-Turkey Association Council.

### **AGENDA ITEM 3: ACCESSION STRATEGY, IN PARTICULAR IN THE LIGHT OF THE COMMISSION'S 2014 PROGRESS REPORT**

#### **TURKEY'S FOREIGN POLICY**

In today's fast-paced global world, common risks outnumber those that individually threaten us. Therefore, our commonalities, universal values, our common goals and our shared welfare are more important than ever. Both in the regional and international levels, content and the implementation of foreign policy have changed. There are today more actors and more areas and fields of action constantly interacting with one another. This complex interplay determines the new framework in which we have to formulate foreign policy.

Turkey's unique geostrategic position inescapably led this very old country to be at the epicenter of the dynamics of change and transition. Sometimes the change was tumultuous. The developments in this wide geography stretching from South Eastern Europe to the Middle East have always carried wider implications going much beyond. This region is called the "Cradle of Civilizations", and rightly so. Turkey absorbed over centuries all this influence and molded them into a singularly unique product; a quintessentially soft-power instrument that is becoming more evident in the pursuit of the aims of our foreign policy. We can inspire the people of this wide region to come to grips with the realities of modernity, to move forward and restore the strength of their traditions.

A very cursory look at the region tells us how deep indeed, go the root causes of the present volatility. To our East and South, we see bankrupt states that have lost contact with the masses, hence their legitimacy in the eyes of their people. They have failed since long in responding to the demands for individual liberties, reform and, most importantly, a much fairer share of wealth buttressed by freedom from all sorts of corruption. Instead of trying in earnest to respond to these legitimate demands, the worn-out, outdated regimes in the region chose to employ the most unthinkable methods of oppression.

On the other hand, when we look to our West, to Europe, we see a rising trend in xenophobia, Islamophobia and racism. This is of direct concern for Turkey because of the five million Turks living across Europe. Our common European home must be built on the model of open society based on respect for diversity, not on exclusion which will end up in the doldrums of discrimination. There must be an action plan to effectively counter this ominous trend. It must be at once, comprehensive and far-sighted. A correct understanding of Islam and its basic tenets is essential in achieving societal peace and harmony, and eradicating ill-informed radicalism. We have to craft policies based on inclusivity that will guarantee freedom and security for everyone. At our end, we have been taking bold steps to broaden freedoms for our citizens belonging to faiths other than Islam.

When we look towards our North, the crisis in Ukraine and the unacceptable annexation of Crimea showed us that the geostrategic and geoeconomic structures are still fragile. While our search for a new world order continues, there is no real comfort zone for any of us in the post-Cold War era.

Against this grim backdrop, we have a challenging task in front of us, even an obligation, to invent and carve out the ways to transform negative developments towards a positive direction. Hence we should be guided by our values and principles. We strongly believe that the need for collective action and solidarity has never been greater. These multiple transformations that we have to face today will define the larger content that we all have to work within. To devise a wholesome and working response is a challenge that is well beyond the capabilities of any unilateral action taken at the national level.

As Turkey, we strive to make our foreign policy proactive, constructive and responsive to rapidly changing circumstances. In this respect, a primary aspect of Turkey's foreign policy today is its human-oriented nature. Striking a balance between national interests and universal values of democracy, pluralism, human rights, and the rule of law, Turkey's foreign policy seeks to affect a positive and transformative influence in its region and beyond. It has the ability to address challenges, seize opportunities and promote stability, peace and prosperity in and around the region with a global vision. Turkey, with its democratic standards and robust economy, pursues a dynamic and visionary foreign policy with a view to steering the multitude of developments in a positive direction.

Turkey's unmatched disposition also represents Turkey's true richness. It is because of this unique disposition that we believe we have an in-depth perspective on these challenges with global ramifications, let alone direct effects on the security and stability of Europe. We do not doubt that Turkey has a pivotal role to play in Europe's interaction with the Middle East, the Mediterranean basin, the Caucasus and the Black Sea region. It also makes it imperative for our friends and allies in Europe to take into consideration this wider role of Turkey. Turkey regards full-membership of the European Union as her birthright and it is a strategic priority for us.

The informed public around the world and in Europe is well aware that Turkey has been consistently principled in the face of the crucial developments that are unfolding in the Middle East and North Africa (MENA). The legitimate demands of peoples for democracy and better living standards should be met. Violent oppression as in Syria and military coups as in Egypt do not have a place in this quest. Sectarian policies that inflame the situation both in the affected countries and in the region as a whole should not be tolerated. After all, we have been witnessing the worst results of sectarianism in Syria and Iraq.

The humanitarian needs of the victims should be addressed as comprehensively as possible. Facts speak for themselves: the loss of life in Syria amounts to three-hundred thousand. The number of displaced persons exceed 10 million. This is one of the greatest human tragedies in history. For Turkey, the humanitarian dimension comes into the fore in the shape of huge numbers of refugees who need to be taken care of. Turkey has been pursuing an open-door policy from the very start of the exodus. Today, the number of Syrians who are accommodated in Turkey exceeds 1,7 million. We have spent more than 5 billion USD. Three-hundred thousand Iraqis are added to this picture. As a matter of fact, Turkey has almost taken on the role of the United Nations in this huge refugee crisis.

On the other hand, a partial approach which singularly focuses on DEASH cannot bear the desired result. Indeed, DEASH is nothing but the by-product of the power vacuum created under chaos. The root cause of the problem should be addressed first and foremost. This can only happen by a principled and a resolute approach that aims at replacing the current Esad regime through genuine political transformation that embraces the whole people. The developments on the ground attest to the Turkish argument.

As the transition process in MENA region continues to pose tremendous challenges not only for the countries concerned but also for the whole international system, with new conflict spots emerging in Libya and Yemen, Turkey maintains its efforts to encourage solutions based on peaceful political dialogue and national reconciliation.

The basic reasons behind the conflict in Ukraine should also be duly analyzed and a much longer term planning is needed. Turkey's policy principle has been good neighbourly relations with all the countries in its vicinity. The Black Sea region is definitely a major component of this understanding. While considering the security of energy supplies, we should also keep in mind that the long-term peace and stability of the Black Sea region can come to bear fruit through respect for territorial integrity and respect for the rights and freedoms of all peoples and ethnicities living in these territories. Turkey remains committed to Ukraine's territorial integrity and sovereignty and supports a peaceful solution of the conflict through diplomacy. Ambassador Ertuğrul Apakan from Turkey is currently leading the OSCE Special Monitoring Mission (SMM) in Ukraine.

Despite various challenges and ongoing crises in its immediate region, developing an integrated regional policy constitutes a significant component of Turkish foreign policy. Turkey has unique relations with a wide array of countries from different cultural and religious backgrounds which help it to understand the complex dynamics at play.

Turkey encourages all regional actors to take into account the regional dynamics so as to create a strong sense of ownership, which is indispensable in finding and implementing long-lasting solutions.

By taking the lead in various regional initiatives, in adjoining areas such as the Balkans, Caucasus and the Black Sea, Turkish diplomacy spares no efforts to create an environment where all regional actors can become part of the solutions based on their shared interests.

The Turkey-Afghanistan-Pakistan trilateral cooperation mechanism, the Turkey-Bosnia & Herzegovina-Serbia trilateral mechanism, the Turkey-Bosnia & Herzegovina-Croatia trilateral mechanism, the Turkey-Azerbaijan-Iran trilateral mechanism and the Turkey-Azerbaijan-Georgia trilateral mechanism, as well as the recent Turkey-Azerbaijan-Turkmenistan trilateral mechanism (May 2014) can be seen in this light. Turkey's efforts in this regard also include the "Istanbul Process" which aims to contribute to peace and stability in Afghanistan.

In order to supplement its regional policy, Turkey pursues enhanced political dialogue and innovative cooperation mechanisms with countries in its vicinity. Through the establishment of new mechanisms like “High-Level Cooperation Councils” and “Trilateral Cooperation Mechanisms” predominantly with neighbors, we have enhanced political dialogue in our region. In the last five years, 18 such High Level Cooperation Councils, which convene in the format of joint cabinet meetings led by heads of Government, were established. Turkey’s total trade with countries participating in High Level Cooperation Mechanisms expanded nearly eightfold since 2002 to 93 billion dollars. The share of these countries in Turkey’s foreign trade, thus reached a full 20 percent.

In addition to efforts in the political sphere, Turkey also endeavors to improve its economic ties through free trade agreements, preferential trade regimes, stimulus packages and customs unions. The positive results of these efforts are best demonstrated by the economic data. In the last ten years, trade with neighbors has increased sevenfold, and its share in Turkey’s total trade has gone up from 14% to 24%. Through creating increased economic regional interdependencies, Turkey also aims to contribute to regional stability.

Another priority for Turkey’s foreign policy is to further strengthen its existing strategic relations with European and Transatlantic political and security structures.

Turkey sees NATO as the linchpin of Euro-Atlantic security. The changing security environment in the Eurasian geography over the past 20 years, has transformed Turkey’s role from that of a flank country to that of a central ally. Turkey’s contributions to NATO today are in line with this changing context; Turkey is a security and stability generating member of NATO, dedicated to furthering the objectives of the Alliance. Turkey has undertaken significant responsibilities in major NATO operations such as in Kosovo and in Afghanistan, and is continuing to contribute to three NATO operations and one mission.

Given the significant developments occurring in our common neighborhood, most recently as exemplified in Ukraine, there is now an even stronger case for effective cooperation on foreign/security policies between Turkey and the EU.

While we have been on a continuous pace to deepen our ties with our neighbouring countries and regions, create economic interdependencies and revitalize our social and cultural ties, opening up to the globe has also become a major focus of Turkish foreign policy. The outreach of Turkish diplomacy has markedly increased in recent times, with the consolidation of the policy of opening-up to new geographies. The extension of a network of relationships beyond Turkey's region, especially to Africa, Latin America and Asia-Pacific, by building a web of mutually beneficial relationships on the basis of cooperation and dialogue has continued. Increasing interactions at the political, economic and social levels with countries that were once considered "distant" are now becoming a standard feature of Turkish foreign policy. Turkey has established more than 50 new diplomatic missions in the last five years, most of which are in the aforementioned geographies. Currently, with 228 diplomatic missions, Turkey is one of the leading nations in terms of diplomatic representation.

As a result of the expanding scope of Turkish diplomacy, Turkey's foreign policy choices are becoming increasingly important for the entire international community. This is reflected in the rising number of foreign missions operating in Turkey. Over the last ten years, more than 70 new foreign missions were opened in Turkey, currently totaling 254.

Turkey has also intensified its efforts in building institutional relations with various regional organizations, such as Shanghai Cooperation Organization, ASEAN, SICA, CARICOM, CPLP and the Pacific Islands Forum.

Indeed, Turkey plays an active role in almost all international and regional organizations and leading platforms, either as a member or an observer. Over the past few years, Turkey has spearheaded various international initiatives and has assumed presidencies/chairmanships of a number of international organizations. Our efforts to carry forth our joint initiative with Finland on mediation at the UN has generated output, with the adoption in July 2014 of the Third UN General Assembly Resolution in the field. The number of the members of the "Friends of Mediation" formed in 2010 has continued to increase in 2014, reaching 48.

Likewise, the Alliance of Civilizations Initiative that Turkey is leading with Spain has become one of the largest UN initiative with the participation of 142 member states. In July 2014, Turkey took over the Chairmanship of the Global Forum on Migration and Development for 2014-2015. Since December 2014, Turkey is also chairing the G20, which brings together states producing %85 of world economic output. In 2016, Turkey will be taking over the Chairmanship of the Organization of Islamic Cooperation and will be hosting the First World Humanitarian Summit.

Turkey maintains its position as a rising donor country, with its official development aid reaching 3.3 billion Dollars and its humanitarian aid of 1.6 million Dollars.

In conclusion, Turkish foreign policy aims at furthering peace and stability in its wider geography. Turkey's means and capabilities to make progress in this direction are now commensurate with the widening horizons of its foreign policy. Turkey employs this enhanced capacity to actively promote cooperation and dialogue both at bilateral and regional levels.

Thus, Turkey today brings in a greater added value to the international community in its quest for peace and security through its growing network of relationships and a perceptive understanding of the complex dynamics of a wide region.

## **PREPARATIONS FOR ACCESSION**

EU membership is a strategic objective of Turkey. We are committed to the accession process and determined to continue the negotiations with the shared objective of full membership as stated in the Negotiating Framework. Turkey expects to join the Union as an equal member with all the rights and obligations, which would imply upon the successful conclusion of negotiations.

Our Government reiterated its commitment to the EU accession process through Turkey's New EU Strategy, which was announced on 18 September 2014. Turkey's New EU Strategy is based on three pillars; determination in the political reform process, continuity in socio-economic transformation, effectiveness in communication.



The first pillar of the strategy is “political reform process”. In this regard, Reform Monitoring Group, which oversees the proper implementation of political reforms, has been restructured as the “Reform Action Group” (RAG) for a more effective functioning. RAG will not only monitor the political reforms but also prepare and implement the reforms. First and second meetings of the RAG were held on 8 November 2014 and 20 February 2015, respectively.

Inter-ministerial working groups on various fields have been established under RAG to:

- review all legislation which have the imprints of 1980 military coup,
- monitor the implementation process of the second cycle of UN Universal Periodic Review Mechanism (UPR) recommendations,
- follow the ratification process of the international conventions that Turkey has signed.

The second pillar of the EU Strategy is “socio-economic transformation”, which is definitely a prerequisite for the consolidation of democracy. Accordingly, we prepared a two-phase National Action Plan, which focuses on Turkey’s priorities, including the proper enforcement of relevant legislation to further raise the living standards of Turkish citizens. The National Action Plan covers two periods: the first period will end in June 2015 and the second will cover the period of June 2015- June 2019.

We continue our reform process in every field of the acquis. Since 2002, 339 primary and 1813 secondary legislation have been enacted while only in the last one year 20 primary, 142 secondary legislation have been enacted in the scope of harmonisation with the EU acquis.

Moreover, in order to ensure drafting of the legislation in line with the acquis, a Circular has been issued by the Prime Ministry on 25 September 2014, according to which draft legislation prepared for the EU acquis alignment will be submitted to EU Ministry as the coordinator institution to oversee the accession process.

As the third pillar of the Strategy, “Turkey’s EU Communication Strategy” was announced on 16 October 2014. The Communication Strategy has two dimensions. The first one is communication at home, which aims to contribute to the domestic perception on the EU process as a modernization project. The second dimension of the strategy addresses the European public opinion for unveiling the facts about Turkey.

In this context, Civil Society Dialogue Meetings in 6 different cities including İstanbul (26 November 2014), İzmir (19 February 2015), Konya (18 March 2015), Adana (24 March 2015), Bursa (22 April 2015) and Antalya (28 April 2015) were held. More than 10.000 representatives from hundreds of NGOs participated in these meetings and expressed their opinions on Turkey's accession process. Moreover NGOs had the opportunity to learn more about the EU funds and programmes available for them.

Most of the participants agreed that Turkey and the EU could be stronger together in many aspects and solve many of their problems, only if Turkey becomes a full member of the EU. Despite the political obstacles in accession negotiations, this positive image of the EU would be interpreted as NGOs' strong support to Turkey's EU bid. In all meetings, NGOs appreciated the Ministry for EU Affairs for its sincere attempt to include NGOs into the EU accession process.

In this framework, Ministry for EU Affairs inaugurated the opening of its second Office in Antalya on 21 December 2014 and third Office in İzmir on 19 February 2015 in addition to its first Office in İstanbul, which has been active since 2010. These Offices will be active in the harmonization and effective implementation of the EU acquis at local level. Besides, Offices will work in close cooperation with the NGOs, municipalities, and public institutions in all the EU related activities to be carried out at local level and for the efficient use of EU financial assistance to Turkey.

## **ACCESSION PROCESS**

### **State of Play in the Negotiation Process**

Unfortunately, the pace of the negotiations is not promising. Although more than 9 years have passed since the screening process, there are still 9 chapters<sup>1</sup> of which screening reports have not been approved and the opening benchmarks have not been communicated to Turkey. 14 chapters are politically blocked due to the Cyprus issue.

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<sup>1</sup> Chapter 2: Freedom of Movement for Workers, Chapter 13: Fisheries, Chapter 14: Transport Policy, Chapter 15: Energy, Chapter 23: Judiciary and Fundamental Rights, Chapter 24: Justice, Freedom and Security, Chapter 30: External Relations, Chapter 31: Foreign, Security and Defence Policy, Chapter 33: Financial and Budgetary Provisions

We are ready to revive the process and proceed in the negotiations. This definitely requires the lifting of the political blockages as soon as possible. Currently, our priority is to open Chapter 17-Economic and Monetary Policy. Following exchange of views during the Chapter 17 Working Group Meeting on 13 March 2015, we submitted our complementary Negotiating Position to the EU on 20 March 2015. Considering Turkey's already high level of alignment, we expect the Chapter to be opened to negotiations as soon as possible. There is no connection whatsoever with the opening of Chapter 17 and the implementation of the Additional Protocol.

We attach utmost importance to the fulfillment of the opening benchmarks of Chapter 19-Social Policy and Employment. The high level working group established to accelerate the process regarding the trade union rights, which comprises the first opening benchmark convened three times. The working group was formed by the representatives of the European Commission and Ministry of Labour and Social Security, as well as social partners. The working group's output in the form of a technical document and an action plan is going to be finalised soon. Opening of Chapter 19 would be possible within the framework of a consensus expected to be reached by both sides on the steps towards meeting the first opening benchmark, as laid down in the technical document.

Chapter 5-Public Procurement is one of the chapters having significant economic impact and hence it has always been among the chapters negotiated at the very last stages of previous accession negotiations. Still, studies in this Chapter continue in its own pace. To this end, of three opening benchmarks for Chapter 5 Public Procurement, Turkey reckons that first benchmark is fulfilled with the designation of the Ministry for Finance as the responsible institution before the EU. Besides, Turkey's National Action Plan for EU Accession (Phase-II, June 2015-June 2019) envisages certain changes including the introduction of a new legislation for utilities sectors. Yet, without a clear membership perspective we are not willing to open the Chapter to negotiations at this moment.

Similar to Public Procurement, Chapter 8-Competition Policy is highly sensitive in terms of its economic impacts. It is also one of the chapters negotiated at the last stages of accession negotiations. Yet, remarkable efforts were pursued in 2010 and 2011 in order to open Competition Policy Chapter to negotiations. Unfortunately, it was not possible to launch the negotiations, although talks with the European Commission had reached a certain level. In this context, the most important step was the adoption of the Law No. 6015 on the Monitoring and Supervision of State Aids in 2010 and establishment of the State Aid Monitoring Authority. Now, without a clear membership perspective we are not willing to open the Chapter to negotiations at this moment.

On the other hand, we are pleased to resume the sub-committee meetings with a new chapter-based methodology. After a nearly three-year break, 6 sub-committee meetings were held. Sub-committees should respond to the necessities of the negotiation process by specifically dealing with chapters, and more specifically with opening and closing benchmarks. Moreover, we expect the Commission to convey official letters on our progress in the related benchmarks following these meetings.

We also would like to see that the technical progress made by Turkey is reflected in the Progress Report. As regards some chapters, despite the Commission has officially informed Turkey on meeting of benchmarks, this progress has not been mentioned in the Progress Report.

Meanwhile, we have submitted our first contribution to the Progress Report according to the new methodology. We expect the new method to contribute to the writing of an objective, constructive and encouraging Report.

## **Dialogue Platforms**

EU-Turkey Strategic High Level Energy Dialogue, launched on 16 March 2015, demonstrates the willingness of Turkey and the EU for further cooperation. Turkey is a natural energy hub between energy resources in the Middle Eastern and Caspian Regions and EU energy markets. Turkey's development as an energy hub will be to the benefit of both Turkey and the EU.

We find economic dialogue mechanisms on ministerial level within the framework of the accession process such as participation to ECOFIN meetings highly beneficial. We would like to continue with this dialogue between economic and finance ministers of the EU and the candidate countries. Yet, the wording “candidate country” should remain in the title of the meeting.

On the other hand, we are in favour of enhancing the channels of economic policy dialogue by setting up new platforms such as high level economic dialogue. In order to set up the modalities of this new platform in line with the expectations of the both sides, we call on a meeting between the Commission and relevant Turkish authorities.

Meanwhile, we expect that the next political dialogue meeting at the ministerial level will be held soon. Political dialogue meetings could be organised twice a year on a regular basis.

We are ready to intensify our dialogue for deepening Turkey-EU relations regarding various aspects. Yet, we would like to underline that prospective and current, all dialogue mechanisms between Turkey and the EU are not a substitute for the accession process. These mechanisms complement and support the accession process.

Needless to say, it is not possible to separate the Customs Union from Turkey’s accession process. Unfortunately, the systemic problems stemming from the asymmetric structure of the Customs Union continue to exist. We have agreed with the EU that the Customs Union requires an update and we reached a common understanding.

We want to find sound and sustainable solutions to Turkey’s problems, and extend the Customs Union to new areas with a view to exploiting our bilateral trade potential. Of the outstanding issues, FTA negotiations are of crucial importance. Turkey expects from the EU further efforts going far beyond improved consultation or other support mechanisms. In this respect the upgrade of the Customs Union should enable Turkey to benefit simultaneously from the FTA’s concluded by the EU. Definitely, an important reflection and an integral part of this process should be timely inclusion of Turkey to TTIP. With the ultimate aim of supporting the accession process, we should swiftly move to the actual negotiations to attain beneficial results for both parties and finalize the update of the Customs Union.

## **POLITICAL CRITERIA AND THE REFORM PROCESS**

Turkey is continuing with the political reform process with determination, in line with its objective of full compliance with the Copenhagen political criteria. Turkey demonstrates its commitment to the accession process through adopting comprehensive reforms in different areas.

Since the last meeting, Turkey has continued to take legislative and administrative measures aimed at further protecting and promoting human rights as we have shared in detail during the sub-committee and working group meetings.

With regard to Chapter 23-Judiciary and Fundamental Rights, we have held the most recent Working Group on 20 April 2015. Improvements regarding political criteria and Chapter 23 and the recent legislative developments such as Reform Package on Internal Security and Protection of Freedoms, new Judicial Reform Strategy, judicial reform packages, Law on Anti-discrimination and Equality, anti-corruption policies and peer review mission reports have been thoroughly discussed.

Besides, on 12 November 2014 we held the political dialogue meeting at the level of directors, where we had the opportunity to discuss various aspects of Turkey-EU relations, including developments in the political criteria. Furthermore, Sub-Committee-8 focusing on Chapter 24 convened on 11 February 2015.

Following the enactment of the third and fourth judicial reform packages, 2014 saw the adoption of the fifth and sixth judicial reform packages, which significantly expanded the scope of the right to liberty and security as well as right to fair trial by introducing several measures in favour of the detained and convicted persons.

Moreover the implementation process of the first Judicial Reform Strategy has started on August 2009. Most of its objectives laid down in the Strategy have been met. Ministry of Justice has finalized its work to update the Strategy with the participation of relevant stakeholders. New Judicial Reform Strategy has been announced by Prime Minister Davutoğlu on 17 April 2015.

As regards fundamental rights and freedoms, adoption of the “Action Plan on the Prevention of Violations of European Convention on Human Rights” on 1 March 2014 has been a crucial step. The Ministry of Justice will submit annual reports to the Prime Ministry on the progress with regard to the implementation of the Action Plan. In line with the findings of the annual reports, the Action Plan is open to revision if deemed necessary in the future.

Democratization Package and the Law for the Enhancement of Fundamental Rights and Freedoms of March 2014 contributed to extending rights and freedoms. They have been prepared taking into consideration the European Convention on Human Rights, the EU acquis and case law of the European Court of Human Rights. All of the administrative arrangements and most of the legislative reforms within the Democratization Package have been realized.

The decrease in the number of applications before European Court of Human Rights (ECtHR) against Turkey is a result of the reforms carried out. Introduction of new domestic remedies, such as the individual application procedure before the Constitutional Court has contributed to a great extent. The Constitutional Court continued to receive individual applications in 2014 and established a noteworthy case-law on fundamental rights and freedoms.

We have adopted the Law on Eradicating Terrorism and Strengthening Societal Integration on 16 July 2014, which demonstrates Turkey’s clear will to further enhance the on-going solution process and strengthen societal integration. A Council of Ministers decree, which sets out the implementing procedures of the Law on Eradicating Terrorism and Strengthening Societal Integration, has been published in the Official Gazette on 1 October 2014.

Turkey is firmly dedicated to fight against corruption. Turkey continues to fight determinedly against corruption at domestic and international levels within the framework of the 2010-2014 Anti-Corruption Strategy.

The legislative package on transparency, which includes a number of measures aimed at instituting transparency in public sector, has been announced by Prime Minister Davutoğlu on 14 January 2015. A new Anti-Corruption Strategy covering the years 2015-2018 will also be prepared within the scope of this package.

With regard to the corruption allegations, it should be taken into account that the country has gone through an extraordinary period to fight against an illegal parallel structure within the state. The adherents of this organization hold positions in different public institutions including the judiciary and security forces. Turkey took certain legislative measures with a view to remove this threat which alleviates trust towards judiciary and law enforcement bodies, without prejudice to the principle of rule of law. The investigations regarding the corruption allegations are carried out by independent judiciary bodies. The Government cannot interfere into any of the on-going investigations.

It should be noted that the credibility of the judicial system has always been one of the priorities of our government as proven by the 2010 constitutional amendments. We firmly believe that an impartial and independent justice system is the main pillar of the principle of the rule of law.

As regards the reassignments of judges, prosecutors, police officers and other civil servants following the December 2013 corruption allegations, those civil servants who were under investigations based on the allegations of misconduct were relocated for prompt and fair conduct of the investigations. Besides, reassignments and reshuffles are routine annual practices.

The peer review reports which are prepared by independent experts appointed by the European Commission are considered as important reference documents. We appreciate joint and collaborative approach undertaken during the preparation of these reports.

However, we have unfortunately noted that especially in the reports on “High Council of Judges and Prosecutors” and “Freedom of Expression” the experts did not take into account the assessments correcting factual mistakes. Besides, new developments were included which took place after the cutoff date of the report. Therefore we shall only address those recommendations that are considered as objective.

We have worked closely with the Venice Commission especially regarding the 2010 Constitutional amendments. We requested their opinion on four draft laws implementing the constitutional amendments. As announced several times by the members of the Council of Ministers, we shall continue to work with Venice Commission.



As regards to the new constitution, a civilian constitution still remains one of our government's top priority. Turkey is determined to finalize this process through highest democratic principles.

The new constitution will remove the traces of the tutelage on democracy by extending the sphere of politics. It shall solve all the structural problems of the current constitution that constitute an impediment for the advanced democracy standards and will be a complementary step for a better and renewed social contract for Turkey, encompassing all segments of the society.

With regard to legislation preparation procedure and principles it should be noted that the drafts are open to the contributions of universities, trade unions, professional organizations and NGOs. According to the By-law of Legislation Preparation Procedure and Principles, draft legislation prepared by public institutions can be submitted to public via media and internet for further consultation before it is transmitted to the Prime Ministry. The second way for citizen participation in the legislative process is to attend the parliamentary committee meetings. The committees are entitled to invite experts and the NGOs to take their views in course of their discussions. In addition, NGOs are entitled to express their views by sending written opinions to the committees.

The measures to implement decisions taken by the European Court of Human Rights are duly undertaken by our relevant institutions. Moreover, Turkey has achieved a great deal of progress in the area of human rights institutions. It is pleasing to note that the Ombudsman Institution and the National Human Rights Institution are functioning effectively. Besides, amendment of the Law on the Establishment of the Turkish Human Rights Institution is on our agenda in order to make this institution more effective.

While preparing the Reform Package on Internal Security and Protection of Freedoms, we attached utmost importance to maintain the necessary balance between freedom and security. Each step we have taken is to serve the purpose of increasing the standards of Turkish democracy and hence the new law does not restrict the freedom of assembly and demonstration. Above all, peaceful gatherings and demonstration is a democratic and constitutional right and cannot be hindered in any case.

The package brings new arrangements to activate the necessary judiciary and administrative oversight mechanisms on many issues including the use of force by law enforcement authorities. For instance, the Reform Package restricts the authority of the law enforcement officers to carry out searches by the following conditions:

- This authority will not be granted to all law enforcement officers. A limited number of chiefs of police assigned by the governor will be authorized to carry out a search.
- A written order will be required to carry out searches and verbal orders in cases of emergency will later be transformed into written orders.
- The person whose vehicle is searched will be provided with a document which includes the reasons for the search.
- The search warrant will be submitted to the approval of a judge within 24 hours.
- Search warrants and their results will be subject to strict administrative control.

Furthermore, the Reform Package has provisions that aim to improve the civilian oversight of the military.

With regard to the amended Law on Medical Assistance, the Additional Article 11 aims at delivery of health services by competent persons, prevention of unlicensed organized medical activities and protection of general health. The Law does not restrict urgent, instant and unorganized medical interventions to be provided by competent persons.

We do not tolerate the disproportionate use of force of the law enforcement bodies. In cases where the boundaries of the law were exceeded by law enforcement authorities, judicial investigations have been immediately initiated. Besides, administrative investigations are duly undertaken against security forces that resorted to disproportionate use of force and those who were in misconduct.

Freedom of expression and freedom of press are safeguarded by the Constitution and other relevant legislation in Turkey. Significant changes were made in the Constitution and relevant laws especially through the Judicial Reform Packages that enhanced freedom of expression including press freedom.

There are over 7000 newspapers and magazines which are published in Turkey. The total daily circulation of newspapers published at the national level is nearly 5 millions. Four out of five of the national newspapers with the most circulation, which is a total daily circulation of nearly 2 million, favour the opposition. Two thirds of the columnists freely express criticisms of the Government. Every evening, nearly 100 debaters with different opinions appear on 18 news channels.

As regards the offences of defamation against the President, cases under the Turkish Criminal Code have been resorted to only when there are clear incidents of defamation and insults against the President, as have been the case previously.

The Law on Internet enacted in 2007 was an initiative to solve the problems arising from the fragmented structure of the legislation on internet. However, the dynamic nature of the internet has brought new challenges for further regulation. The new legislation, which includes an amendment to Law No. 5651 on internet, protects the balance between the personal rights, protection of the privacy and freedom of expression.

Based on the court decision, a preventive measure has been implemented for 166 different contents including Twitter and Youtube websites. According to the court decision, the preventive measure has been implemented against offences of making propaganda of terrorist armed organization DHKP-C, making comments endangering national security and public order and provoking people to be enmity and hostility has been committed via the news regarding the assassination of the prosecutor. The measure against Twitter, Facebook and Youtube was lifted after the removal of the content in the same day.

Located at the crossroads of numerous cultures and religions, Turkey has always valued non-Muslim minorities as a vital source of cultural diversity and richness.

Turkish constitutional system is based on the equality of individuals before the law, whose fundamental rights and freedoms are enjoyed and exercised individually in accordance with the relevant law. In this regard, Turkish citizens belonging to non-Muslim minorities enjoy and exercise the same rights and freedoms as the rest of the population.

The on-going reform process that has been carried out with determination has also led to further improvements in the legislation concerning freedom of religion.

Minority rights in Turkey are regulated in accordance with the Lausanne Peace Treaty, under which Turkish citizens belonging to non-Muslim minorities fall within the scope of the term “minority”. The term “minority” cannot be used for Muslim Turkish citizens. Religious minorities in Turkey have recently benefited from a comprehensive reform process, whose purpose is to provide higher standards for all Turkish citizens, irrespective of their ethnic or religious backgrounds.

The Republic of Turkey adheres with great dedication to its legacy of multi-faith tolerance and cultural pluralism. Non-Muslim places of worship are administered by their own associations or foundations. Property rights regarding places of worship rest with the real or legal persons that have founded them. Foreign clergymen are able to serve in places of worship in Turkey. A number of foreign clergymen have been registered in Turkey to serve in places of worship with relevant working permit. There are 387 places of worship belonging to non-Muslim communities, including 87 churches run by foreigners residing in Turkey.

Many places of worship have been renovated by Directorate General of Foundations of the Prime Ministry and reopened for service in recent years.

In 2010, Turkish authorities re-registered a former orphanage on Büyükada to the Greek Orthodox Patriarchate. Sumela Monastery is open for annual service and Akdamar Church hosts religious masses every year.

As a most recent example, I would also like to refer to the reopening for service of the Grand Synagogue in Edirne on 26 March 2015 following restoration works. The faithful restoration and re-opening of the Great Synagogue of Edirne stands as another example of the culture of peaceful co-existence on Anatolian soil.

Additionally, the decision to build a new church for the Syriac community has been announced on 2 January 2015. The preparatory work for this church has been ongoing for the past 4 years as part of the dialogue started in 2006.

Inter-faith dialogue and harmony have deep roots in Turkey. Since 2006, governmental officials have held periodic meetings with the representatives of several religious communities to address their problems. In one of his last meetings with the representatives of the religious communities in İstanbul, our Prime Minister, among other issues, announced the approval for the construction of a new church for the Syriac community in İstanbul.

These are all testimonies of Turkey's goodwill and commitment to address the religious freedom and social life requirements of various groups in Turkey.

#### Amendments Concerning Community Foundations:

Turkey has taken exemplary steps in returning immovable properties to their non-Muslim foundations. The "Law on Foundations" was adopted in 2008. Following the adoption of this Law, 105 community foundations applied for the registration of 1410 immovables. 181 immovable properties were registered in the name of community foundations as of 28 August 2009.

A decree amending the Law on Foundations was published on 27 August 2011 for further improving the situation of non-Muslim Community foundations regarding the registration of their immovables. Provisional articles of the Law on Foundations and the decree enabled the Community Foundations, within a given period, to apply for registering immovables under their foundation. As a result, 116 community foundations have applied for the registration of 1560 immovables. 333 immovables were registered, for 21 immovables compensations were paid as of January 2015. (1140 immovables were found inadmissible). For the rest evaluation process is underway.

Overall, between 2003- 2014, 1029 immovable properties have been registered in the name of community foundations,

The list of properties that were re-registered in the name of their foundations in accordance with the legislative work, includes outstanding pieces such as;

- 190 acres of woods of Agia Triada Monastery Foundation, to which Halki Seminary belongs,
- Büyükada Boys Orphanage Building,
- Ortaköy Agia Foka Greek Church, cemetery and school complex,
- Kimisis Teodoku Church in Bozcaada island together with the Monastery and the cemetery,
- Ayazma Square,
- Building used by the Greek Consulate in İstanbul,
- Galata Greek Elementary School.

Returning the properties of Greek Orthodox foundations in Bozcaada for which the relevant foundations lost their cases in the ECHR, clearly displays the sincerity of our Government in this regard.

Moreover; In accordance with the decision of the Foundations Assembly affiliated to the Directorate General for Foundations;

- Beyoğlu Greek High School for Girls was granted foundation status,
- Kadıköy Greek Girls Middle School was granted foundation status,
- Foundation status of Büyük Greek Boys Orphanage-Heybeliada Greek Girls Orphanage was returned).

Council of the Directorate General of the Foundations unanimously approved to return the property of Mor Gabriel Monastery to the Monastery Foundation on 7 October 2013. In accordance with the decision taken on 7 October 2013 by the Foundations Council, within the framework of the Foundation Law (No. 5737) the disputed 12 parcel-land has been registered on behalf of the Mor Gabriel Monastery Foundation, also known as the land of Deyrul-umur Monastery, as of 25 February 2014. The land registration process has been completed.

All these developments indicate Turkey's determination to improve democracy and extend rights and freedoms for all citizens of this country regardless of their faith, belief and ethnicity.

○ **Greek Orthodox Minority in Turkey and Turkish Minority in Greece**

We wish to see the Turkish Muslim Minority in Greece and the Greek Orthodox Minority in Turkey as a bridge of friendship between our countries. This requires that the problems of these minorities are appropriately addressed. In other words, we should prevent our Minorities to become victims of bilateral issues.

With this understanding, since 2003 Turkey has taken many steps to meet the demands of the Greek Orthodox Minority in all walks of life, including religious freedoms, minority education and protection of cultural heritage.

Greek Orthodox Minority members have started to return to Turkey thanks to the benevolent climate, stemming from the ongoing reform process. Since 2011, Prime Minister Davutoğlu is used to meeting the representatives of the Greek origin Turkish Community in Athens to listen their problems and invites them to Turkey.

As regards Education and Culture, following the demand of the Greek community for a Greek Primary School in Gökçeada permission was given as of 28 March 2013 to open a Greek minority school in Gökçeada. The school in question has been re-opened in the academic year of 2013-2014 and started its academic activities. Furthermore, The Ministry of National Education has approved, in September 2014, the opening of the Private Mor Ephrem Syriac Kindergarten by Beyoğlu Virgin Mary Chaldean Church Foundation in Yeşilköy, İstanbul. The kindergarten has started to enroll students as of 2014-2015 school year.

We expect the same constructive approach be adopted vis-a-vis the Turkish Muslim Minority in Greece.

### *Problems of the Turkish Muslim Minority in Greece*

It is a cause of concern that the problems and breaches encountered by the Turkish Muslim minority in Greece were even more aggravated since Greece has become an EU member in 1981. It is to be noted that Lausanne Peace Treaty safeguards parallel rights for the respective minorities in both countries.

Despite being EU citizens, Turkish Muslim Minority in Western Thrace face with the denial of ethnic identity; non-recognition of elected Muftis; interference in religious autonomy; expropriation and confiscation of huge amounts of private and community properties; lack of equal education opportunities; refusal of applications for the opening of new minority secondary schools and lycees as well as minority kindergartens; loss of 60.000 Greek citizenship by means of defunct Article 19 of the Greek Citizenship Law.

The situation is far worse for the Muslim community of Turkish descent, residing in the Dodacanese whose minority status is being denied.

### *Heybeliada Theological School (Halki Seminary)*

Positive steps taken by the Turkish government to meet the demands of the Greek Orthodox Minority in all fields including the religious freedoms are well known. Our Government has the will to re-open the Heybeliada Theological School (Halki Seminary) on the basis of a sustainable formula. As known, Heybeliada Theological School (Halki Seminary) was closed as a result of the decision of the Constitutional Court in 1971, which stipulates the closure of all private education institutions at undergraduate level in Turkey. This issue is addressed by our authorities with a constructive approach.



### *Ecumenicity of the Greek Orthodox Patriarchate*

“Ecumenicity” of the Greek Orthodox Patriarch is a matter of theological and doctrinal debate within the Orthodox Church. It falls out of the sphere of interest of Turkish authorities. In relations with third parties, the Patriarch is free to use the term “ecumenical”. As confirmed by the decision of the Venice commission, Turkish authorities are not under any obligation to actively employ this title when referring to the Patriarchate, nor are they under formal requisite to recognizing this institution. There is no restriction in terms of the election of religious leaders. In order to eliminate the concerns of the Patriarchate, 30 Orthodox Metropolitans were granted Turkish citizenship, based on their applications].

### *Legal identity of the Patriarchate*

In Turkey, religious institutions (Muslim or non-Muslim) can neither uphold any status, nor have legal personality. There is no discrimination vis-à-vis the Greek Orthodox Patriarchate in this regard. Similarly, religious communities do not enjoy legal personality also in some European countries. Greek Orthodox Patriarchate has been using its legal personality through its foundations. The Law on Foundations has been implemented effectively. There is no impediment for them also to establish also new foundations].

With regard to women’s rights, it goes without saying that equality between women and men before the law is one of the basic principles of the Turkish Constitution.

We are firmly committed to enhancing gender equality and combating discrimination and violence against women.

Currently, the National Action Plan on Combating Violence against Women for the period of 2016-2019 is being drafted and National Action Plan on Gender Equality is being updated for the period of 2015-2020.

On 8 March 2015, on the occasion of the International Women’s Day, Prime Minister Ahmet Davutoğlu announced the “Package on Combating Violence” which includes measures to be taken to combat violence in all spheres of life.

Awareness raising and training activities as well as inter-agency cooperation with a view to combating discrimination and violence against women have intensified in recent years.

As regards Roma Strategy; Prime Minister Davutoğlu has met with Roma citizens on 19 April 2015. Prime Minister Davutoğlu announced a declaration covering 11 main points, including issues of employment, education, preservation of the Roma culture, urban transformation, general health issues of the community and Roma people living abroad. The Roma Strategy will be finalized by the end of May. Ministry of Family and Social Policies is the responsible body for the preparation of the Roma Strategy and coordination of the relevant stakeholders in this policy area.

As to the rights of the child, significant steps have been taken in recent years to ensure that domestic laws are compatible with the UN Convention on the Rights of the Child.

Preparations are underway for the National Strategy Document on Combating Violence against Children and the Action Plan for 2015-2018.

We have continued to take measures both in law and in practice for the elimination of the worst forms of child labor and prevention of child and youth employment in heavy and dangerous works.

Within the framework of the objectives of “National Strategy Document and Action Plan on Child Rights” containing 2013- 2017 period, particular attention is placed on keeping girls in the education system with an aim to prevent early marriages and increasing the efficiency of the legal processes concerning early marriage cases.

Regarding trade union rights, Turkey has taken significant steps to make its legal framework compliant with EU norms and ILO standards. Thus, substantial improvements have been made in the related laws and regulations.

Regarding the first benchmark on trade union rights, two laws were enacted in 2012. The Law on Trade Unions and Collective Labour Agreements and the Law Amending the Law No. 4688 on Public Servants’ Trade Unions.

With the new Law which was published in the Official Gazette No. 28833 (bis) of 11 September 2014, we amended the branch level threshold for collective bargaining at 1 per cent for trade unions affiliated to confederations which are members of Economic and Social Council. Moreover, temporary Article 6 of the Law No. 6356 was amended by the Law No. 6645 which was published in the Official Gazette No. 29335 of 23 April 2015. In addition, a transitory provision has been incorporated to the Law, which allows trade unions, losing their competence for collective bargaining due to the merger of branches of activity, to sign one collective agreement without taking branch of activity into consideration. This issue was one of the issues covered by the technical document, which was prepared as a result of the high level working group meetings established to accelerate the process regarding the trade union rights, which comprises the first opening benchmark of the Chapter 19.

Regarding the protection of trade union members against dismissals in small companies due to trade union activities, Article 25 of Law No. 6356 (titled "Guarantee of union freedoms") will be amended upon the decision of the Constitutional Court issued on 22 October 2014. The aforementioned decision of the Constitutional Court has not been published yet; however, with the publication of the Court's reasoned decision in the Official Gazette, "being employed in an establishment with thirty or more workers and having a minimum seniority of six months" will not be a precondition for the workers to apply to the court. Hence, workers who are without job security will not be excluded from trade union security.

## **○ Enhanced Political Dialogue**

### **i) Good neighbourly relations**

Our relations with Greece have been evolving steadily since the inception of the dialogue process in 1999 and the improvement in our relations registered during the last few years is satisfactory. We have covered an immense distance to foster and diversify Turkish-Greek relations. Increase in the returns of the Greek minority members and their willingness to regain Turkish citizenship, as well as increasing number of Greek professionals seeking job opportunities in Turkey are tangible outcome of this efforts.

It is our sincere belief that mutual understanding and respect for each other's sensitivities on the basis of good-neighbourliness are essential to further the constructive atmosphere in our bilateral relations. With this understanding, we are resolved to make further contributions to the current positive trend in our relations. We are willing to pursue this momentum to the benefit of our peoples. Improving good neighborly relations between our countries is inevitable also for the stability and security of our region.

The two countries have held 58 round of exploratory talks so far. The last round took place in September 2014.

With the establishment of the High Level Cooperation Council (HLCC) process in May 2010, our bilateral economic relations have gained pace. Bilateral trade as well as bilateral tourism cooperation figures have been almost doubled since then. We continue to keep the 10 billion Dollars target for our bilateral trade volume (5.6 billion Dollars in 2014) as set by our Prime Ministers during the Second HLCC meeting in İstanbul, in 2013.

We are willing to foster this process also through giving pace to the implementation phase of the 48 documents signed during the three meetings of the process, to achieve tangible progress. We have recently decided to establish a Joint Working Group to this end.

We sincerely believe that opportunities presented by our proximity and geography will contribute to the welfare of the two peoples, as well as to the welfare of our region. To our opinion, transport, tourism and energy can become leading sectors, shall the two countries adopt the notion of complementarity, to the benefit of the two peoples. Ongoing economic and trade collaboration between the local communities along our borders with Greece also displays that bilateral cooperation at any scale is inevitable for the benefit of our nations.

We have shared this vision to the new Government of Greece during the visit of the Greek Foreign Minister H.E. Mr. Kocias to Ankara on 12 May 2015. Indeed, we have recently agreed to revitalize the work of the Joint Economic Commission to that end.

We are determined to reconcile our differences on all outstanding issues in the Aegean Sea. The Aegean Sea should be a sea of friendship and cooperation rather than a source of conflict between Turkey and Greece.

We believe that the Aegean issues can and should be settled by taking into account the legitimate rights and vital interests of both countries, in accordance with international law through dialogue as long as both sides act in good faith.

As far as the breadth of territorial sea issue in the Aegean is concerned, Turkey's position remains the same. This position has nothing to do with the threat perception.

### **UN Convention on the Law of the Sea (UNCLOS)**

Turkey, having agreed with the Convention in its general intent and with most of its provisions, has not been able to become a party to it, due to the fact that the Convention does not provide sufficient safeguards for special geographic situations. However, since the beginning, Turkey has adopted and abided by the provisions of the Convention that have become generally accepted as customary law. In this context, Turkey's objection, first and foremost, is related to those provisions of the Convention concerning the establishment, delimitation and breadth of maritime jurisdiction areas and their application in enclosed or semi-enclosed seas where special circumstances prevail. The Aegean Sea is considered as one of such seas.

Turkey will definitely become a party to the Convention as soon as the longstanding Aegean issues are resolved in a just and equitable manner through the means stipulated in Article 33 of the UN Charter to be based on the mutual consent of the Parties.

The Turkish Parliament's motion of 8 June 1995 is a reciprocal measure which was adopted only after the Greek Parliament took the decision on 1 June 1995 to empower the Greek Government for the unilateral extension of Greek territorial waters to 12 nautical miles. Both countries should consider revoking these motions together.

In order to dwell on all these issues in a positive manner, continuation of high level visits is deemed important. With this understanding, President Erdoğan and Prime Minister Davutoğlu have already extended invitations to their Greek counterparts.

**ii) The Cyprus settlement and Turkey’s EU accession process are two separate issues**, and it should be recalled in this context that neither Turkey nor the Turkish Cypriot side are the originators of the Cyprus issue. The Cyprus problem, which has now been continuing for over half a century, has always been one of the foremost issues on Turkey’s foreign policy agenda.

The “Republic of Cyprus” was a Partnership State founded in 1960 upon the basis of international treaties concluded between five signatories: Great Britain, Turkey, Greece and the two co-founder peoples of the Island. The Republic reflected this bi-communal partnership understanding based on the political equality of the two peoples as co-founder partners. Sovereignty devolved on Cyprus in 1960 through a joint exercise of self-determination by the two communities. The roots of the Cyprus problem can be traced to 1963, when this partnership was destroyed by the Greek Cypriots, who effectively hijacked the state and since then purport to be the “Republic of Cyprus”. Although over half a century passed since those events, they are still very much relevant. There has not been a government which legitimately represents the whole Island since the end of 1963. In 1964, the UN Peacekeeping Force was established on the Island to protect the Turkish Cypriots from Greek Cypriot attacks, and in 1968 negotiations between the two sides commenced. From the beginning of the negotiations 47 years ago, the settlement of the Cyprus problem has been a matter of the renewal of the partnership between Greek and Turkish Cypriots.

**Turkey has been declaring in a most open and clear manner its full support for a comprehensive settlement on the Island.** A just and lasting settlement in Cyprus will greatly contribute to peace and stability in the whole area of the Eastern Mediterranean and will certainly be to the benefit of all, particularly the EU.

Unfortunately, the last UN comprehensive settlement process conducted between 2008-2012 did not produce a result, despite the dedicated efforts of the Turkish Cypriot side. As a motherland and one of the guarantors which established the 1960 partnership state, this has been a great disappointment for us. The EU is now bearing the burden of importing the Cyprus problem through the political miscalculation and mistake made with regard to the 2004 enlargement. A settlement will resolve the problems emanating from this unilateral and illegitimate accession. It goes without saying that a member with UN troops and an over half-century-old unresolved issue on the UN Security Council agenda does not add much to the EU’s prestige.

The commitment of the Turkish Cypriots throughout the decades-long UN processes was proven once more in the Annan Plan referenda in 2004. But the last UN process has demonstrated again that the Turkish Cypriots' dedicated efforts are not sufficient alone. The Turkish side fulfilled all the UN's requirements for moving to the final phase which was the high-level meeting with the participation of the guarantors in order to reach a settlement through a grand bargain and go to the referenda.

The Turkish Cypriot side and Turkey have always supported a just, lasting and comprehensive settlement of the Cyprus issue throughout the negotiations under the auspices of the UN Secretary-General's Good Offices mission. The Greek Cypriot side, however, rejected all the settlement plans devised by the UN and lastly, the UN Comprehensive Settlement Plan in 2004 with 76%, whereas it was accepted by the Turkish Cypriots with 65%. It is the Greek Cypriots who must display the necessary political will. The UN Secretary-General, in his report of 28 May 2004, clearly stated that if the Greek Cypriots remain willing to resolve the Cyprus problem, this needs to be demonstrated.

Turkey, as a guarantor and motherland in Cyprus, fully and actively supports the ongoing UN negotiations for a comprehensive settlement on the Island with the aim of establishing a new bi-communal, bi-zonal federation, based on political equality between Turkish and Greek Cypriots, with a federal government and two Constituent States of equal status, as reflected in the leaders joint statement of 11 February 2014.

It should be remembered that since the resumption of the negotiations on 11 February 2014 after the election of the new Greek Cypriot leader Anastasiades in February 2013, Turkish Cypriot side had been making utmost effort to secure the convergences achieved in the 2008-2012 period and to build upon them. The Greek Cypriot side was actually reluctant to resume the negotiations and continued to resort to delaying tactics in an attempt to hinder the process. Despite the leaders' joint statement of 11 February that refers to "structured" negotiations to be carried out in a "results-oriented" manner, focusing on unresolved core issues, the Greek Cypriot side first came with new proposals in a selective manner, disregarding the convergences and tried to encourage the Turkish Cypriots to do the same. This was pushing them into a futile, time-consuming exercise, which meant losing the whole acquis of this process and returning back to 2008. In their meeting on 24 July 2014, the leaders agreed that both sides had completed the submission of proposals on all issues. Former Norwegian Minister of Foreign Affairs Espen Barth Eide was appointed as the new Special Advisor of the UNSG for Cyprus in August 2014.

Following the summer break, the leaders met again on 17 September 2014 and thanks to the flexibility of the Turkish Cypriot side, a basic agreement could be reached to move to the next phase of structured negotiations. The expectation was that the talks would proceed in a results-oriented manner and that following the referenda at the earliest opportunity, a lasting settlement would be achieved.

However, it was an unfortunate development that instead of concentrating on the UN settlement efforts which entered a critical phase following the leaders' meeting on 17 September 2014, the Greek Cypriots unilaterally started a new drilling activity on 25 September 2014 in the so-called license areas in the Eastern Mediterranean, which overlap with those of the Turkish Cypriots. This unilateral activity of the Greek Cypriots is against the spirit of the Joint Declaration of 11 February.

The TRNC Ministry of Foreign Affairs issued a statement on 3 October 2014 and declared that they will take counter-measures to protect their equal and inherent rights over the resources of the entire continental shelf of the Island. Turkey also issued a press release on 4 October and emphasized that all kinds of support will be provided in the TRNC's future steps of conducting seismic research activities. In the aftermath of the second drilling of the Greek Cypriots in June 2013, the Turkish Cypriots had already made their decision clear to send a seismic research ship and a drilling platform in the area, if the Greek Cypriots would not stop their unilateral activities. All the steps taken by the TRNC were clear responses to the Greek Cypriots' drilling activity of 25 September. In this vein, the timing of the Greek Cypriots' drilling raised question marks regarding their intention of continuing the negotiation process.

The Greek Cypriot side used the reaction of the Turkish Cypriots after the start of the drilling activity as a pretext to step away from the UN negotiations. Throughout the unilateral activities of the Greek Cypriot side, the Turkish Cypriot side repeatedly called on the Greek Cypriots to stop their unilateral drilling activity and come back to the UN negotiation table with a view to reaching an early comprehensive settlement of the Cyprus issue. Although, joint efforts were carried out together with Greece in order to find a common ground, the Greek Cypriots have opted to continue their unilateral activities and as such extended them in the current drilling area and announced a new activity in another area within the same zone that till the end of March 2015. Following this development, Turkish Cypriots decided also to continue their seismic survey activities in their own license areas.



A comprehensive settlement would also remedy the problem of equitable sharing of the hydrocarbon resources. The start of offshore drilling activities by the Greek Cypriot side in the Eastern Mediterranean has been untimely and negative in terms of the settlement process. Everyone accepts that the Turkish Cypriots have equal rights as regards the Island's natural resources. The two peoples of the Island should jointly decide on how to use the off-shore natural gas and oil resources. The Turkish Cypriots made a fair sharing proposal on 24 September 2011 and repeated it on 29 September 2012 to this end. However, they did not receive any reply from the Greek Cypriots. In the absence of a will to cooperate at the Greek Cypriot side, the Government of the Turkish Republic of Northern Cyprus designated its own licence areas around the Island and issued licences for exploration and exploitation of oil and gas reserves on these areas to the Turkish Petroleum Corporation (TPAO). The said proposals of the Turkish Cypriot side are still valid. As set forth with this proposal, Turkish and Greek Cypriots should determine jointly the future course of off-shore oil/gas activities, including revenue sharing.

It should also be noted that Turkey has no claim in the maritime areas in the south of Cyprus, including the area where the Greek Cypriots conducted drilling activities. On the other hand, TRNC has also license zones in the area. The reason why the NAVTEX message for the seismic research to be conducted by the seismic ship Barbaros Hayreddin Paşa (BHP) was issued by Turkey is that TRNC is unable to issue any NAVTEX due to the embargos applied by the Greek Cypriots. The area where BHP conducts seismic research activity does not overlap with the Greek Cypriots' drilling activity area.

Following Greek Cypriot side's drilling activities coming to an end on 30 March 2015, Turkish Cypriot side decided to withdraw the seismic ship BHP from the region. UNSG Special Advisor Eide anticipated that once the Greek Cypriot drilling activities stopped, there would be an opportunity for the talks to resume just after the Turkish Cypriot Presidential elections in April 2015.

UNSG Special Advisor Eide visited the island on 7 April and had separate meetings with the leaders. Following these meetings he announced that the negotiations will be resumed after the elections in the Turkish Cypriot side. He also stated that a settlement in Cyprus could be possible in 2015.

The Presidential elections were completed on April 26 in Northern Cyprus and Mustafa Akıncı was elected as the new Turkish Cypriot President. Mr Akıncı has openly expressed his commitment to the UN negotiation process for a comprehensive settlement in Cyprus. Mr Akıncı and Anastasiades met at a dinner on May 11 in the presence of Special Advisor Eide. Following this meeting it was announced by Special Advisor Eide that the negotiations will resume on 15 May.

Mr Eide intends to proceed with “sequenced and compressed” negotiation process in the months of May and June with a view to swiftly complete the process. The expectation of the Turkish side is that following the Greek Cypriot leader coming back to the table, the talks will proceed from where they were left off in October 2014 based on the principles and aims outlined in the 11 February 2014 Joint Statement of the two leaders. The negotiations should be held in a compressed and results-oriented manner and finalized within a determined time frame so that a lasting settlement could be achieved at the earliest. What is needed for a settlement in Cyprus is political will. Turkish side displays strong will and commitment. If the Greek Cypriot side also shows the necessary political will, a settlement in Cyprus could be possible in 2015 as stated by Special Advisor Eide. Turkey will continue to give full support to Special Advisor Eide’s efforts towards this end.

Different from the other crises and conflicts in the Eastern Mediterranean region, settlement in Cyprus is within reach. Reduced gap in per capita revenues of both sides since 2004; the water pipeline project to Turkish Republic of Northern Cyprus that will be operative in the coming months and the natural resources discovered around the Island are new encouraging elements for the success of the settlement process. There is also an increasing interest in the international community to the settlement efforts. It is high-time that the more than 50 year old Cyprus issue has been removed from the UN agenda.

Despite its rejection of the UN Comprehensive Settlement Plan in the 2004 referenda with 76 %, the Greek Cypriot side was granted unilateral, undeserved EU membership. In the absence of a settlement, the Cyprus issue has also become a problem for the EU as well. Today we are all facing the complications emanating from the EU’s decision to grant unilateral EU membership to the Greek Cypriots. This further alienated the Greek Cypriot side from the settlement aim.

The EU should give the right messages to encourage the Greek Cypriot side towards settlement. We took note of the EU Statement made by President of the European Council Mr. Van Rompuy and President of the European Commission Mr. Barroso on 11 February 2014, which expressed that the EU is ready to accommodate to the terms of a settlement. Preserving the integrity of the new state of affairs within the EU is of paramount importance. Therefore, the EU has to adapt itself to the terms of the comprehensive settlement by making it *primary law*. This is necessary for the legal security and certainty of the new state of affairs to be established.

A just and lasting settlement in Cyprus can only be achieved by minding the balance between the two sides on the Island. This is the basic requirement for a sustainable solution.

Unfortunately, the EU has so far not shown the capacity to transcend the problems emanating from the Greek Cypriots' unilateral accession. On the other hand, it goes without saying that Turkey will never allow the Greek Cypriots to unjustly impose the "Republic of Cyprus" on the Turkish Cypriots or on Turkey. However, the statement of the former President of the European Council, Mr. Van Rompuy of 7 October 2014, the latest Decisions of EU Summit and the latest resolutions adopted at the European Parliament raised questions as to the ability of the EU to play a positive role in Cyprus and contribute to the settlement in an unbiased manner.

The EU has so far treated the Turkish Cypriots unjustly and has not kept its promises. Adopting a more fair attitude towards the Turkish Cypriots is how the EU could contribute to an eventual settlement.

In the absence of a political settlement of the Cyprus question, Turkey's position vis-à-vis the claims of the Greek Cypriot side and their unilateral accession to the EU will remain unchanged. It is inconceivable to expect from Turkey as a motherland and one of the guarantor powers that established the 1960 Republic of Cyprus to acknowledge the illegitimate Greek Cypriot claims to represent the whole of the island.

Expressions such as “normalization of the relations with the Republic of Cyprus” suffer from a fundamental flaw. The Greek Cypriot Administration does not represent the whole island. They cannot claim authority, jurisdiction or sovereignty over the Turkish Cypriots, who have equal status. Therefore, we believe that the Greek Cypriots should not be encouraged to exploit international platforms, and especially an EU membership which lacks legitimacy, for their political ends. Until a final and equitable solution to the Cyprus question is found, the accession of the Greek Cypriots to any international organization cannot be considered favorably by Turkey. Accommodating Greek Cypriot demands to accede to international organizations would only reinforce their false claim to represent the whole of the island and distract them from the settlement aim. Turkey has to act in line with her responsibilities. The main “contribution” which the Greek Cypriots could make to an international organization would be poisoning its atmosphere by importing the unresolved Cyprus issue, as has been the case with the EU.

### **“Trade with Cyprus”**

We have difficulty in understanding the motivation behind constantly including this issue on the Committee’s agenda. Cyprus is an island with two sides, Turkish Cypriots and Greek Cypriots. If the Island as a whole is considered an EU member, we should not only be focusing on the concerns of the Greek Cypriots.

The EU committed itself to put an end to the isolation of the Turkish Cypriots as early as 26 April 2004, following the referenda held on the UN Comprehensive Settlement Plan. This was also in line with the call made by the UN Secretary-General in his report of 28 May 2004 and there was no conditionality attached to that. The Commission prepared a Direct Trade Regulation, a Financial Aid Regulation and the Green Line Regulation for intra-Island trade. However, the implementation of the Financial Aid Regulation and the Green Line Regulation continues to be hindered by the Greek Cypriots.

- Regarding the Financial Aid Regulation, the Greek Cypriots have been constantly trying to prevent construction projects in the North which are aimed at serving economic development of Turkish Cypriots.

- The EU's condition for contributing to land development projects in the North is that there should be no Greek Cypriot property claims on the land involved. However, we observe that when it comes to Turkish Cypriot property in the South, the EU chooses to disregard its own criteria: to our knowledge the EU is currently contributing to financing a project in the city of Paphos in South Cyprus which involves the construction of a park on land belonging to two Turkish Cypriots. This is an unfair treatment which clearly violates basic human rights of Turkish Cypriots.
- As for the Green Line Regulation, despite the amendments adopted in the Council Regulation (EC) No. 587/2008, the Greek Cypriot side is using every opportunity to block the Turkish Cypriot products.
- It is the TC's expectation that the issues concerning the crossing of commercial vehicles and of processed food are resolved as soon as possible.
- In addition, as there has for many years been an intention to amend the GL Regulation for the inclusion of animal origin products (specifically dairy products), it is the TCs expectation that the Commission will initiate the process for the amendment of the Green Line Regulation in this respect and provide more support in all necessary aspects to achieve EU standards.
- GCs do not want any Turkish names or labels on the products. Despite being part of the Green Line Regulation, processed foods produced in the North are not allowed to cross to the South. Additionally, Turkish Cypriot products cannot be displayed in the Greek Cypriot markets and the Greek Cypriot media does not allow advertisement of Turkish Cypriot products.
- Turkish Cypriot producers that do trade with the South often face restrictions that are being imposed by the Greek Cypriot authorities such as confiscation of the products which were inspected and approved beforehand by independent EU experts.
- Even the telephone numbers with a Turkish international code written on labels of products are being used as an excuse to ban the products from being exported to the South.
- Turkish Cypriot trucks carrying goods are still prohibited from crossing to the South.

- Latest figures indicate that the amount of trade from North to South, which has been decreasing since 2008, fell into the lowest level in 2013 of the last seven years. (The amount recorded in 2008 which is 7,1 million Euros fell into 3,9 million Euros in 2013 and to 3,6 million Euros in 2014)

### Trade of Dairy Products

TC side, with the support of the European Commission is actively working to reach EU standards on animal origin products. Animal Health and Animal Welfare legislation has been adopted and the General Food Safety law is in the adoption process. Other relevant legal work is ongoing. In parallel, implementation has already started with the support of EU projects i.e Animal Disease Eradication. However, no concrete steps have yet been taken to extend the trade of dairy products.

### Registration of Hellim as a Protected Designation of Origin (PDO)

It is the TC's expectation that the inclusion of an authorised inspection body in the North (Cyprus Turkish Chamber of Industry) will be insisted on by the Commission before accepting any PDO application by the GC side, in order to prevent the PDO lacking the necessary control mechanisms for its proper application and enforcement in the whole island.

Even if Hellim/Halloumi is registered as PDO, in the absence of such a control body in the North, the product will be unable to gain the necessary compliance approval.

The impact of the Direct Trade Regulation, even if it were adopted, would be limited to returning to the pre-1994 situation, when the Turkish Cypriot side actually had preferential trade with the EU. Despite the EU Commission's well-intentioned efforts in view of its adoption, the Greek Cypriot side spared no effort for preventing the adoption of this Regulation and as a result, the last attempt for this by the initiative of the EU Commission in the European Parliament taken in 2010 left the fate of the Regulation to the discretion of the Greek Cypriot side. This demonstrates yet again that the Greek Cypriots are determined to hinder the Turkish Cypriots' development at every possible opportunity, despite the fact that they are engaged in UN-sponsored negotiations to establish a new partnership and share a common future. This is another reason to question their sincerity about a comprehensive settlement of the Cyprus issue. In fact, Turkey's restrictions toward the Greek Cypriots are directly linked with the Greek Cypriot policy of isolating the Turkish Cypriots.

The Greek Cypriot side has been politicizing trade, using Turkey-EU relations to seek unilateral political gains instead of focusing on the comprehensive settlement negotiations. Turkey, on the other hand, has had a constructive approach from the beginning. In December 2004, Turkey declared its readiness to sign the Additional Protocol. Turkey has fulfilled that commitment in a timely manner. Regarding the implementation of it, there seems to be difference of interpretation between Turkey and the EU. As a matter of fact, in practice there is no impediment for free circulation of products from any EU member within the framework of the Turkey-EU Customs Union. Indeed, the statistics show that there is circulation of products from all EU members.

Turkey has also been declaring that it supports the removal of all restrictions related to Cyprus. Our Action Plan of 24 January 2006, which envisages a simultaneous lifting of restrictions by all relevant parties, is still on the table (*published as a UN document: S/2006/48*). We have always been open to contribute to efforts and initiatives that would make it possible. On the other hand, the stance of the Greek Cypriot side until now shows that their real intention is not to resolve this issue. We regret that the EU Commission's last well-intentioned initiatives taken at the end of 2010 were unable to produce results owing to the same reasons.

Today we are all facing the complications emanating from the decision to grant unilateral EU membership to the Greek Cypriot side despite its rejection of the UN Comprehensive Settlement Plan. The EU has treated the Turkish Cypriots unjustly. The Greek Cypriot side believes it can continue with its intransigence after having become an EU member. This is also why they prevented the success of the UN settlement process conducted between 2008-2012. The argument of solidarity among EU members is not relevant in this context. Disregarding the principle of fairness conflicts with the fundamental principles on which the EU is established.

The real remedy to all problems related to the Cyprus issue will be the comprehensive settlement. A just and lasting settlement in Cyprus will greatly contribute to peace and stability in the whole area of the Eastern Mediterranean and will certainly be to the benefit of all, particularly the EU. It is evident that a member with UN troops and an over half-century-old unresolved issue on the UN Security Council agenda does not add much to the prestige of the EU.

## ECONOMIC CRITERIA

Economic policies have been designed with a view to create a strong, stable, efficient and competitive market economy since 2002. Turkey has made considerable progress towards these goals, the well-being of the society has improved and the country has become more integrated with the global economy thanks to prudent macroeconomic policies and structural reforms implemented.

I would like to briefly touch upon the recent developments in Turkish economy. Following the re-acceleration in the first half of 2013 with the help of monetary policy accommodation and increasing public investment, Turkish economy grew by 4.2 percent in 2013. Since the beginning of 2014, as a reflection of the macro-prudential measures and tax regulations introduced in the last quarter of 2013 and the first quarter of 2014, the composition of growth has balanced in favour of net external demand. Real GDP growth was realized as 2.9 percent in 2014. Decomposition of the growth figures indicates that total domestic demand and net external demand contributed 1.0 percentage points and 1.8 percentage points, respectively. On the production side, industry and services sectors grew moderately in 2014 whereas agriculture has contributed negatively to the total growth. Contraction in the agriculture sector was mostly driven by adverse weather conditions in 2014.

Turkish growth performance has been outstanding with respect to employment elasticity of growth. As of 2014, 1.0 percent increase in growth transformed into 2.1 percent increase in employment generation. Over the last 5 years, 5 million 318 thousand additional jobs, most of which in the services sector, have been created. Employment rate followed an upward trend since 2009 and was realized as 45.5 percent in 2014, indicating a 5.7 percentage point increase during this period. According to the OECD, Turkey is among the best performing countries in terms of employment rate developments in the wake of 2009. Similar to the trend observed in the employment rate, labour force participation rate has also been on rise since 2008 and reached to 50.5 percent by the end of 2014, mainly due to increase in female labour participation rate. Furthermore, informal employment declined by 8.9 percent since 2009 and realized as 35 percent in 2014. The annual labour force growth level of 6.4 percent in 2014 is historically high and above the employment growth of the same year, which also contributed to rise in unemployment rate of 9.9 percent in 2014.

Due to a slowdown in domestic demand and a decline in the non-oil commodity prices, the annual growth rate of Consumer Price Index (CPI) decreased to 6.2 percent in 2012 on annual basis, being



the lowest year-end level in the past 44 years. However, the CPI has started to reaccelerate in 2013 due to increases in the prices of unprocessed food products, adjustments for tobacco products and depreciation of the Lira. As a result, the annual growth rate of CPI increased to 7.4 percent in 2013. The annual CPI inflation has continued to increase in 2014 due to lagged cumulative pass-through effects of the depreciated currency and the heightened prices of unprocessed food products mainly due to unfavorable weather conditions. Accordingly, in 2014, annual CPI inflation increased further to 8.2 percent. With the high course of unprocessed food prices, the annual CPI inflation realized as 7.9 percent in April 2015. However, together with the cautious monetary policy and macro-prudential measures, core inflation has been on a decreasing trend since mid-2014. Accordingly, annual CPI-I core inflation has eased to 7.0 percent as of April 2015. According to the Central Bank (CBRT) Expectation Survey released in April, annual inflation rate is expected to be 6.9 percent 12-months ahead and 6.6 percent 24-months ahead.

Current account deficit has shown a downward trend in 2014 thanks to the macro prudential measures that were taken by the Central Bank and Banking Regulation and Supervision Agency (BRSA) at the end of 2013 and beginning of 2014 in order to limit excessive consumer credit growth. Within this framework, restrictions on credit card limits and requirement for verification of cardholders' income have been introduced while minimum payment ratios for credit cards were increased. Together with the cautious stance of monetary policy, macro-prudential measures have led to a slow-down in credit growth. In 2014, FX adjusted credit growth rate decreased to 16 percent from 25 percent. The deceleration of consumer loan growth has been more pronounced while the commercial loans remain robust. As a result of weak domestic demand and decline in oil prices, current account deficit improved by USD 18.8 billion and declined to 5.7 percent of GDP in 2014. The improvement in current account deficit stemmed from net energy and gold balance by USD 8.3 billion, from the trade balance excluding energy and gold by USD 8.1 billion and from net services balance by USD 2.5 billion. Turkey created a non-energy current account surplus in 2014. In 2015, the current account deficit ratio which was forecasted as 5.4 percent in ERP, is expected to improve more than 1 percentage point, mainly due to declining oil prices.

Turkey did not encounter any problems in financing current account deficit and successfully met the need of external financing in 2014, mainly with foreign direct investments, long-term external borrowings and bond issuances of banks and private sector and Eurobond issuance of general government. Financing structure of current account deficit has changed in favour of foreign direct investment and long-term financing in 2014.

Strong fiscal stance was maintained in 2014. The central government budget deficit and primary surplus realizations outperformed the 2014 budget targets. The budget deficit and program defined primary balance were realized, respectively, as 1.3 percent and 0.5 percent in 2014. Although the effects of additional investment expenditures and transfers into the transportation sector caused a decrease nearly by 0.5 percent in the public sector primary balance compared to its previous year's level, the downward trend in public indebtedness continued. European Union defined general government debt stock to GDP ratio was realized as 33.5 percent in 2014.

The banking sector maintained its robust position during the recent financial fluctuations. Turkish banks were impressive with their strong balance sheets and capital adequacy as well as sufficiently high profitability. Banking sector has been supervised very closely. Basel II standards have been implemented in capital adequacy calculations since July 2012. Furthermore, necessary legislation for the implementation of Basel III standards has been completed to a great extent. Together with the compliance on international standards, capital adequacy ratio (CAR) was realized as 15.5 percent as of March 2015 and remained above the legal rate of 8 percent and targeted ratio of 12 percent. Moreover, core capital adequacy ratio, which has been calculated since the beginning of 2014, has reached 13.3 percent in March 2015. In addition, the FX net general position of banking sector indicates the absence of exchange rate risk. On the other hand, non-performing loans to total loans ratio was realized as 2.8 percent as of March 2015.

Financial markets experienced rise in uncertainty mainly stemming from advanced countries' monetary policies of mid-2013. As a response to these unfavourable developments, the monetary policy was adjusted and necessary steps were taken in order to ease tension and reduce volatility. However, additional stress in financial markets rose in late 2013. To prevent deterioration in inflation expectations and the pricing behaviour, the CBRT announced strong rate hikes in late January 2014. Financial market indicators like exchange rates, stock exchange, domestic interest rates and CDS premiums started to improve considerably after the Central Bank's decision to take cautious and simplified monetary policy actions in January 2014. Having started to achieve the intended results, monetary policy has adopted a relatively more accommodative stance in the second half of 2014. Since late November 2014, most emerging markets came under pressure once again due to increasing geopolitical risks and decreasing commodity prices. The Central Bank has revealed determination to maintain the cautious stance of monetary policy by keeping a flat yield curve in order to limit volatility in financial markets.

#### *Medium Term Projections and Policies*

Turkey has submitted the "2015 Pre-Accession National Economic Reform Program (2015-2017)" to the European Commission in March 2015. The macroeconomic scenario of the 2015 Reform Program is based on Medium Term Programme (2015-2017), which was enacted in October 2014 to provide a basis for economic and social policies for the following three years within the scope of the Tenth Development Plan (2014-2018).

The macroeconomic framework of the 2015 Pre-Accession National Economic Reform Program was prepared with a medium term perspective by taking into consideration the tightening global liquidity conditions and external risks and opportunities. It is significant for Turkey to keep the macroeconomic balances resilient through rapidly realizing necessary structural reforms, struggling with inflation more decisively and maintaining the fiscal policy stance. During the Reform Program period, our main priorities are to increase domestic savings, direct existing resources to productive areas, increase production capacity and technological capacity of the economy, increase productivity level and to contribute net exports to growth. Moreover, transformation in the existing production structure is targeted via reducing import dependency and increasing innovation capacity of the economy. The structural policies towards these areas will contribute to the increase in potential growth rate and to the decrease in saving-investment gap through enhancing competitiveness of the economy in the medium term. In this regard, the action plans of 25 Priority Transformation Programs of the Tenth Development Plan, which will provide a significant contribution towards the achievement of sustainable and high growth target of Turkey, were completed. Implementation of the programs has been started and the first monitoring and evaluation process is on-going nowadays.

While determining the macroeconomic framework of the Program, it is assumed that global growth will increase gradually, our trading partners will grow moderately, the effect of the expected interest rate rise by FED on the economy will be limited, domestic savings along with foreign capital inflows will provide adequate contribution to financing of the growth and terms of trade will partially improve.

In the Medium Term Programme (2015-2017), Turkish economy is predicted to grow by 4.7 per cent annually on average. During the 2015-2017 period, around 1.8 million new jobs are expected to be created and unemployment rate is expected to decrease to 9.1 per cent by 2017. With fiscal discipline and efficient borrowing strategies, the public sector deficit is expected to vanish in 2017 and public debt to GDP ratio is set to be below 30 per cent (28.5 per cent) in 2017. These ratios are already consistent with the Maastricht criteria. Turkey has one of the top performances compared to EU 28 countries. With the impact of macro-prudential policies and transformation programs, current account deficit to GDP ratio is targeted to decrease to about 5.2 per cent in 2017. Decline in crude oil prices is considered to be an important factor to support the recovery trend of current account deficit in 2015.

On the other hand, it is important to mention that there are some risks regarding the targets for 2015. The leading indicators point out that the growth rate has downside risks and might be below the expectations. Although industry sector has displayed a weak performance at the beginning of 2015, services sector and agriculture sector are expected to support the growth. Particularly due to the base effect, agriculture sector is foreseen to show a better performance in 2015. Current account deficit has a declining trend and macro prudential policies still continue. A new set of policy measures for stimulating investments and employment in the short term is underway. Therefore, although there will be some deviations from the targets in 2015, it is considered that this would not cause a change in medium term outlook.

In the program period, incomes policy will continue to support fiscal and monetary policies and will be consistent with inflation target. The CBRT will continue to implement inflation targeting regime, consistent with its primary objective of price stability. The CBRT will continue to supervise macroeconomic risks and financial stability as usual, in line with its main objective of ensuring and sustaining price stability. This policy framework is mainly driven by a view to slow down the rapid growth of the private sector's foreign liabilities and to improve the quality of these liabilities.

Fiscal policy will be implemented in a way to support economic stability, to keep current account deficit under control through increasing domestic savings and to raise growth potential of the economy. Sustainability of the fiscal policy will be pursued by controlling public sector borrowing requirement and primary expenditures, and preserving the achievements in public finances in previous period will be ensured. Public saving-investment gap will be reduced gradually especially by controlling public consumption expenditures and current transfers. Spending programs will be prioritized especially towards infrastructure, incentives, regional development, education and R&D supports that favour economic growth.

Main objective of structural reforms in the Program is to improve the competitiveness of Turkish economy. Structural reforms, which are important for economic and social development and macroeconomic stability, are also crucial for the convergence process with the EU. Program presents detailed information for structural reforms in areas of product markets and business environment, financial stability, labour market, public finance, agriculture, rural development and food safety, energy, transportation, R&D and innovation. In this regard, 25 transformation programs will settle structural problems. Implementation of these programs will further strengthen the institutional structure of the economy, ensure the sustainability of high growth rates and facilitate a more healthy integration with the global economy.

## ACQUIS

Regarding Free Movement of Capital, Turkey has taken significant steps in order to align its anti-money laundering and counter financing of terrorism legislation with the EU acquis as well as with the FATF recommendations. Turkey has been evaluated three times by the FATF in 1994, 1998 and 2006. The 3<sup>rd</sup> Round Mutual Evaluation Report of Turkey (MER) was adopted by the FATF Plenary in 2007 and Turkey was rated as non-compliant or partially compliant on 33 of the 49 FATF recommendations.

Since the adoption of the MER, Turkey has:

- amended the money laundering offence in the Criminal Code, by lowering the threshold for predicate offences and including elements required by the relevant UN conventions,
- adopted new regulations and amendments to existing regulations, which strengthen the requirements on customer due diligence, beneficial ownership, risk and simplified/enhanced due diligence,
- strengthened the reporting requirements for suspected terrorist financing transactions,
- adopted a new regime on the Prevention of the Financing of Terrorism.

As a result of this improvement, at its October 2014 Plenary, FATF decided that Turkey had taken sufficient steps in addressing technical compliance with the Core and Key Recommendations, and removed Turkey from the targeted follow-up process. At the same Plenary Turkey was also removed from the ICRG process of the FATF which detects and publicly announces high-risk jurisdictions.

Besides, Turkey keeps working in collaboration with its international counterparts and to strengthen legislative and administrative capacity on AML/CFT matters.

In light of these developments, it is apparent that Turkey has met the 3<sup>rd</sup> and 4<sup>th</sup> technical closing benchmarks regarding anti-money laundering and combating financing of terrorism of Chapter 4- Free Movement of Capital. We expect Commission's letter acknowledging that Turkey has fulfilled these requirements.

Concerning Real Estate acquisition by Foreigners, Turkey has taken significant step to liberalize her legislation on real estate acquisition of foreigners by abolishing "the reservation of reciprocity" with the Law No. 2644 on Land Registry and Cadastre on 18 May 2012.

- The list of eligible countries whose citizens are allowed to purchase real estate in Turkey cannot be made public since this document is adopted as a confidential document. However, in accordance with this law, all the EU citizens, except the Greek Cypriots, are allowed to purchase property in Turkey.
- Turkey's position as to the membership composition of the EU as stated by her declarations dated 1 May 2004 and 29 July 2005 remains unchanged.
- There are no special additional restrictions for Greek and Bulgaria citizens. There is a general rule for the citizens of the neighboring countries to Turkey. According to this rule, a citizen of a neighboring country cannot buy property in a city which has land/sea border with his/her own country.
- The general legal restrictions applied to foreigners, including the EU citizens, except the Greek Cypriots, are related to the military areas and the size of the property. For example, the foreigners can buy maximum 30 hectares of property in Turkey in total. Besides, foreigners cannot acquire or rent property within military forbidden zones and security zones.
- I wish to emphasize that, as of May 2015, 1811 Greek citizens have acquired 989 property in Turkey Likewise, 395 Bulgarian citizens have acquired 232 property in Turkey.

The former legislation stipulated that the maximum total area which a foreigner could acquire was 2,5 hectares (25.000 m<sup>2</sup>) in Turkey and the acquired total area of foreigners could not exceed 10 % of the improved land in the town. However, the new Law increased the total surface area of the land that can be acquired by a foreigner up to 30 hectares and eliminated the obligation to acquire real property only in the improved zones. The Council of Ministers is also authorized to increase 30 hectares up to twice. The new Law, similar to the former legislation, regulated that the total area of the real estates acquired by foreign real persons cannot exceed 10 % of the privately owned land in the town.

According to the former regulation, foreign real persons were authorized to acquire lands or buildings for the purpose of using as a domicile or an office. This obligation has been abolished by the new legislation. On the other hand, in case that foreign real and legal persons acquire a vacant land (land without any building on it), they are required to develop a project within two years following the acquisition and submit it to the relevant Ministry for approval. The realization performance of the approved project shall be monitored by the same Ministry.

Foreign companies established in other countries shall acquire real estate and limited real rights on real estates in Turkey according to the provisions of special laws. Relevant special laws are Law for Encouragement of Tourism (Law No. 2634) and Petroleum Law (Law No. 6326). According to the Law for Encouragement of Tourism (Article No. 8), the real estate within tourism areas and tourism centers for which land use plans have been prepared can be allocated to the Ministry of Culture and Tourism by the public agency having ownership. The Ministry is authorized to allocate such real estate to real persons and legal entities of Turkish and foreign nationality. According to the Petroleum Law (Article No. 87), a holder of a petroleum right (either a Turkish or foreign company) is entitled to acquire a surface lease of such land in or in the vicinity of his license, lease or certificate area as required for his operation, by agreement or by expropriation if the land is privately owned or by recording it on his license, lease or certificate if the land is not owned by anybody.

The new Law also introduced significant changes in the real estate acquisition regime of foreign capital companies. In principle, foreign capital companies established in Turkey shall freely acquire and use real estate to conduct business activities listed in the Articles of Association of their companies.



Within this context, the companies controlled by foreign investors (the companies in which foreign shareholders own at least fifty per cent of the shares or have the authority to assign or dismiss the majority of the managers) willing to acquire immovable and/or limited rights in Turkey shall apply to the Provincial Planning and Coordination Directorate (Prefecture Office) at the location of the immovable by presenting the required documents.

However, acquisitions in military zones and special security zones require permission from the Turkish military authorities and province governorships respectively.

Directly or indirectly owned companies by the above mentioned foreign capital companies in Turkey will also be subject to the same legislation (Article 36 of the Land Registry Law) provided that the total share of foreign investors is at least 50 %.

The foreign capital companies out of this scope, on the other hand, shall acquire and use real estates in equal conditions with the local companies.

Article 36 also grants exemptions to specific cases where flexibility is required for the effectiveness of implementation and where special regulations have been provided. Thus, Article 36 will not apply to the pledge on real estates, liquidation of such pledges, acquisitions of real estate within the context of mergers and divisions of the companies, acquisitions in the specific investment areas such as organized industrial zones, technology development zones or free zones and acquisitions of banks for the collection of their receivables (However, the banking regulation stipulates the liquidation of such properties within a specific period of time).

Consequently, within the frame of the favourable opportunities in the real estate acquisition regime of foreigners, there is a significant increase in the rate of acquisitions by foreigners.

The European Commission has been informed in detail by Turkey in common platforms on legislation and implementation with regard to real estate acquisition of foreigners in Turkey.

### **Monitoring and Supervision of State Aids**

The Law No.6015 on Monitoring and Supervision of State Aids was adopted on 13 October 2010 and entered into force on 23 October 2010 to ensure the compliance of state aids in Turkey with the related provisions of the agreements and decisions between Turkey and the European Union and provide notification of state aids to the related parties.

By the Law an operationally independent “State Aids Monitoring and Supervision Board (Board)” and the “General Directorate of State Aids (GDSA)” were established. The duties of the Board are designated by the Law as “to determine the framework, guidelines and the principles of state aids, to prepare the related regulation, to monitor, supervise and evaluate the compatibility of state aids and to make necessary notifications to the European Commission and other related authorities upon collection of the implementation results from the granting authorities”. On the other hand the General Directorate of State Aids carries out secretariat services for the Board.

In accordance with the original provision of Law No.6015 the regulations regarding the notification, monitoring and supervision of state aids were going to be promulgated by the end of September 2011. However, in order to give more time to GDSA for accomplishing its capacity building process, to allow aid granting institutions to make their adaptations for newly introduced system in a timely manner and also to establish a sufficient perception of the subject matter among the stakeholders the entry into force of regulations has been postponed. Pursuant to amendment made by the Law No. 6518 on 6 February 2014, it is stipulated that the regulations regarding the notification, monitoring and supervision of state aids are going to be put into effect until 31 December 2014 and the Council of Ministers is authorized to extend this period by a year for twice. In this context, Council of Ministers has used its authority and extended the time for entry into force of related regulations until 31 December 2015 with the Decision No. 2014/7091 on 22 December 2014.

In so far as the rules and principles regarding notification and assessment are going to be determined by the implementing regulation, not yet in force, monitoring and supervision of state aids are not functional as yet. On the other hand, ever since their establishments both the Board and the GDSA have been carrying on the preparations to have sufficient capacity for the enforcement of the Law once regulations are put into force. Accordingly, the arrangements of the EU for state aids and recent developments have been pursued closely.

In accordance with the Law No. 6015 the Board has continued to convene on a regular basis at least once a month in order to overview the studies pursued by GDSA, scrutinize EU acquis on state aid rules and keep up with recent developments in state aid measures implemented by EU Member States. The Board is going to commence making formal assessments of aid programs once it starts to receive notifications from the aid granting institutions in accordance with the procedure and time frame determined by the Law. Nonetheless presently it assists aid granting institutions by providing informal assessments on issues raised by them for consideration when designing or modifying their programs.

As regards GDSA, it has been established under the Undersecretariat of Treasury and currently it is organized under 5 separate departments attached to 3 Deputy General Director and a General Director on top of them. In GDSA 55 full time personnel serve of which 35 are technically competent experts in the fields of law, economics and engineering.

Within this period GDSA has proceed to its efforts for capacity development both in terms of technical and human resources. Besides new recruitments, training of existing personnel has continued via in-house trainings, secondments in DG Competition and through participation to training activities like seminars, workshops etc. held by training institutions such as the European Institute of Public Administration (EIPA) and Academy of European Law (ERA) in the subjects of EU state aid acquis and its application. Since it has been attached to great importance for improving knowledge and skills of the expert personnel in GDSA by means of training activities and secondments, efforts are going to be continued to enable an increasing number of personnel make use of those facilities in the forthcoming period.

As for activities pursued currently, besides the other duties given by the Law and the Undersecretary, GDSA has been working on the revision of the Draft regulations and the preparation for the promulgation in line with the time frame foreseen in the Law. Besides it continues to provide advisory services to aid granting institutions and make them informed on EU rules and give informal assessment on issues raised by them for consideration when designing or modifying their programs.

As last issues, pursuant to Transitional Article 3 of Law No 6015 on Monitoring and Supervision of State Aids, alignment of all existing state aids is going to be ensured in line with the procedure and timeframe set therein. Therefore, said article constitutes the action plan for aligning state aid schemes. Also another point is that, setting up of state aid inventory is going to be ensured by the entry into force of regulations. Since only by this way the Board is going to be able to assesses the notifications submitted by the granting institutions and qualify whether they constitute state aid or not.

In the fields of Agriculture and Rural Development, Food Safety, Veterinary and Phytosanitary Policy and Fisheries, as regards the implementation of the IPARD Programme, Turkey is eager to continue the success achieved in the absorption of funds in the upcoming IPARD-II period (2014-2020) with particular focus on the quality of projects to be supported and the insurance of sustainable development in rural areas.

As regards the upgrading process of agri-food establishments, establishments which have presented a modernization plan to the Ministry of Food, Agriculture and Livestock (MoFAL) should be upgraded by the end of 2015. As of May 2015, there are more than 10,000 agri-food establishments (including 3000 milk collection centres) approved according to the same technical and hygiene requirements laid down in EU legislation.

The identification and registration of ovine, caprine and bovine animals are being continued. In 2015, the electronic identification of sheep and goats will be initiated within the scope of an IPA project financed under 2008 programming. Regarding animal health, Turkey continues to fight against animal diseases, as a national priority. Vaccination and awareness campaigns are ongoing using both national resources and EU funds (IPA-SEI). The veterinary strategy document, which is being prepared under a SEI project, will cover both animal health and animal welfare issues.

As regards legislative alignment in animal welfare, 3 implementing By-laws, related to the welfare of farm animals, laying hens and calves and in line with EU legislation, have been published in November 2014.

Regarding trade in beef meat and live bovine animals, importation is carried out from exporting countries that fulfill the veterinary requirements determined by MoFAL in accordance with international norms. Currently, there are no restrictions on imports of live cattle and beef to Turkey from countries categorized as having a "controllable" and "negligible" BSE (Bovine Spongiform Encephalopathy) risk status by the OIE (World Organisation for Animal Health). According to national legislation, live bovine animals are imported from Member States, which meet the animal health and veterinary certificate requirements, determined by MoFAL. It is a country policy requirement to reach an agreement with member countries individually on the importation ground since health and production conditions differ among EU countries. However, the health certificate requirements applied to EU Member States do not differ. Moreover, important progress has been achieved in the resolution of long-standing issues regarding veterinary health certificates for the import of beef and live bovine animals. Provided that the animals to be exported originate from countries that are allowed to export these commodities to our country, the clause "born and raised" has been deleted from the veterinary export certificates for live bovines for breeding, fattening and slaughter for the EU to Turkey since 1 January 2015.

As regards fisheries, Turkey has continued studies on a Draft Fisheries Law which will serve as the legal basis for the adoption of the EU acquis. As an initial step to organise the market in line with the acquis, a strategy and action plan for the establishment of the common market organisation, including a complementary communication strategy, a training package for stakeholders and a manual for the development of production and marketing plans have been prepared under the recently finalized Twinning Project on Fishery Producer Organisations (TR11IBAG01 Institutional Capacity Building for Fishery Producer Organisations).

In the Transport Policy field, concerning Turkey's participation in the Single European Sky (SES) and strengthening the relationship between Turkey and the European Aviation Safety Agency (EASA), we expect that the negotiations on a safety agreement will start without further delay. We believe that it should be succeeded by a comprehensive Air Transport Agreement, which would institutionalize our aviation relations. To this end, it would be appropriate to discuss the EASA and other civil aviation issues together with the Horizontal Agreement.

Regarding air navigation safety in the Eastern Mediterranean, the real problem is the lack of communication between Ercan and Nicosia Area Control Centers (ACCs). Turkey has been actively working in order to find ways to enhance the interface among the relevant ACCs within the Eastern Mediterranean region, in cooperation with the European Commission, EUROCONTROL and International Civil Aviation Organization (ICAO).

Turkey has been experiencing rapid demand growth in all segments of the energy sector for decades in line with high economic growth and new consumption attitudes stemming from rising levels of welfare.

Turkey's main priority is to address its energy supply security, which can be defined as uninterrupted availability of sufficient and good-quality energy sources at an affordable price.

Within the context of realizing this policy through functioning competitive markets, Turkey has achieved substantial progress in creating an investment environment that ensures sustainable growth in the electricity, natural gas and oil sectors. To this end, Turkey has put forward a strategic roadmap which will be sustainable and which will promote investments on the basis of competitiveness in the energy sector and liberalised market economy.

Turkey aims to reach 30% share of renewables in its total electricity generation by the year 2023. Integration of nuclear energy into the Turkish energy mix will also be one of the main tools in responding to the growing electricity demand while avoiding increasing dependence on imported fuels and mitigating carbon emissions. Improvement in energy efficiency will as well constitute an important tool in addressing the climate change.

On the other hand, as a natural energy bridge between energy sources in the Middle Eastern and Caspian Regions and the EU energy markets, Turkey's goal is to become an energy hub in its region. In this vein, diversification of energy supplies and transport routes - both by energy type and source as well as route - has been and will continue to be an important measure to take. Today, we see all the more clearly the necessity for Europe in general and countries in particular that are to a large extent or completely dependent on single supplier, to diversify their sources.

The cooperation and solidarity among the producer, consumer and transit countries are inevitable in developing regional and global transportation systems in a suitable manner. Turkey lies adjacent to the regions possessing the three fourth of the world's proven oil and gas reserves. Turkey has already realized energy projects, such as the Baku-Tbilisi-Ceyhan Oil Pipeline, Baku-Tbilisi-Erzurum Natural Gas Pipeline and Turkey-Greece Interconnector Projects, which already contribute to European energy security.

In this regard, the timely realization of Southern Gas Corridor projects and strengthening of European energy security with additional projects have become even more crucial. In this respect, Turkey, together with Azerbaijan, designed the Trans Anatolian Natural Gas Pipeline Project (TANAP). We believe that TANAP carries a great strategic, economic and political importance for the region and beyond. The project constitutes a priority project for Turkey.

It will directly link the vast natural gas resources of Azerbaijan to Europe. In addition to Azerbaijan, in the future, Turkmen gas may also be transported through this pipeline. In this regard, the Declaration on the development of cooperation in this field adopted on 1 May 2015 by Turkmenistan, Azerbaijan, Turkey and EU is a step forward.

Turkey is committed to achieve the works related to the TANAP in a timely manner. The groundbreaking ceremony of TANAP has been held in Kars on 17 March 2015. The project will soon enter into the construction phase with the objective of starting the delivery of gas to Turkey in 2018 and Europe in 2019.

The improvement and development of interconnectors in Europe will also play a crucial role for the energy security. In this vein, we attach importance to the realization of Turkey - Bulgaria Interconnector (TBI) project which will pave the way initially for the delivery of the Caspian gas to Bulgaria and beyond. We welcomed the EU Member States' decision to support the Turkey-Bulgaria Interconnector (TBI) project under the funding programme called "Connecting Europe Facility" (CEF).

The signature of the Long Term Agreement on 15 April 2015 between the Turkish Transmission System Operator for Electricity (TEİAŞ) and the European Network of Transmission System Operators for Electricity (ENTSO-E) is also welcome development in terms of integration process.

In view of the existing heavy tanker traffic, as well as the physical characteristics and peculiarities of the Turkish Straits, a maritime disaster caused by a tanker carrying hazardous cargo seems inevitable sooner or later. In addition to the humanitarian and environmental perils, such a disaster would interrupt the regular flow of oil to world markets. In this respect, as LNG tankers would constitute an enormous threat to Istanbul and its 15 million inhabitants, we are against any LNG transportation through the Turkish Straits. We should not go into projects, which will further increase dangerous cargo traffic in the Turkish Straits. Furthermore, we should support the realization of projects, such as the Samsun-Ceyhan By-pass Pipeline Project, which aims to decrease the heavy tanker traffic in the Turkish Straits.

Establishment of nuclear energy power plants in Turkey is one of our priorities. We signed an Intergovernmental Agreement with the Russian Federation for the construction of a nuclear power plant at Akkuyu site with a capacity of 4800 MW. The groundbreaking ceremony of Akkuyu nuclear power plant was held in April 14<sup>th</sup>, 2015. An Intergovernmental Agreement with Japan was also signed on May 3rd, 2013 for the construction of a second nuclear power plant in Sinop. Turkey continues its preparations for the installation of these two nuclear facilities with the aim of increasing the share of nuclear power in electricity generation to at least 10% until 2023.

We deem nuclear safety as a top priority in our projects. We have already signed the Joint Convention on the Safety of Spent Fuel Management and Radio-Active Waste Management. We will be a party to the Convention once the ratification process in the Turkish Grand National Assembly is completed. We believe that the Convention will contribute to Turkey's legislative and administrative framework. A Draft Law on Nuclear Energy has been prepared. The draft envisages the establishment of an independent nuclear regulatory authority and includes provisions on licensing and permits, spent fuel and radioactive waste management, decommissioning, inspection, offences and penalties. The Draft Law for the accession of "Joint Convention on the Safety of Spent Fuel Management and on the Safety of Radioactive Waste Management" is on the agenda of the Turkish Parliament.

Regulated third party access to transmission network, storage facilities, LNG terminals is in place and implementations are monitored by the Energy Market Regulatory Authority. Moreover we are working on a draft transit law.



Regarding the natural gas market, a draft law amending the Natural Gas Market Law has been prepared and submitted to the Parliament, which is expected to contribute to further liberalizing the natural gas market in Turkey.

Energy sector plays a key role in the relations between Turkey and the EU. EU-Turkey Strategic High Level Energy Dialogue, launched on 16 March 2015, demonstrates the willingness of Turkey and the EU for further cooperation in the energy sector. Turkey is a natural energy bridge and an energy hub between energy sources in the Middle Eastern and Caspian Regions and EU energy markets. Turkey's development as an energy hub will be to the benefit of both Turkey and the EU.

However, this High Level Dialogue is not a substitute to, but a complement and support of Turkey's accession process. We expect that Turkey-EU cooperation in the field of energy will be reflected to the accession negotiations and Chapter 15-Energy will be opened to negotiations at the earliest opportunity.

We would like to underline that although the screening of Turkish energy legislation with regard to energy acquis was completed 8 years ago and impact assessment analysis of the Turkish electricity and gas sectors were realized in February 2009, the Decision of the EU Council on the screening report is still pending for well-known reasons. Keeping in mind the important progress recorded in energy sector, Turkey is looking forward to an immediate initiation of negotiations in this Chapter, which would foster and accelerate the cooperation between Turkey and the EU in the energy sector and would enhance mutual economic interests.

Concerning Social Policy and Employment, Turkey took crucial steps to fulfill the benchmarks in order to open this chapter to negotiations. As it is mentioned before, a high level working group regarding the first opening benchmark (trade union rights) was established in order to accelerate the process regarding the chapter. The working group convened three times between January-May 2014. At the end of the working group meetings, it was decided to finalize the technical document covering the recommendations for bringing the Turkish trade union legislation in line with the EU standards and ILO norms and prepare an action plan identifying the concrete steps to be taken in order meet the benchmark. We are firmly looking forward to finalizing the technical document and action plan with the contribution of the European Commission at the earliest convenience.

Regarding the second benchmark, the action plan was sent to the European Commission on 30 April 2010. We have not yet received any feedback from the Commission.

Regarding protection of young workers at work, Article 71 of the Law No. 4857 was amended. According to revised article, children would be employed in cultural, artistic or advertising activities on condition that these activities are not likely to harm the physical, social, cultural and moral development of the child and should not interfere with the child's attendance at school. In addition, prior authorization by the competent authority would be obtained for each individual activity.

In the field of occupational health and safety, Law Amending the Occupational Health and Safety Law, Some Laws and Decree Laws was adopted to improve the occupational health and safety practices. With the new provisions incorporated into the Law No. 6331 on Occupational Health and Safety, scope and amount of the fines were increased and new incentives were introduced for employers. National Occupational Health and Safety Policy Document and Action Plan were approved by National Occupational Health and Safety Council. The policy document aims to improve OHS condition in public and agricultural sectors, reduce occupational accidents in mining, construction and metal sectors and develop an OHS culture in the society.

Regarding, socially vulnerable groups, such as women, children, elderly and disabled persons, in addition to the financial and care services provided by the Ministry of Family and Social Policies, preparation of some policy documents is foreseen in the National Action Plan for the EU Accession. Within this context, preparations for Strategy Paper and Action Plan on Social Policy towards the Roma Citizens, National Strategy and Action Plan for the Rights of Persons with Disabilities, National Strategy for Social Inclusion and Strategy for Transition to Human Development are being carried out by the Ministry of Family and Social Policies.

Furthermore, the Draft Law on Anti-Discrimination and Equality with the aim of safeguarding the right to equal treatment and effectively protecting the individuals against discrimination and establishing an equality body to operate in this area was prepared.

As regards Justice, Freedom and Security, the launch of the Visa Liberalization Dialogue on 16 December 2013 provides a new momentum for Turkey-EU relations.

The European Commission published its first report on the Annotated Visa Liberalization Roadmap on 20 October. The report constitutes an important and encouraging step in the process of visa liberalization. It is stated in the report that Turkey is already well advanced on implementing several of the benchmarks in the Roadmap and has the capacity to make further progress on fulfilling all the benchmarks.

We carefully took note of the issues covered in the report, including the EU assessment on our legislation, administrative structures, practices and capacity as well as recommendations and additional regulations that are expected to be carried out.

In the report, of the 72 benchmarks, only 10 of them are considered as not fulfilled: five of them are in the “Readmission” area. 22 benchmarks are fulfilled or almost fulfilled. 40 benchmarks are partially fulfilled and recommendations are made to fulfill those benchmarks.

On 23-24th February, DG for Migration and Home Affairs Mr. Matthias Ruete and his delegation visited Turkey in order to identify the next steps in the process.

This visit has been very fruitful in exchanging views and information on the requirements stated in the Commission report with European Commission and representatives of our relevant authorities.

Turkish authorities will continue to be engaged with the European Commission to provide information on the progress made by Turkey in complying with the requirements.

Next round of EU expert missions within the framework of Visa Liberalisation Dialogue have already started in April and will continue until July 2015.

In this regard, the first EU expert mission on Block 2-Visa Policy, Migration Management was held between 13-21 April 2015 and the mission on International Protection was carried out between 3-8 May 2015. These expert missions, organized in cooperation with all relevant Turkish authorities, provide an opportunity for exchange of information and experience with the EU.

Visa liberalization for Turkish citizens, which is a priority for us, will make a substantial increase in human interactions and exchanges through trade, tourism, culture, science and arts. This will certainly have a positive impact on the public opinion in Turkey towards the EU and vice-versa.

We expect the EU to continue to handle the Visa Dialogue in a fair, balanced and result-oriented manner, so as to ensure that all the progress made by Turkey will be duly taken into account, and the duration of the visa liberalization process will not be prolonged in an unjustified manner.

The Readmission Agreement, which was signed on the same day, entered into force as of 1 October 2014. The provisions of the Agreement related to the readmission of third country nationals will be effective as of 1 October 2017. We are pleased that the first meeting of the Joint Readmission Committee will be held on 13th July 2015 in Brussels. This Committee will address the practical aspects of issues regarding the implementation of the Agreement.

Turkey's position with regard to the implementation of the Readmission Agreement to non-Schengen EU members has remained unchanged since the beginning of the process which is that "visa free travel should cover the same EU Member States for which the Readmission Agreement applies to".

Similarly the Annotated Roadmap, which would be the basis for the Visa Liberalization Dialogue states that: "For the non-Schengen EU members, Turkey will initiate the implementation of the Readmission Agreement only when these countries lift visa requirements for Turkish citizens".

Upon completion of the critical mass of requirements set out in the Visa Liberalization Roadmap including readmission of third country nationals, if the visa obligations imposed on Turkish citizens in order to provide them with a visa free regime within a reasonable time, Turkey would like to reaffirm her readiness to consider the possibility to terminate the Readmission Agreement in line with Article 24.5.

The requirements contained in the Roadmap are directly related to Chapter 24- Justice, Freedom and Security and Chapter 23- Judiciary and Fundamental Rights which are blocked unilaterally by the Greek Cypriot Administration. We believe that opening these Chapters will greatly foster the effective implementation of the Readmission Agreement and the swift completion of requirements set out in the Roadmap.

Regarding border management, the preparatory work on the Draft Law on Border Security is underway. The enactment of this Draft Law has also been included in the National Action Plan for EU Accession.

Meanwhile, Turkey continues to collaborate with Frontex in accordance with the Memorandum of Understanding signed in 2012. Frontex and Turkey also agreed on a three (for 2014, 2015, 2016) year plan of activities on 27 February 2014.

As regards cooperation with the neighbouring EU Member States, within the scope of “Regional Co-operation on Border Management among Turkey, Greece and Bulgaria Phase I” project under IPA, cross-border cooperation at local and central level has started.

Moreover the Agreement on the Establishment and Activities of a Joint Contact Centre for Police and Border Cooperation is expected to be signed this month. Turkey has already initiated the necessary procedures.

Furthermore with regard to cooperation in the Aegean Sea and the Mediterranean in order to tackle irregular migration Turkish Coast Guard, in coordination with other law enforcement units, took necessary measures to prevent smuggling of migrants.

With regard to fight against trafficking in human beings (THB) we are working on a draft legal arrangement regarding Fight against Human Trafficking and Protection of Victims of Trafficking under the coordination of Ministry of Interior. We also plan to ratify the Council of Europe Convention on Action against Human Trafficking. Both are included in the National Action Plan for the EU Accession.

#### *E-Visa Application System*

The Electronic Visa (e-Visa) Application System was launched on 17 April 2013. This system allows visitors travelling to Turkey to easily obtain their e-Visas online ([www.evisa.gov.tr](http://www.evisa.gov.tr)), in approximately three minutes.

As of May 2015, more than 7.5 million e-Visas have been issued.

Holders of Greek Cypriot passports may obtain their visas from Turkish diplomatic missions. Greek Cypriots have also been able to obtain visas on arrival to Turkish ports-of-entry since 2003.

In addition, as of 2 December 2013, Greek Cypriot citizens are included in the Turkish Electronic Visa (e-Visa) system.

In this regard, Greek Cypriots holding any types of passports of the Greek Cypriot Administration of Southern Cyprus are able to obtain single entry e-Visas of 30 day validity online at [www.evvisa.gov.tr](http://www.evvisa.gov.tr) for a fee of 20 US Dollars.

This provides additional visa facilitation for Greek Cypriots.

As of 5 May 2015, 2.990 e-visas have been issued for Greek Cypriots.

Turkey, while focusing on successful migration management, is at the same time taking every precaution to prevent illegal migration.

The number of irregular migrants, apprehended while attempting to cross our territory during 2005-2014, has been approximately 500.000. (In 2014: 58.647)

Irregular migration is a global problem and has global repercussions. This issue requires global and comprehensive approach and all countries should exert joint efforts in order to prevent and overcome the problems brought by irregular migration.

We are deeply saddened by the recent loss of lives in the Mediterranean Sea, where more than 3.500 people died in 2014. This year, so far approximately 1.600 drowned while trying to cross the Mediterranean.

We welcome the EU's recent efforts in response to the situation in the Mediterranean. In this process, cooperation with key countries, Turkey being at the forefront, is crucial.

It is evident that "security measures" constitute one pillar in combatting irregular migration. Thus, the fight against migrant smugglers and human traffickers, should definitely be intensified.

However, we believe that sustainable solution to irregular migration will only be attained by addressing the root causes of irregular migration, such as the economic, political and social aspects.

Therefore it is of utmost importance that destination countries support peace processes in conflict-affected areas and to step up humanitarian aid as well as development projects in the countries of transit and origin with a view to improving standards of living in these countries.

We also believe that further measures have to be taken to strengthen search and rescue operations to prevent more loss of lives at sea.

Turkey, while providing shelter for around 2 million Syrians and Iraqis, is exerting every effort possible to minimize irregular migration by sea. In 2014, 14.961 irregular migrants and 106 smugglers were apprehended by the Turkish authorities. The Turkish Coast Guard has initiated an “Operation Safe Med” in 2015 in order to maintain safety and security in the Eastern Mediterranean.

Frontex, the EU agency in charge of managing EU borders, will see its role reinforced through latest initiatives in light of the recent incidents in the Mediterranean. As enshrined in the MoU with Frontex, Turkey and the Agency actively cooperate in combatting irregular migration.

This institutional cooperation will be fostered with the deployment of a Frontex liaison officer to Turkey.

Turkey is ready to cooperate with the EU and all other relevant parties to prevent irregular migration, while believing in the necessity of finding a sustainable solution for migration management that requires a shared responsibility.

Our “open door” policy for Syrians continues without any discrimination of religion or ethnic origin.

The attitude of Turkish society to migrants, refugees, asylum seekers and people under temporary protection has always been one of tolerance, sympathy and solidarity.

The total number of Syrians living in Turkey reached over 1.7 million.

More than 250.000 Syrians who are accommodated in 25 temporary protection centers are provided with food, non-food items, health and education services as well as psychological assistance, vocational training and social activities. In addition to that, 1.5 million Syrians who live outside these centers are also under our protection regime and they benefit from free medical services.

As a reflection of our strong commitment to humanitarian values and principles, the Law on Foreigners and International Protection, came into force in April 2014. Furthermore, in compliance with EU standards, Turkey has also established Directorate General for Migration Management in April 2014.

The temporary protection regulation for Syrians came into force on 22 October 2014. Temporary protection regulation provided the legal status to the Syrians in Turkey. This new legal framework will complement and reinforce our humanitarian response by allowing Syrians to enjoy additional rights such as employment and education.

We have spent close to 6 billion US Dollars for Syrians in Turkey until now. However, the contribution we received from the international community (300 million US dollars) has been below all expectations. Yet, this is not sustainable. The financial burden on Turkey due to this humanitarian crisis is increasing every day.

The international community urgently needs to find innovative, long-term cooperative arrangements beyond traditional humanitarian approaches to enable forced migrants to use their talents and energy to sustain themselves and contribute to development in host countries.

In this respect, we are expecting from international community to act for solidarity and burden sharing. The Regional Refugee and Resilience Plan (3RP) for the period 2015-2016 which emphasizes on resilience will give us opportunity to alleviate the heavy burden on Syria's neighboring countries especially, in the fields of education, health care and livelihood. Education constitutes a vital part of 3RP and must be focused on creating more classrooms and education opportunities for these children.



In Turkey there are almost 550 thousand school-age children. Around 70 thousand students receive education in 963 classrooms at the camps. Outside the camps there are almost 480 thousand children who need education (among them only approximately 125 thousand have been provided education).

Hence forth, we believe that education is a foremost need for the children refugees within the scope of the reconstruction of Syria. In this respect, we expect technical support (school books, Arabic teachers, etc.) and proper funding for the implementation of the UN “No Lost Generation” Strategy from the international community.

Indeed, as the crisis enters its fifth year, the generation of young Syrians is still in danger of being lost to a cycle of violence.

We consider that developing adequate education opportunities and long-term capacities could help their current situation, and when the crisis ends, returning refugees could be a resource to their country’s reconstruction, recovery and stability.

Turkey will spare no effort in its commitment to strengthen international cooperation with a view to better managing protecting human lives and life conditions of Syrians, notably of Syrians at age of education.

#### ○ **Fight against Terrorism**

We are all aware of the threat that foreign terrorist fighters pose to our security. But this is only part of the greater terrorist threat that we face.

We are determined that the implementation of UNSCR 2170, 2178 and 2199 by all countries, including source, transit and destination countries, should be ensured.

For that matter, we would like to see foreign terrorist fighters to be stopped at their source and enhanced international cooperation for information exchange.

Our intelligence and law enforcement authorities have flagged their concerns regarding FTF flow with their counterparts from the very beginning. Qualified personnel and additional equipment are deployed to different cities at the border.

In addition to the standard counter-terrorism practices, intelligence activities have been further intensified.

The No-entry list was formed in 2011 and need for timely and detailed intelligence have been underlined since then. Upon to now, more than 13.500 people have been included in the no-entry list since the Syrian crisis erupted.

More than 1.300 foreigners were deported between 2011 and April 2015 in the context of measures against foreign fighters.

In order to prevent foreign terrorist fighters from reaching the conflict areas via Turkey, security measures have been reinforced, including new risk analysis units at the airports and enhanced passenger screening and security checks in regions adjacent to the Syrian border.

Until now, around 1.500 people were checked by these Units and more than 740 of them were denied entry to Turkey.

Yet, the most fundamental solution to the FTF threat is undoubtedly addressing the root causes of terrorist threat stemming from Syria and Iraq.

It is not fair to expect Turkey alone to stop and intervene those individuals who had been allowed to travel from their countries of residence and through other countries in transit with no restrictions. In the same vein, the fact that the flow of these individuals, who radicalize into violent extremism in their own countries, continue is a matter that needs to be addressed.

Timely information sharing is of crucial importance in stemming the flow FTFs. We expect the source countries to share information on FTFs who may travel to conflict areas.

Counter-DAESH/ISIL Working Group on Foreign Terrorist Fighters (WGFTF) of the Coalition also met for the first time in Istanbul, April 7th, 2015, under the Turkish and the Dutch co-chairmanship. The group of 32 discussed an Action Plan to counter the threat posed by the FTFs. The Plan identifies and establishes key steps in several strands of action that Coalition members, and potentially the entire international community, should undertake to disrupt the flow of the FTFs.

**Our expectations on international cooperation for countering FTFs are:**

- to initially spot and stop the persons who are suspected to travel to the conflict zones at their country of departure, including by means of exit controls,
- if that fails, than we need timely, concrete and full information sharing from source countries,
- to share info regarding those who are suspected for future travel,
- to share information about the returnees and their connections to facilitators and networks,
- increase use of Interpol channels.

*PKK*

Turkey is determined to sustain the ongoing process, initiated by the Turkish Government in 2012, aiming at putting an end to the terrorist attacks and activities of the PKK.

On 28 February 2015, the imprisoned leader of the PKK/KCK made a call to the PKK to convene a “congress” with a view to taking a decision to lay down arms.

The process is sustained in parallel to wide range of reforms for enhancing individual rights and freedoms in Turkey, including those of the Turkish citizens of Kurdish origin.

PKK attempts to exploit the process as well as the developments in Syria and Iraq to get de-listed of EU Sanctions list on terrorist organizations.

Neither the process nor PKK’s fight against other terrorist groups including DEASH can legitimize the PKK’s terrorist violence against Turkey.

While Turkey is fighting against terrorism and especially DEASH that threatens the whole region, the PKK activities in Turkey or abroad cannot be tolerated.

We expect our partners to support this process, by maintaining their resolute stance and vigilance against terrorist acts and activities of the PKK and affiliated groups.

The G-20 Presidency of Turkey is coinciding with a critical phase of the negotiation process under the UNFCCC. Turkey has no intention to open an alternative track for the negotiations in the G-20. However, Turkey stands ready to work with the G-20 members for crafting a strong message to be sent from the Leaders' Summit to the negotiation process. Turkey attaches great value to the work of the G-20 Climate Finance Study Group as well.

As regards environment, The Environment Chapter Working Group under the EU-Turkey Sub-Committee No.6 "Transport, Environment, Energy and Trans-European Networks" was held on 5 May 2015 in Ankara, three years after the last meeting. The result-oriented focus of this Sub-Committee provided an opportunity for Turkey to inform the EU regarding the state of play of implementation of Chapter 27 closing benchmarks. The meeting also enabled Turkey to share with the EU the difficulties that Turkey is facing in the transposition and implementation of some of the EU acquis in cooperation with the EU neighbouring countries, in particular in the fields of water and flood management. Turkey stands ready to cooperate with its neighboring EU Member States in the transposition and implementation of the EU Water Framework Directive and Flood Directive.

Concerning *trans-boundary issues*, Turkey will complete alignment in line with the Negotiation Position Paper. As stated in the Negotiation Position for the Directives with trans-boundary aspects, "Turkey will conclude all legislative work fully harmonizing the Directive two years before the ascertained date of Turkey's accession to the EU with the aim of full implementation by accession". Also, "adherence to the UNECE Convention on Access to Information, Public Participation and Access to Justice on Environmental Matters (Aarhus Convention), the UNECE Convention on EIA in a Trans-boundary Context (Espoo Convention) and the UNECE SEA Protocol and their implementation will start with accession". Turkey is continuing the evaluation of possible bilateral agreements on EIA for cooperation in a transboundary context with the neighbouring Member States. We expect the neighbouring countries to act accordingly as well, especially regarding water and flood management related projects.

We are aware of EU's interest in becoming a Party to the *Convention on the Protection of the Black Sea against Pollution (Bucharest Convention)*. The Bucharest Convention is open to accession of nation states only. EU's accession requires amendment of the Convention by the consensus of all Parties. Following the Ministerial Meeting/Diplomatic Conference on the Protection of the Black Sea against Pollution held in Sofia in April 2009, an Ad Hoc Expert Group was established under the Black Sea Commission to examine the possibility for the EU to become a Party to the Convention. It met three times with no significant progress. In the letter of the Ministry of Foreign Affairs of Turkey to the Black Sea Commission dated January 2011, it is stated that EU's contributions to the work carried out by the Black Sea Commission with an "observer status" is valuable and Turkey stands ready to cooperate with the EU for the protection of the Black Sea against pollution. During the 28<sup>th</sup> Regular Meeting of the Black Sea Commission in November 2012, Parties were invited to submit their views on re-launching the process for EU's accession to the Convention. Turkey has no objection for re-launching of process. However, Turkey is of the view that as a first step, the Terms of Reference of the Ad Hoc Expert Group needs to be revised.

As regards Climate Action, Turkey welcomes EU's ambitious efforts to curb its greenhouse gas emissions and engage all economies in the post- 2020 climate change regime in order to limit global warming.

Turkey has reduced its GHG emissions by 21% from the "business as usual scenario" between 1990-2012 only by means of domestic measures and resources, even though it does not have any emission reduction commitment under the Kyoto Protocol. The total amount of GHG emission reduction is estimated as 1.4 billion tons of CO<sub>2</sub> equivalent between 1990 and 2007. This figure does not include the forestry sector in which Turkey has invested 2 billion USD between 2008 and 2012. Moreover, carbon intensity (kg CO<sub>2</sub> per PPP \$ of GDP) of the Turkish economy was reduced from 0.61 to 0.3 between 1990 and 2010. Turkey will continue to combat climate change within the framework of common but differentiated responsibilities and in accordance with its respective capabilities.

Turkey gives high priority to the negotiation process under the UNFCCC. Next December in Paris, it is expected to adopt a legally binding Agreement that will determine how we will collectively address the challenges of climate change. The COP20 held in Lima last December was a milestone. It provided the necessary elements for all countries to prepare and communicate their Intended Nationally Determined Contributions (INDCs).

Turkey wishes to reach a fair, flexible, inclusive and lasting Agreement at the end of this process. The new regime should strike a balance between mitigation and adaptation. It should also facilitate the provision of scaled up finance, technology and capacity building support to all developing countries in tackling with climate change.

Turkey believes that the INDCs will significantly contribute towards meeting the ultimate objective of the UNFCCC by raising ambition, reflecting national circumstances and ensuring fairness. The flexibility and diversity of INDCs will certainly encourage Parties to go beyond what they are currently doing.

Self-differentiation is supposed to be at the core of INDCs, and the type and scope of mitigation contributions must be determined by each Party. INDCs should also be transparent, understandable and comparable. It is essential to have a clear understanding on individual and aggregate mitigation contributions.

Turkey is in the process of preparing its INDC. Comprehensive studies have been carried out in terms of economy wide projections and economic analysis, based on our National Climate Action Plan and National Strategy on Climate Change.

Developing and implementation of Nationally Appropriate Mitigation Actions (NAMAs) as well as receiving support from bilateral and multilateral international finance and technology mechanisms including the Green Climate Fund (GCF) are of critical importance for Turkey to raise its ambition and enhance its efforts in combatting climate change.

Turkey gives high priority to bilateral cooperation with the EU in the field of climate change. There are now two IPA projects: The first one is “Support to Mechanism for Monitoring Turkey's Greenhouse Gas Emissions Project” and the other one is “Capacity Building in the Field of Climate Change in Turkey”.

**AGENDA ITEM 4**  
**STATE OF RELATIONS UNDER THE ASSOCIATION AGREEMENT AND THE**  
**CUSTOMS UNION**

**CUSTOMS UNION**

**Update of the Customs Union**

The inability of the existing structure of the Customs Union to overcome persistent commercial problems is widely recognized both by Turkey and the European Union. As a result, improving the functioning of the Customs Union has been an important agenda item in almost all recent bilateral contacts. While the EU has been critical of the specific trade matters and claiming them to be contradictory with the existing rules, Turkey's concerns, in addition to specific market-entry barriers have also been related to the asymmetric structure of the Customs Union. That's to say Turkey is not a member of the European Union with a decision making capacity, but is bound to apply Common Trade Policies of the European Union. It was the expectation of EU membership by Turkey within a reasonable period of time behind the acceptance of such an asymmetric structure at that time.

Systemic problems that are negatively affecting the proper functioning of the Customs Union are also reported in the study carried out by the World Bank to evaluate EU-Turkey Customs Union. The report does not only propose to correct the unsustainable asymmetric structure of the Customs Union, but also claims that the inclusion of new areas such as trade in services, government procurement and investments within the framework of preferential regime could bring important benefits for both parties.

This situation brought the necessity for the Customs Union to be updated in order to make it fairer for the parties, and more convenient for the international trade conjuncture. We attach great importance to the update of the Customs Union, which forms the basis of our trade relations with the EU. It is important to underline that, Turkey's aim to take part in the Transatlantic Trade and Investment Partnership (TTIP) process provides an important motivation for Turkey, given that otherwise would definitely threaten the smooth functioning of the Customs Union.

Under this circumstances in the beginning of 2014, Turkey and the Commission have agreed to commence talks with a view to establish a framework for the updating of the Customs Union. To this end Senior Officials Working Group (SOWG) was established to conduct technical talks.

Following 5 meetings held by the SOWG, on 27 April 2015 both sides have agreed on an Interim Report that broadly outlines the scope and the content of possible trade negotiations.

Finally on 12 May 2015 Minister of Economy Mr Nihat Zeybekci and EU Trade Commissioner Cecilia Malmström met in Brussels and announced the agreement reached by the parties on the basis of the SOWG Report. The negotiations are now expected to start once both sides complete their internal procedures to get negotiating mandates.

Our main priorities in this process are (i) Turkey's participation to the decision-making mechanisms in areas directly related to the Customs Union, (ii) establishment of a mechanism to ensure parallel conclusion of FTA negotiations and (iii) abolishment of transport quotas bilaterally.

Additionally, Turkey aims to deepen and improve our trade relations in areas of agriculture, public procurement and services. The other important target of Turkey is to be included in the TTIP process. We strongly believe that update of the Customs Union and improvement of trade relations will facilitate Turkey's inclusion in this comprehensive agreement.

If finalized in a successful way, the update of the Customs Union would also facilitate Turkey's accession to the EU.

### **Turkey's Involvement in the EU's Decision Making Mechanisms**

While Decision 1/95 foresees the harmonization of the Turkish legislation to that of the EU and adoption of the Common Commercial Policy, it also envisages the consultation and decision making procedures to be applied. However, lack of effective involvement of Turkey in EU's decision making mechanisms constitutes one of the most important problems preventing the proper functioning of the Customs Union.



Although the Customs Union Decision itself, namely Article 59 and 60, provide the legal basis for Turkey's participation to the consultation and decision making procedures, these articles are not applied fully and effectively.

As a result, for approximately 20 years, Turkey has not had the opportunity to reflect its priorities and concerns to the formation of the EU's Common Commercial Policy. It is important to underline that the establishment of an effective consultation and decision making mechanism is indispensable for the proper functioning of the Customs Union and Turkey's compliance process to the EU legislation.

Therefore Turkey hopes that the upcoming negotiations on the update of Customs Union and the improvement of trade relations will solve these problems.

### **Turkey's Difficulties in the Area of Alignment with the EU's Free Trade Agreements (FTAs)**

Turkey carries out its best efforts to launch and conclude FTA negotiations with the EU's FTA partners. Currently, 17 FTAs are in force and 5 FTAs will be in force after ratification processes. However, despite all its efforts, Turkey is facing the "moving target problem" because of the fact that the EU initiates and enforces FTAs in advance of Turkey, while Turkey is having trouble to persuade some countries even to start negotiations.

In case where Turkey lacks a FTA with a third country which is EU's FTA partner, the goods of those countries can gain unilateral preferential access to Turkish market, whereas Turkey does not have the same preferential market access opportunities as those enjoyed by the EU. This problem prevents the Customs Union from functioning properly and results in unfair competition conditions for Turkish producers and exporters.

The differences regarding FTAs between Turkey and the EU are contrary to the main principles of the Customs Union and Article 24 of GATT, which foresees the application of the substantially same duties by the parties of a customs union.

In line with Article 56(2) of the Customs Union Decision, Turkey is expecting the adoption of a mutually acceptable solution with a view to eliminating current and future differences in the implementation of preferential trade regimes by Turkey and the EU. In this respect, more concrete actions are expected from the EU not only in working to persuade reluctant countries, but also in ensuring simultaneity in starting and finalizing FTA negotiations with Turkey.

Turkey hopes that the upcoming negotiations on the update of Customs Union will provide an opportunity for the resolution of Turkey's FTA problems.

### **EU-US TTIP Negotiations**

The problem of Turkey in reaching the moving target in EU's FTAs has become a greater concern, given the fact that EU is now negotiating with the US a comprehensive Transatlantic Trade and Investment Partnership (TTIP). TTIP is of utmost importance for Turkey considering both the ambitious scope of the Agreement and Turkey's strategic and close relations with both the EU and the US. Therefore, due to the possible adverse effects deriving from the functioning of the Customs Union in case of Turkey's exclusion from the TTIP process, it is being closely followed by the political leaders and business circles with deep concern.

US Trade Representative (USTR) Froman has recently announced that instead of a parallel FTA with the US, Turkey's involvement to the TTIP via "docking clause" almost at the end of TTIP negotiations will be considered.

Finally on 12 May 2015 a joint declaration was drafted by the Senior Official Working Group (SOWG) emphasizing Turkey's participation to the TTIP.

### **Quotas Imposed for Road Vehicles Registered in Turkey**

The application of road transport quotas by the EU member states creates obstacles to the free movement of goods principle, which is the very basis of the Customs Union. In February 2014, Turkish-Bulgarian border had been closed for two weeks due to the applications related to road transport quotas and this clearly shows the negative effect of the road transport quotas on bilateral trade.

Bilateral quotas are inconsistent with the very aim of the free movement of goods principle envisaged in the Customs Union Decision, while transit quotas are in breach of the WTO rules, in particular Article V of the General Agreement on Tariffs and Trade.

Hence, Turkey's request is swift elimination of both bilateral and transit quotas. In this framework, Turkey anticipates that result of the impact assessment of a possible road transportation agreement between Turkey and the EU provides a positive feedback; hereby a concrete solution could be achieved for this long lasting issue.

In the area of **Free Movement of Goods**, although the negotiations in this chapter is blocked due to the Cyprus issue, we continue our efforts with a view to fulfilling the opening benchmarks, where there is already a high and advanced level of alignment in the context of the Customs Union.

Concerning Good Manufacturing Practice (GMP) of pharmaceuticals issue, Turkey wants to cooperate with the Commission to find a way for a mutual recognition of GMP certificates through comparing the GMP legislation of both sides. Turkey's GMP legislation is substantially aligned with that of the EU. Furthermore, in order to ease the current backlog of GMP applications, Turkey has taken significant steps for increasing its GMP inspection capacity and the positive results will be obtained in the near future. On the other hand, this backlog of GMP applications has also been a matter of concern on our side since Turkish pharmaceuticals sector has also been confronting with the SLOT mechanism applied in the EU member states which leads to loss of time for 3 to 4 years. Another implementation in the EU creating additional costs and loss of time for our exporters is "batch release analysis" of a product in the EU as an extension of the GMP procedures.

The importation of the old, used or renovated goods is regulated by the Import Communiqué 2015/1, which was put into force on 1 January 2015. The Communiqué is based on the logic of classifying the old and used products in three lists. The importation of products in List I A are free, products in List I B are subject to prior permission of relevant institutions and in List II are directly subject to prior permission of the Ministry of Economy. On the other hand, the products in List II can be imported to Turkey without permission of the Ministry of Economy if certain conditions are met.

With regard to the implementation of the measures by Turkey for the import of certain textile products, upon the request of the Commission, Turkey allowed the use of “supplier’s declaration” for the products imported to Turkey with an A.TR document from the EU, which are originating in the countries with which both Turkey and the EU have free trade agreements and apply diagonal cumulation of origin. Current application is to the benefit of EU producers since we could have resorted to a safeguard measure instead of additional tariff, which will affect all the countries including EU and FTA countries. Furthermore, Turkey is giving maximum preferences to the measures least disturbing the functioning of the Customs Union and it also resorts to anti-dumping measures, if relevant conditions are fulfilled. Concerning shoes, similar to the textile products, products coming from EU countries and countries that we have Free Trade Agreements as of the date of the Decision of the Council of the Ministers are exempt from the additional duties.

As regards notifications of technical legislation under directive 98/34/EC, 7 draft technical regulations were notified to the Commission in the framework of the 98/34 notification procedure since August 2014.

Import surveillance system is based on Council of Ministers Decision No. 2004/7304 published in the Official Gazette No. 25476 of 29 May 2004. The purpose of import surveillance system is to closely monitor and to collect specific data regarding the imported products that are sharply increasing, but not to bring any quantity or price criteria. Data collected during surveillance is crucial for the evaluation of the domestic producers claim on injury that might lead Turkey to initiate an investigation of safeguard or anti- dumping. In order to make least effect on the trade only the products below a certain CIF value are subject to surveillance. The surveillance documents are being issued to the importers requested a document without a restriction on quantity or the value of the request and the issuance of the document is free of charge.

In the area of **Competition Policy**, regarding monitoring and supervision of State Aids, in order to ensure full alignment of state aids implemented in Turkey with the acquis resulting from the obligations stipulated in the bilateral agreements between EU and Turkey, the Law No. 6015 on Monitoring and Supervision of State Aids has entered into force on 23 October 2010 and established an operationally independent State Aids Monitoring and Supervision Board (Board) and the General Directorate of State Aids (GDSA) under the Undersecretariat of Treasury.

Assignments to all of the positions for the Board membership have been completed on 29 December 2010 and the Board has begun to operation officially as of this date. Meanwhile, the Board has been convening on a regular basis at least once a month as foreseen in the Law in order to overview the studies pursued by GDSA, keep up with recent developments in EU state aid rules and scrutinize measures implemented by different aid granting institutions. Nevertheless, legal obligations of the aid granting authorities to notify the Board on their implementations will commence with the entry into force of the regulations regarding the notification, monitoring and supervision of state aids and the Board is going to be able to assess notified aid in accordance with the Law No. 6015 and relevant regulations.

On the other hand, the technical staff of GDSA was recruited from the treasury experts and assistant experts working in the other directorates of Treasury. Moreover, in order to improve the knowledge and skills of the staff to a competent level, GDSA has continued to capacity development via training activities conducted both in-house and by technical assistance of the EU. In this context, secondments in the related services of European Commission and participation to studies concerning competition and state aids in different platforms such as OECD are part of capacity development activities pursued by GDSA.

As for activities carried out currently, besides the other duties given by the Law, the Undersecretary, General Directorate continues to provide advisory services to aid granting institutions and make them informed on EU rules and give informal assessment on issues raised by them for consideration when designing or modifying their program.

In the Law No. 6015 the promulgation of the regulations regarding the notification, monitoring and supervision of state aids which concerned the implementation of the provisions of the Law had been determined to be accomplished until the end of September 2011 at latest. However, in order to give GDSA more time to complete capacity building process and to allow aid granting institutions to make their adaptations for the newly introduced system in a timely manner, promulgation of implementing regulations was postponed for a third time with the Decision No. 2014/7091 of the Council of Ministers published in the Official Gazette of 1 January 2015. In accordance with this amendment, the deadline for the entry into force of the implementing regulations regarding notification and supervision of state aids has been prolonged to 31 December 2015.

## Alignment with the Technical Regulations of the EU

With respect to harmonization of legislation on “Safety of toys” and “Transportable pressure equipment”, despite all the delays we faced in the past two years, we appreciate the Commission’s recent proposal of signing Statements where the “territoriality” principle would be referred. Not a long time ago, we received the draft proposals of the Commission. After we will make our inter-institutional consultation, we will determine our position on the statements.

In many cases, the existence of a Customs Union relationship has been ignored by the EU and Turkey has been treated as a third country, when adopting a new legislation, and even it is directly related with the Customs Union. This has been the case for REACH, CLP and Biocidal Legislation, which are all designed and implemented without considering the Customs Union. Turkey still considers that the lack of direct submission for Turkish chemical exporters of their REACH registration dossiers, CLP notifications and authorization requests for chemicals and biocidal products to the ECHA is inconsistent with the Article 5 and 7 of the Decision 1/95 due to their adverse effects which we find equivalent to import restriction.

Taking this opportunity, we would like to reiterate once again, for more than two years, Turkey has been awaiting the legal response from the Commission regarding its *non-papers* on the abovementioned legislation which analyze the issue based on a similar case that was previously subject to the European Court of Justice.

Another implementation in the EU creating additional costs and loss of time for our exporters is “batch release analysis” of a product in the EU as an extension of the GMP procedures. In fact, Article 51 of the Directive 2001/83/EC enables that in case of conclusion of a mutual recognition agreement with the European Commission, any third country can carry out those batch release procedures in their own territory.

Therefore, in case of reaching a mutual recognition agreement between the Commission and Turkey at the end of the GMP initiative, taking this opportunity, we would like to confirm that batch release analysis certificates of Turkey will be recognized by the EU countries and Turkey will be exempted from mandatory batch release analysis in the EU member state territory. Turkey is ready to provide further information to the Commission on this issue.

## **Problems Related to Trade in Agricultural Products**

Continuous problems resulting from official controls conducted at Kapitan Andreevo constitute non-tariff barrier for our exports to the EU.

First, we would like to draw your attention to 100 % control for fruits and vegetables originating from Turkey and the high fees charged. While the EU Notification of Reduced Plant Health Checks foresees conducting plant health checks at a reduced frequency for products originating from Turkey, Bulgarian authorities control every single consignment with plant health check purposes and also charge a fee of 250 Euro for loading/unloading services for all of these consignments.

Recently, we have also been receiving complaints from our hazelnut exporters with respect to physical controls at Kapitan Andreevo. While the relevant EU legislation allows physical controls for hazelnuts to be carried out at destination points, Bulgarian authorities are subjecting our hazelnut consignments to compulsory controls at Kapitan Andreevo and also charging loading/unloading fee of 250 Euro. Hazelnut exporters also complain that hazelnuts are taken in buckets for sampling and packaging is damaged during this process.

While we fully respect the measures taken for consumer health we believe that they should be applied in a way which is least disruptive on trade. We would like to reiterate our expectation for the solution of this problem and request to be updated on any progress regarding this issue.

Delisting of dried apricots from annex 1 of Regulation (EC) 669/2009 as regards the increased level of official controls on imports of certain feed and food of non-animal origin.

In the European Union (EU) countries, the acceptable maximum limit value of sulphite residue for sulphureted dried apricots is 2000 ppm.

In Turkey, the trade of dried apricots is very important and firms that export to EU, one of our most important trading partners, are closely monitored by the inspection bodies.

In this regard, consequent to the increased level of import controls on dried apricots since 1 July 2014, it is seen that 22 product lots of 16 firms have been rejected by the EU member states border control authorities.

These firms are closely monitored by the inspection bodies of the Ministry of Economy and the Ministry of Food, Agriculture and Livestock.

The returned products are re-inspected for sulfur dioxide during the entry into our country according to Turkish Food Codex maximum limit value, determined in accordance with the EU legislation, is 2000 ppm. If the sulfur dioxide level of the inspected products is above 2000 ppm, those products are rejected and not domestically marketed.

To carry out the inspections of dried apricots efficiently, the firms are asked to perform sulfur dioxide analyses of sulfured dried apricots before their export application to TAREKS. In addition to this, the frequency of the control within the TAREKS system at export level has been increased as of April 2015.

In the light of this information, we are looking forward to the delisting of dried apricots originating from Turkey from Annex I of Regulation 669/2009 as regards the increased level of official controls on imports of certain feed and food of non-animal origin.

### **Tax Discrimination between Local and Imported Alcoholic Beverages**

As it is well known that Action Plan of 18 May 2009 aims gradual elimination of different taxation of high strength alcoholic beverages by taking into account market structure of Turkey.

As a first step, Turkey has reduced the difference among tax amounts of alcoholic beverages in 2009. Thus, the parity between raki and whisky has been reduced from “1,98” to “1,67”. As the second step of the Action Plan; in 2012, Turkey has reduced the parity between raki and whisky has been reduced from “1,66” to “1,32”. Finally; with a Cabinet Decree dated 30 December 2014, the parity between raki and whisky has been reduced from “1,32” to “1,15”. With this regulation, while tax amount of raki is increased tax amount of whisky has been maintained. The tables regarding the current tax amounts and the parities are in the Annex.

As stated in the Action Plan, tax differentials between imported and locally produced beverages will be eliminated gradually up to 2018. The Plan is a key to our road map in Taxation Chapter and the proportionality relationship between different alcoholic beverages is at the core of the Action Plan.



Concerning **Intellectual Property Law**, due to Turkey's obligations stemming from the Customs Union, the level of alignment of Turkish intellectual property legislation with the relevant EU *acquis* is high. Turkish institutions responsible for implementation and enforcement continue their studies for increasing their institutional capacities. Developments in this regard are shared with the European Commission in the meetings of the Working Group on Intellectual Property Rights. The fifth meeting of this working group was held on 25 March 2015.

Regarding implementation, Turkish Patent Institute carries out various projects, protocols and training programs in order to establish an effective intellectual property system with related institutions in Turkey and also with the international organizations such as EPO, WIPO, OHIM.

In order to fight against piracy, "Provincial Inspection Commissions" were established in 81 provinces. QR Code readers that detect the fake banderoles are extensively used during the operations. Moreover, in order to ensure specialization of the Turkish National Police personnel, "Intellectual Property Crime Units" were established in 81 provinces. Turkish National Police continues to conduct large-scale raids ex-officio. Besides, various activities for the purpose of increasing public awareness and consciousness in the intellectual property rights area are carried out.

As regards IPR enforcement at customs, Ministry of Customs and Trade has enabled rightholders and their representatives to make online complaints since 1 April 2013. Number of applications regarding IPR infringements increase continuously. Moreover, risk profiles have been created on intellectual property rights and they are updated regularly on the basis of goods, firms and countries in order to fight against potential intellectual property rights infringements.

With regard to judicial enforcement, Ministry of Justice has set up special prosecutor bureaus for IPR inquiries. Additionally, 25 specialized courts on intellectual property rights are established in 3 big cities. In this way, specialization in the area of judiciary has increased and the average time for decisions by IPR courts has decreased significantly.

## **MISSION FOR GROWTH**

Turkey welcomes the EU's initiative to organize a Mission for Growth in Turkey. We believe that bringing together the European companies, especially SMEs, with Turkish companies and as well as related Turkish authorities is a good opportunity for further cooperation in areas of trade and investment.

As you know, establishment of a joint Business Round Table has also been in the agenda. On our side, Foreign Economic Relations Board (DEIK) is responsible for preparations that are going on for determination of the Turkish members of the EU-Turkey Business Round Table.

It is our opinion that Mission for Growth and joint business platform will also contribute to the development of an enhanced macro-economic dialogue. It has been quite some time since we have received the proposal of Mission for Growth. Yet, there has been some delay due to elections of the European Parliament and appointment of new Commissioners.

We should underline that, we need to know, exactly when it is expected to take place well in advance, so that we can complete our preparations for a successful organization.

## **FINANCIAL ASSISTANCE TO TURKEY**

The Accent Law concerning the approval of the Framework Agreement was published in the Official Gazette of 28 April 2015. Following the signature of the Agreement by the Council of Ministers and the finalising of exchanging of the "note verbale", the agreement will enter into force.

In terms of adoption of the programmes, after the ratification of the Framework Agreement, regarding the annual IPA II Programme for 2014 and multiannual programmes for environment and climate change, transport, competitiveness, employment and social inclusion internal adoption process will be completed.

As regards the new strategic approach, we are glad to see that all our relevant institutions have swiftly adopted the new method of programming. The programming of 2014 and 2015 was conducted effectively according to this new approach. We agree to continue with sectoral approach in coming years in collaboration with the European Commission.

We appreciate efforts of of European Commission and the EU Delegation to minimize the de-commitment risk. We believe that our close coordination will continue to take under control of delays in implementation and yield positive results in mitigating de-commitment risk.

Based on the lessons learned from the IPA I period at all levels, more flexibility and simplification of procedures were expected in IPA II period. However, the legal framework does not propose practical solutions to bottlenecks in the programming and implementation stages. The new modalities introduced such as sectoral budget support do not seem to solve the problem. Therefore we expect the Commission and the EU Delegation to take necessary initiatives in order to improve the efficiency and effectiveness of current methods of the system.

Following the introduction of sector approach and the availability of the sector budget support option with the new IPA implementation principles, a high level internal consultation was held between the related Turkish institutions. The high level inter-ministerial consultation will submit their opinion to the Economy Coordination Board composed of all the related Ministers. As the modality itself much relies on “political dialogue” and hence the decision to opt this modality will also be a political one.

As regards the Syrian Crisis, we are pleased to see the support of our European friends in this humanitarian crisis. The cooperation and harmony will continue in the context of all available tools including the EU Trust Fund and other mechanisms. We can also consider the allocation of the de-committed funds as a source for the Syrian Crisis.

**AGENDA ITEM 5: ANY OTHER BUSINESS**  
**EXEMPTION OF DENIZBANK FROM THE EU RESTRICTIVE MEASURES IN**  
**RESPONSE TO THE CRISIS IN UKRAINE**

In response to Russia's actions in Ukraine, the Council of the European Union adopted restrictive measures against five Russian banks including Sberbank. With its regulation, the EU prohibits the direct or indirect purchase, sale, provision of investment services or assistance in the issuance of, or other dealings with transferable securities and money market instruments if those securities are issued by the five listed Russian banks. Moreover, the EU Regulation prohibits nationals of the EU from directly or indirectly making or being part of any arrangement to make new loans to the listed Russian banks.

Successfully carving out EU subsidiaries of the listed Russian banks, the EU Regulation extends the application of these measures also to non-EU parties whose proprietary rights are majority owned by the listed Russian banks.

Sberbank is DenizBank's majority shareholder and it is among the prohibited Russian banks according to the EU Regulation. Thus, these restrictions directly apply to DenizBank.

These restrictions have an enormous impact on DenizBank's ability to receive funding from European and major global financial institutions, trade finance operations and derivatives business.

As the target of the Regulation is Russia, sanctioning a Turkish bank is clearly an unintended consequence of the measures. This has been confirmed by the relevant contacts in the EEAS and Relex. Moreover, in the case of DenizBank, which is fully devoted to the Turkish market, it creates an unfair competition with the other local banks and creates liquidity issues.

Recently, the bank filed a court case to the European Court of Justice on the grounds that the application of the EU Regulation to DenizBank constitutes breach of European Union's obligations under Ankara Agreement, and Additional Protocol; particularly Article 9 of the Ankara Agreement (prohibition of discrimination on grounds of nationality), Article 41 of the Additional Protocol (standstill clause in the sphere of freedom to provide services), Article 50 of the Additional Protocol (standstill clause in the sphere of free movement of capital) and Article 58 of the Additional Protocol.

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