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HIGH REPRESENTATIVE
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JOINT COMMUNICATION TO THE EUROPEAN COUNCIL

State of play of EU-Turkey political, economic and trade relations

1. INTRODUCTION

The December 2020 European Council¹ noted that Turkey has engaged in unilateral actions and provocations and escalated its rhetoric against the European Union, its Member States and European leaders. It reaffirmed that the European Union has a strategic interest in the development of a cooperative and mutually beneficial relationship with Turkey. It underlined that the offer of a positive EU-Turkey agenda remains on the table, provided Turkey shows readiness to promote a genuine partnership with the Union and its Member States and to resolve differences through dialogue and in accordance with international law. It also stressed that the European Union remains committed to defending its interests and those of its Member States as well as to upholding regional stability.

In this regard, the European Council invited the High Representative and the Commission to submit a report on the state of play of EU-Turkey political, economic and trade relations and on instruments and options on how to proceed, including on the extension of the scope of the Council Decision of 11 November 2019², for consideration at the latest at the March 2021 European Council. The following Joint Communication responds to this invitation. It does not replace or prejudge the next Commission enlargement package including the country report on Turkey.

II. POLITICAL RELATIONS

The political context in EU-Turkey relations has progressively deteriorated over the past years, bringing to a virtual halt the various instruments and processes for bilateral engagement and cooperation. This has been mostly due to Turkish actions in the **Eastern Mediterranean**, directly challenging the rights of the Republic of **Cyprus** in its maritime zones, and a sharp increase of Turkey's provocative actions against **Greece**; the failure to advance in the **Cyprus settlement** process, coupled with Turkey's related threatening actions and disparaging rhetoric; and assertive Turkish interventions in most of the surrounding **regional conflicts**, in ways that often were at odds with broader EU interests. Moreover, the further deteriorating **domestic situation** in Turkey, notably in the area of fundamental rights and economic governance, has had clear negative effects on Turkey's relations with EU Member States and on the bilateral EU-Turkey agenda.

1. *Eastern Mediterranean*

Over the recent years, tensions in the Eastern Mediterranean increased. They reached a peak at the end of February 2020, when Turkey, in contradiction with the March 2016 EU-Turkey Statement, actively encouraged migrants and refugees to force their way into the EU. This led to situations of violence at **Greek** land and maritime borders. A major crisis was averted following strong diplomatic action, including the visit to Ankara of the President of the European Council and the High Representative/Vice-President and a joint visit to the Greek border by the Presidents of the European Parliament, the European Council and the European Commission. This was followed by a return visit to Brussels of President Erdogan in early March.

¹ <https://www.consilium.europa.eu/media/47296/1011-12-20-euco-conclusions-en.pdf>

² <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32019D1894&from=GA>

Throughout the year, Turkish authorities continued to pursue unauthorised deployments of drilling or exploratory vessels in the maritime zones of the Republic of **Cyprus**.

Turkey's disputing **Greece** over maritime boundaries in the Aegean and the Eastern Mediterranean remained a major irritant. In August and October, Turkey deployed a seismic research vessel near the Greek island of Kastellorizo, escalating tensions close to a possible clash between the two NATO allies. These actions were accompanied by abundant antagonistic rhetoric challenging the rights of both the Republic of Cyprus and Greece. The Turkish Navy accompanied the drilling ships during their operations. The actions at sea comprised military manoeuvres and led to incidents with Member States.

As regards **Greece**, the signing of a bilateral Memorandum of Understanding on the delimitation of maritime jurisdiction areas between Turkey and the National Accord Government of Libya in November 2019 further increased tensions. The Memorandum ignored the rights of Greece's islands in the areas concerned. There was a further sharp increase in other provocative actions by Turkey towards Greece, in particular Turkish overflights of Greek inhabited areas, as well as threatening naval exercises and accompanying rhetoric throughout the year. While Greek-Turkish maritime issues have existed for a long time, dialogue aimed at addressing them was interrupted in 2016 and 2020 was a year of constant flare-ups and sustained tension, which led NATO to pursue de-confliction talks between Greece and Turkey.

The 2020 December European Council, while condemning again Turkish provocative actions during the past period, underlined simultaneously the relevance of EU-Turkey relations and offered a **perspective of reengagement** should Turkey cease pursuing an antagonistic path. It also indicated that **other options** would be considered, if this was not the case.

The situation began to change towards year-end. Turkey broadly welcomed the December European Council conclusions and started sending signals on the importance attached to the relationship with the European Union and its Member States. To date, conflictual deployments of Turkish vessels have ceased, messages of reengagement have continued. A positive momentum for dialogue and negotiations has been created and the first steps for the two major negotiation processes have been re-initiated: the relaunching of exploratory talks on maritime issues between Greece and Turkey on 25 January and the dialogue on a relaunch of the Cyprus settlement, for which informal talks have now been scheduled (27-29 April in Geneva).

The delimitation of the continental shelf and Exclusive Economic Zones should be addressed through dialogue and negotiations in good faith, in accordance with international law, including the UNCLOS, having recourse, if necessary, to the International Court of Justice. In the above context, unequivocal commitment to good neighbourly relations and to the peaceful settlement of disputes remains essential.

The High Representative has undertaken continuous efforts to create a conducive environment for sustainable de-escalation in the region. The withdrawal of Turkey's seismic exploration vessel "Oruç Reis" allowed for the resumption of Greek-Turkish direct exploratory talks on 25 January 2021. The last round of talks (62nd) took place on 16 March 2021 in Athens, back to back with political consultations (17 March) at high officials' level. It is necessary to see a credible pattern in Turkey's stance in the Eastern Mediterranean, without setbacks, to prove that the expressed intentions are genuine, and to ensure that

broader de-escalation in the region is sustained. Recent minor incidents remind us that the de-escalation is still tenuous and needs to be consolidated.

2. *Cyprus issue*

The Cyprus settlement issue is a core element of Turkey's strong disagreements with the EU in the Eastern Mediterranean. During 2020, hope for progress on the Cyprus settlement process had to be put on hold until after the elections of the Turkish Cypriot community in October-November 2020. The electoral context led to an increase in polarising rhetoric and provocations, prompting strong reaction from the EU as reflected in Council and European Council conclusions.

Since the start of his mandate, and in particular during his visits to Cyprus in June 2020 and March 2021, the High Representative/Vice-President has expressed his full support for the United Nations Secretary-General (UNSG) aiming at the speedy resumption of the **Cyprus settlement talks**. The UNSG office's efforts continued unabated despite the unilateral actions in the fenced area of **Varosha** as well as repetitive statements directly questioning the agreed basis for the solution to the Cyprus problem as provided by the relevant United Nations Security Council Resolutions (UNSCR), the latest of which was adopted on 29 January 2021 (UNSCR 2561). Both the EU and the UN asked Turkey to reverse its unilateral action in Varosha in November 2020 (opening of the fenced area of the beach).

Since the Crans Montana peace talks of 2017, the UN continued to engage 'with the European Union in its capacity as an observer to the Conference on Cyprus' and the EU kept in very close contact with the representatives of the 5+1 format. The EU is committed to a fair, comprehensive and viable settlement of the Cyprus problem, including its external aspects, within the UN framework and in accordance with the relevant UN Security Council Resolutions, in line with the principles on which the EU is founded. Talks between the two communities, eventually leading to an agreement, are essential for decreasing tensions in the Eastern Mediterranean. A number of proposals for **confidence building measures** have been exchanged among the parties including on the **sharing of revenues from the exploitation of hydrocarbons**, and the EU continues to stand ready to facilitate the necessary technical work in this regard. Positive outcomes related to practical and vital issues for the Turkish Cypriot community – such as facilitation of export of Haloumi/Hellim cheese and distribution of COVID-19 vaccines – could lead to an environment conducive to more trust³. The EU's engagement and support to the Cyprus issue is *sine qua non* for easing tensions in the region. It is clear how Turkey's non-recognition of the Republic of Cyprus continues to lead to the blockage of different paths of cooperation. Normalisation of EU-Turkey relations will remain extremely challenging in the absence of a solution to the Cyprus issue.

3. *Eastern Mediterranean Conference*

The European Council also tasked the High Representative/Vice President with organising a multilateral regional conference, involving Turkey, as part of a broader confidence building measure. The HRVP continued the preparatory work for a **Eastern Mediterranean**

³ The Commission has launched the adoption of the legal instruments for the registration of Halloumi/Hellim as a Protected Designation of Origin, allowing Halloumi/Hellim produced in the Turkish Cypriot community to be traded across the Green Line, provided that the cheese fulfils the relevant EU *acquis*. The decisions will stimulate improvements in health and sanitary standards in the Turkish Cypriot community, bring substantial economic benefits to both communities, and foster closer co-operation and confidence building between them.

Conference, through initial talks to explore its modalities (scope, participation, process and timeline) and potential topics whilst not pre-judging any decision by the EU on the opportunity to hold or not hold the conference. All is still to be agreed. Clear reactions from other potential participants show that, unless circumstances in the region change substantially, it is unlikely such a Conference could be held in the short term.

4. The broader region

Turkey's increasingly assertive foreign policy collided with EU priorities under the Common Foreign and Security Policy (CFSP). While the institutional framework enabling Turkey's participation in CFSP and the Common Security and Defence Policy (CSDP) is in place, in 2020 Turkey recorded a very low alignment rate of around 11%. Turkey continued not to align with most Council decisions (restrictive measures), including related to Russia, Venezuela, Syria and Libya, and with EU declarations such as on Nagorno-Karabakh.

The last EU-Turkey high-level political dialogue including on CFSP/CSDP took place in Ankara in November 2018 and the last dialogue at Political Director's level in September 2019. Many Member States have strong bilateral ties with Turkey on foreign policy, security and defence. In light of Turkey's increasingly active and assertive foreign policy, substantial joint work has to be sustained to defuse further tensions and introduce confidence-building measures in the **broader region**. Throughout January - March 2021, the EU and Turkey initiated a diplomatic dialogue with a view of reaching a deeper understanding of respective interests and of possible mutually benefitting and sustainable solutions, in particular for two theatres where direct EU interests are at stake in Libya and in Syria.

It is clear that since Turkey's active **military** intervention in Syria and Libya, Turkey has pursued its own foreign policy without taking into account the broader interests of the European Union, including the EU's security concerns.

Turkey's military support in **Libya**, including through deployment of foreign fighters on the ground, and its persistent criticism of and lack of cooperation with Operation IRINI, are detrimental to the EU's effective contribution to the UN arms embargo implementation, and have led to conflicting approaches in Libya. Following the formation of a new, inclusive government, which received the confidence of the House of Representative on 10 March and was sworn in on 15 March 2021, it is important to engage with the new authorities and constructively supports the next steps. This includes, in particular, a swift transfer of power to the new authorities, the reunification of the institutions, the preparation of elections planned to be held on 24 December 2021, the full implementation of the October 2020 Ceasefire agreement and a genuine national reconciliation process. As an influential actor in Libya, Turkey's cooperation with the UN and the other regional and international players to move forward will be essential on all strands of this challenging process, and in particular on the political process, economy and security.

As a direct neighbour Turkey wants to see a stable and prosperous **Syria**, an objective it shares with the EU. Maintaining Syria's territorial integrity and promoting a peaceful resolution of the conflict through the UN led political process is paramount.

The EU and Turkey agree on the need to accelerate the work of the Constitutional Committee and other elements of UNSCR 2254, such as a release of detainees and efforts to promote accountability for war crimes in Syria. The EU encourages Turkey to ensure that the Syrian

opposition SNC is inclusive. Turkey made significant efforts to uphold the ceasefire in northwest Syria (Idlib) and to facilitate large-scale cross-border humanitarian aid through Turkey to northwest Syria. It continues to host at least 3.6 million refugees from Syria.

However, Turkey's military actions, including through Turkish-backed militias, in Northern Syria, especially in the north east, have led to large-scale displacements and reports of human rights abuses against the civilian population. Access for international aid organisations remains restricted while the Turkish Red Crescent continues to play a dominant role.

Turkey's resettlement of Syrian refugees in formerly Kurdish areas remains an issue. Any return of refugees to the country needs to be safe, voluntary and dignified, and carried out in consultation with, and according to the parameters and principles laid down by UNHCR.

Turkey is also active militarily in northern **Iraq**, carrying out strikes against Kurdistan Workers' Party (PKK).

While the EU considers the PKK a terrorist organisation, countries in the region are encouraged to coordinate bilaterally anti-terrorist activities, as well as to act proportionally and in full respect of the rule of law.

Turkey's most recent support for military actions in the Caucasus during the **Nagorno Karabakh** related hostilities have led to further questioning of Turkey's regional role.. It departed from promoting a peaceful settlement and supported Azerbaijan's push for a military solution. The border between Turkey and Armenia has been closed since April 1993. The EU encourages Turkey to open its border with Armenia.

In December 2020, Turkey proposed a regional cooperation group that would include Armenia, Azerbaijan, Georgia, Iran, Russia and Turkey. The EU continues to fully support the efforts of the international format of the OSCE Minsk Group led by its Co-Chairs and expects Turkey to align with the EU in this regard.

5. Cooperation on Common Security and Defence Policy and Counter Terrorism

Turkey is a key player in the area of security and defence. However, the non-recognition of the Republic of Cyprus, Turkey's broad interpretation of the agreed framework of 2003 (Berlin Plus arrangements) and its narrow interpretation of the EU-NATO cooperation framework create practical and operational difficulties, including to further developing a genuine EU-NATO organisation-to-organisation relationship. Turkey continues to request to be involved in EU defence initiatives (Permanent Structured Cooperation (PESCO), European Defence Fund (EDF)). On counter-terrorism, bilateral cooperation between Turkey and EU Member States security services is working well. However, in autumn 2019, Turkey requested to postpone the regular counter-terrorism dialogue with the EU following the condemnation of its military operation in North-East Syria and adoption of framework for restrictive measures related to the Eastern Mediterranean.

III. BILATERAL RELATIONS BETWEEN THE EU AND TURKEY

1. *Association Agreement*

The **Association Agreement** of 1963 is the overarching legal framework structuring EU-Turkey relations. It aims to promote the strengthening of trade and economic relations between the EU and Turkey, and to establish progressively a customs union.

While having succeeded in laying a firm basis for our bilateral relationship, with strong and growing political, economic and societal exchanges, the Association Agreement encountered a number of serious issues over the years. The unresolved Cyprus issue has had an impact ever since the Republic of Cyprus's accession to the EU in 2004. Turkey decided in July 2005 not to implement the Additional Protocol to the Association Agreement extending its Customs Union with the EU towards the Republic of Cyprus. This unilateral decision led to the 2006 Council decision blocking the opening of eight chapters in the accession negotiations and closing of all chapters, followed by bilateral blocking of six negotiating chapters by the Republic of Cyprus in 2009. Turkey does not allow direct trade between the Republic of Cyprus and Turkey, direct air and maritime connections, or any other direct link.

Furthermore, Turkey is blocking the Republic of Cyprus' accession to several international organisations, including the Organisation for Economic Cooperation and Development. The absence of the recognition of Cyprus by Turkey also prevents the direct exchange of information with Turkey (e.g. in the context of judicial cooperation or the fight against tax avoidance) and the smooth functioning of the Customs Union.

In light of the unauthorised drilling activities of Turkey in the Eastern Mediterranean, in July 2019 the Council decided not to hold *for the time being* the EU-Turkey Association Council. Preparatory Association Committees, chaired at senior officials' level, have not taken place either. Technical cooperation within eight sectoral sub-committees continues.

2. *Accession negotiations, criteria and pre-accession aid*

Turkey has been a candidate country since 1999. **Accession negotiations** were opened in 2005. 16 chapters have been opened so far out of 35 (the last one in 2016), one of them is closed. In light of the continued, serious backsliding on core EU principles and values, the Council noted in June 2018 and June 2019 that Turkey had been moving further away from the European Union and therefore Turkey's accession negotiations had “*effectively come to a standstill and no further chapters can be considered for opening or closing.*”

The underlying facts leading to this assessment still hold. **Major backsliding on reforms** continues in the key areas of the accession process. Especially following the attempted coup in 2016, the rule of law, respect of human rights and the independence of the judiciary have continuously deteriorated, amidst a growing centralisation of power. This trend has further accelerated following the entry into force of a new presidential system in 2018. Many of the checks and balances of a democratic system are significantly affected. The government has reshaped state and public institutions, undermining their independence. The role of Parliament was weakened considerably.

In addition, 59 out of the 65 democratically elected mayors from the pro-Kurdish Peoples' Democratic Party (HDP) were removed and replaced by government-appointed trustees. On

17 March, the Prosecutor of the Court of Cassation formally requested the dissolution of the HDP.

Most legislation is passed in urgency procedures without proper involvement and consultation of stakeholders. The independence of regulatory authorities has been compromised by the introduction of the Presidential system.

Political pressure on judges and prosecutors has a significant negative effect on the independence of the **judiciary**. The authorities detain, prosecute and convict individuals including journalists, students, lawyers, opposition politicians and activists mostly on overly broad terrorism-related charges. The Turkish authorities also refuse to implement the European Court of Human Rights' final rulings, including those related to the release of Osman Kavala and Selahattin Demirtas, in spite of resolutions adopted by the Council of Europe Committee of Ministers. A new action plan for human rights was adopted by Turkey on 2 March. However, it does not address key shortcomings identified regarding human rights, the independence of the judiciary and the rule of law situation overall.

Bilateral relations with several EU Member States remain tense, also due to at times aggressive rhetoric from Turkish authorities and **attempts to interfere** with internal policy decisions.

An envelope of almost EUR 4.5 billion was originally allocated for the Turkey programme under the **Instrument for Pre-accession Assistance** for 2014-2020. Starting from 2017, the allocation was progressively reduced, given low absorption and Turkey's serious backsliding in the areas of rule of law, fundamental rights and public administration reform, as well as illegal drilling activities in the Eastern Mediterranean. Overall, this reduction amounted to thirty percent of the amount originally envisaged in 2014. Starting from 2017, the Commission refocused EU financial support to sectors that reflect core EU principles and priorities, such as democracy and rule of law, support to civil society (EUR 34 million in 2020) and human rights, people to people exchanges and other areas of EU interests (energy, climate change, migration). The Commission also reduced the share of funds directly managed by Turkish authorities.

Subject to the entry into force of the legal bases of the 2021-2027 **Multi-annual Financial Framework**, tentative programming for the years 2021 and 2022 has **started under the new instrument (IPA III)**. The focus of this recalibrated assistance will be on supporting key reforms and values as highlighted in the Commission's annual reports on Turkey.

3. Migration and the 2016 EU-Turkey Statement

The **March 2016 EU-Turkey Statement**⁴ provides the overall framework for the EU-Turkey cooperation on migration. The Statement built on the 29 November 2015 EU-Turkey Joint Action Plan and was a result of action taken by the EU to put in place a system of effective migration management and avoid a humanitarian crisis. The goal was to restore a legal and orderly admission system, put an end to irregular migration from Turkey to the EU, prevent the loss of life, take action against migrant smuggling networks, and improve living conditions for Syrian refugees in Turkey through comprehensive cooperation between the EU and Turkey.

⁴ <https://www.consilium.europa.eu/en/press/press-releases/2016/03/18/eu-turkey-statement/>

Since the start of the implementation of the EU-Turkey Statement, there has been a substantial decrease in the numbers of **irregular crossings** from Turkey to Greece⁵. Even though tragic incidents continued, the number of lives lost in the Aegean Sea has significantly decreased.

In late February 2020, migrants were encouraged by Turkish actors to take the land route to Europe through Greece. This led to the set-up of an informal camp at the Greek-Turkish border, with a large number of migrants and refugees in dire conditions. In the extraordinary Council meetings of EU Ministers of Home Affairs on 4 March 2020, and of EU Ministers of Foreign Affairs on 6 March 2020, the EU reiterated the need for Turkey to abide fully by the EU-Turkey Statement. The Council also called on the Turkish government and all actors and organisations on the ground to relay the message that migrants should not be encouraged to attempt illegal crossings by land or sea, as well as to counter the dissemination of false information. While the EU acknowledged the increased migratory burden and risks Turkey is facing on its territory and the substantial efforts it has made in hosting close to four million refugees, it strongly rejected Turkey using migratory pressure for political purposes. Since then, the situation at both sea and land borders with Greece has stabilised and has remained calm overall. However, a shift to some of the alternative migratory routes has been observed⁶.

The slow pace of **returns** has been an issue throughout the implementation of the Statement. The Turkish authorities suspended returns under the Statement in March 2020, citing COVID-19 restrictions. Despite repeated requests by the Greek authorities and the Commission, the issue has not been resolved. The Commission has insisted that Turkey must fully stand by its commitments under the EU-Turkey Statement. On 14 January 2021, Greece addressed an official request for the readmission of 1450 returnees that Turkey did not accept.

Resettlement to the EU continues to outpace the number of returns to Turkey. Only 2140 irregular migrants and asylum seekers, whose applications have been declared inadmissible crossing from Turkey to the Greek islands, have been returned to Turkey, while 28300 Syrian refugees have been resettled from Turkey to the EU. 20 Member States contributed to this effort. To maintain a steady pace of resettlements, the Commission provides funding to the resettling Member States, while the European Asylum Support Office provides operational support to the process and facilitates the sharing of good practices among Member States.

The EU-Turkey Statement envisages the activation of a Voluntary Humanitarian Admission Scheme, once irregular crossings have ended or at least been substantially and sustainably reduced. In December 2017, Member States endorsed the Standard Operating Procedures, agreed with Turkey, but Member States have not yet decided to activate the scheme.

Under the 2016 Statement, the EU mobilised EUR 6 billion in **assistance to refugees and host communities in Turkey**. By end-2020, the operational budget of this Facility for Refugees in Turkey has been fully committed and contracted and 65% has already been

⁵ In the five months before the implementation of the Statement, on average 3262 migrants and asylum seekers were crossing the Aegean Sea to the Greek islands every day. By contrast, in 2019 the average daily number of arrivals by sea stood at 165 and in 2020, also as a result of COVID-19 restrictions, it was down to 25.

⁶ For example, irregular arrivals from Turkey to Italy increased by over 120% compared to 2019. Migratory pressure on the Republic of Cyprus has also increased considerably.

disbursed, in line with the respective progress of projects. This is a major European investment in stability.

Facility support has been closely coordinated with Member States, other donors and the Turkish authorities. It remains critical for basic needs, protection, access to health care and education, and socio-economic support. Over 1.8 million refugees benefit from the Emergency Social Safety Net (ESSN), and with the support of the Conditional Cash Transfer for Education (CCTE) nearly 670,000 refugee children are attending school.

The EU has already lined up an additional EUR 585 million in **humanitarian bridge funding** after the Facility, in order to continue some key protection and health projects and to ensure the continuation of the two EU flagship programmes, the ESSN and the CCTE, until early 2022. However, the situation of refugees in Turkey continues to deteriorate, aggravated by the COVID-19 pandemic and the economic downturn. Therefore, continued EU support will be required over the next years, as highlighted by the December 2020 European Council conclusions. The Commission will put forward concrete proposals to this end shortly. Future EU funding shall also focus on the longer-term sustainability and the gradual transition into the Turkish system.

Turkey has been repeatedly requesting an accelerated implementation of the 2016 Statement, in particular of its non-migration elements: the quick revitalisation of the accession negotiations, rapid Customs Union modernisation and visa liberalisation. However, in the EU-Turkey Statement, all those elements remain subject to known and agreed conditions, benchmarks and decision-making procedures. Turkey has yet to meet the respective conditions.

4. Summits and high-level dialogues

The EU and Turkey agreed to hold High Level political and sectoral Dialogues at the meeting of heads of state or government with Turkey in November 2015. It was also agreed to have regular summits twice a year in an appropriate format. High Level sectoral dialogues were organised on political issues, the economy, transport and energy.

In light of the unauthorised drilling activities of Turkey in the Eastern Mediterranean, in July 2019 the Council decided that for the time being no meetings of the High Level Dialogues and of the EU-Turkey Association Council would be scheduled. In reaction, Turkey decided to suspend foreign policy geographical dialogues with the EU. Nevertheless, a Political Directors' meeting took place in September 2019 and Turkey now expresses renewed interest to resume discussions with the EU on foreign policy issues. Ad hoc contacts at Presidential and Ministerial level continued.

Regular high level dialogues constitute an important part of the positive agenda agreed by the October 2020 European Council to be launched provided that Turkey shows readiness to promote a genuine partnership with the Union and its Member States and to resolve differences through dialogue and in accordance with international law.

5. People-to-people contacts and Turkey's participation in EU programmes

Participation in the Union Programmes and Agencies is an important element of integrating Turkey into EU policies and tools where it is in the mutual interest. In the 2014-2020 period, Turkey participated in nine programmes and two agencies, including Erasmus+ and Horizon

2020. Turkey has shown interest to continue participating in these and other EU Programmes and Agencies under the Multiannual Financial Framework for 2021-2027 and has recently asked to resume its participation to the Creative Europe programme.

6. Visa liberalisation

On 16 December 2013, the EU and Turkey launched a Visa Liberalisation Dialogue, in parallel with the signature of the EU-Turkey Readmission Agreement. The Visa Liberalisation Dialogue is based on the Roadmap towards a visa free regime with Turkey, which sets out 72 benchmarks that Turkey needs to meet.

The EU-Turkey Statement envisages the acceleration of the fulfilment of the Roadmap with a view to lifting the visa requirements for Turkish citizens at the latest by the end of June 2016, provided of course that all benchmarks have been met by Turkey. However, six benchmarks of the Roadmap remain outstanding⁷, while those considered provisionally fulfilled also require continuous monitoring. Commission experts, together with experts from the Council of Europe, continue to offer technical assistance to Turkey to meet the remaining conditions.

7. EU restrictive measures

In 2019, Turkey stepped up its illegal drilling activities in the waters surrounding Cyprus. Although Turkey's continued illegal actions were clearly and repeatedly condemned by the EU, they were not halted. In this context, the Foreign Affairs Council decided in October 2019 to establish a framework for restrictive measures, which was adopted on 11 November 2019.

This framework makes it possible to apply sanctions to individuals or entities responsible for or involved in drilling activities not authorised by Cyprus (in its territorial sea, its exclusive economic zone or on its continental shelf). Applicable sanctions are a travel ban and an asset freeze. The first listings under the sanctions regime were adopted on 27 February 2020⁸.

Following Turkey's military operation in North East Syria, EU Member States also committed in October 2019 to strong national positions regarding their arms export policy to Turkey on the basis of the provisions of Common Position 2008/944/CFSP⁹, but have not decided to impose an arms embargo. Such a decision can be taken by the Council with unanimity.

IV. ECONOMY AND TRADE

1. EU-Turkey trade framework

⁷ The six outstanding benchmarks are: 1) Concluding an operational cooperation agreement with Europol; 2) Aligning legislation on personal data protection to EU standards, 3) Adopting measures to prevent corruption, 4) Offering effective judicial cooperation in criminal matters to all EU Member States; 5) Revising legislation and practices on terrorism in line with European standards; 6) implementing the EU-Turkey readmission agreement in all its provisions, including those related to the readmission of third country nationals.

⁸ They concern a Vice-President and a Vice-Director of the Turkish Petroleum Corporation (TPAO), as TPAO plans, directs and implements the unauthorised drillings.

⁹ <https://www.consilium.europa.eu/en/press/press-releases/2019/10/14/council-conclusions-on-north-east-syria/>

EU-Turkey trade relations are governed by three preferential trade agreements¹⁰. The EU-Turkey Customs Union (CU), created in 1995, covers trade in industrial goods and thus the bulk of trade flows. However, the Customs Union involves much deeper integration than a free trade agreement. It obliges Turkey to follow the EU's Common Customs Tariff and rules for imports from third countries, to align domestic legislation with the EU acquis on goods, and to adapt EU rules on commercial policy, competition policy and intellectual property rights.

In addition to the Customs Union, the Association Council agreed a free trade agreement for agricultural products in 1998. A separate free trade agreement on coal, iron and steel products was concluded in 1996 between the European Coal and Steel Community (ECSC) and Turkey.

Bilateral trade in goods was worth almost EUR 132.5 billion in 2020. Some 41% of all Turkish export in goods go to the EU, while imports from the EU represent almost a third of all Turkish imports. The EU is also by far the biggest source of foreign direct investment in Turkey, with a stock of EUR 58.5 billion in 2018.

After an initially positive trend of increased Turkish alignment to the Customs Union rules, Turkey has been diverging in an increasingly systemic fashion from these rules over the past years. The main issue are additional customs duties levied on third country imports (even when imported from the EU). There are also numerous other market access issues of increasing concern to individual EU firms, industry associations and Member States, such as surveillance measures, requiring disclosure of sensitive data, discrimination against EU tractor producers, and excessive testing and certification. In addition, Turkey has concluded trade agreements not in line with those of the EU, despite its obligation under the Customs Union to do so.

2. Modernisation of the Customs Union

The Commission submitted to the Council in December 2016 draft negotiating directives on 'a new agreement to modernise the Customs Union (CU) and extend the scope of the bilateral preferential trade relationship' with Turkey. They envisage increased mutual liberalisation on trade in agriculture and services, market opening on public procurement and stronger commitments on competition, intellectual property rights and sustainable development. The proposal also addresses the serious problems of the functioning of the current set-up. The impact assessment prepared by the Commission concluded that the modernisation would have a substantial positive impact on Turkey and clearly bring economic benefits to the EU.

However, Council deliberations on this Commission proposal were discontinued in 2017 in the context of the deteriorating EU-Turkey relationship. The Council formally concluded on 26 June 2018, and then reiterated on 18 June 2019, that "*no further work towards the modernisation of the EU-Turkey Customs Union is foreseen*".

3. Economic cooperation: Economic Reform Programme, dialogue, IFI/DFI support

Since 2015, all candidate countries and potential candidates, including Turkey, have submitted annual Economic Reform Programmes (ERP) to the Commission, as part of efforts

¹⁰ Details in the 2020 Individual reports and info sheets on implementation of EU Free Trade Agreements - Staff Working Document available at: https://trade.ec.europa.eu/doclib/docs/2020/november/tradoc_159048.pdf

to strengthen their economic governance and prepare for their eventual participation in the EU's economic coordination mechanism. The ERP contains medium-term macroeconomic projections, budgetary plans for the next three years and structural reform plans. Based on the ERP and the Commission's assessment, the annual Economic and Financial Dialogue between the EU and the Western Balkans and Turkey at ministerial level provides targeted economic policy guidance for each country and reviews its implementation.

Separately, the EU and Turkey established a **High-Level Economic Dialogue** in 2015 and held its first meeting in 2016, to enhance bilateral economic relations. In view of Turkey's drilling activity in the Eastern Mediterranean, in July 2019 the Council suspended this dialogue, too.

The **European Investment Bank Group**¹¹ and the **European Bank for Reconstruction and Development (EBRD)** currently focus their operations in Turkey on the private sector.¹²

4. Other key priority sectors

The **energy** sector is of geostrategic importance in EU-Turkey relations. Exchanges on issues such as nuclear safety or renewables take place in Association Agreement sectoral meetings. A High Level Energy Dialogue framework was set up in March 2015 but only two meetings were held mainly due to Turkey's refusal to meet at ministerial level. Turkey's unauthorised drilling activities in the Eastern Mediterranean resulted in the suspension of this dialogue. The observer status of Turkey's transmission system operator (TEIAS) in the European Network of Transmission System Operators for Electricity was suspended in 2018. There were concerns regarding TEIAS' lack of cooperation on electricity projects related to the Turkish Cypriot Community, possibly affecting the grid of the entire island. In 2019, Turkey transmitted the revised Stress Tests National Report regarding the Akkuyu nuclear power project and technical experts exchanged views on the organisation of the peer review by ENSREG in which Turkey has an observer status. **EU financial assistance** has been used extensively to fund multiple energy projects, with an increasing shift towards renewables and energy efficiency.

Transport relations between Turkey and the EU remain challenging in spite of a shared interest in road safety, sustainable urban mobility or green maritime shipping. Following the suspension of the EU-Turkey **Comprehensive Air Transport Agreement** negotiations in line with the July 2019 Council Conclusions, the Commission's mandate expired in June 2020. Turkey has recently signalled an interest in restarting the negotiations. At the same time, Turkey does not recognise the right of an EU carrier to operate to Turkey from an EU Member State which is different to the EU Member State which licenses it.

Extension of the core **TEN-T network** to Turkey is another issue hindering EU-Turkey cooperation. Turkey's lack of compliance with the Ankara protocol on access to ports and

¹¹ Including the European Investment Fund. In its July 2019 conclusions, the Council invited the European Investment Bank to review its lending activities in Turkey, notably with regard to sovereign-backed lending.

¹² At the end of 2019, the European Investment Bank (EIB) had a total disbursed exposure in Turkey of EUR 12.3 billion. EIB lending to Turkey has fallen substantially since 2016 and following the EU restrictive measures of 2019, no loans to Turkey were signed in 2020. The EBRD continued to support private sector operations in Turkey in 2020 and additionally provided highly selective public sector lending to finance the purchase of critical equipment needed by public hospitals in Turkey in the fight against the COVID-19 pandemic. The total volume of EBRD investment in Turkey in 2020 was EUR 1.8 billion.

airports hampers the finalisation of the TEN-T extension. Finalising the extension is also important as regards implementation of Halkali-Kapikule rail line project.

Concerning **cooperation in civil and commercial matters** the EU has encouraged Turkey to accede to relevant international conventions in the area of civil justice. Turkey is already a Contracting Party to the Hague Conventions in the field of family law and transnational litigation. Turkey should take effective measures to ensure an acceptable reduction in delays to proceedings resulting from the 1980 Hague Convention on civil aspects of the international child abduction and to foster the use of international mediation in such cases.

On **criminal justice cooperation**, Turkey appointed six contact points in 2019 to facilitate the exchange of non-sensitive information with Eurojust. In 2020, Turkey was involved in 20 operational Eurojust cases. In addition, Eurojust included Turkey in the Eurojust 4 year cooperation strategy (2020-2024). A Decision authorising the Commission to negotiate a criminal justice cooperation agreement between Eurojust and Turkey is pending in the Council.

The Council adopted conclusions on 22 February 2021¹³ on the revised EU list of **non-cooperative jurisdictions for tax purposes**. Turkey was requested to solve all open issues as regards effective exchange of information with all Member States, as specified in the Council conclusions. Turkey is expected to commit at high political level by 31 May 2021 to effectively activate its automatic information exchange relationship with all Member States by 30 June.

Regarding **civil protection**, Turkey participates in the Union Civil Protection Mechanism (UCPM) since 2016. Turkey has been actively participating in the IPA regional programmes on civil protection and it will benefit from the next regional IPA programme on flood prevention and forest fires risk management, which officially started on 15 November 2020.

V. CONCLUSIONS

Since last December, Turkey has shown a calmer, more constructive attitude on various issues, including in its bilateral relations with several EU Member States. These are positive and welcome steps forward. The COVID-19 pandemic has further accentuated the mutual benefits of a cooperative relationship. However, this process of de-escalation remains fragile. We need more time to judge whether it is sustainable and credible and delivers lasting results, also in the light of the deteriorating domestic situation in Turkey.

To deepen the present momentum and incentivise closer EU-Turkey ties across the board, we believe that the Union should put a number of possible areas of cooperation on the table to allow for a progressive, proportionate and reversible approach. These are in our common interest and could be pursued in incremental steps - provided of course that the constructive efforts by Turkey are sustained and reinforced in the next months.

These measures could include the following:

¹³ <https://data.consilium.europa.eu/doc/document/ST-6329-2021-INIT/en/pdf>

1. A more effective and mutually beneficial implementation of key areas of the 2016 EU-Turkey Statement, notably on **migration management**. This would mean in particular that Turkey would without any further delay restart the process of **returns** from the Greek islands, starting with the 1450 returnees whose legal appeals are exhausted.
2. Conversely, EU Member States should step up **resettlements** from Turkey to the Union, building on the progress made so far. This should especially cover the most vulnerable groups of Syrian refugees in Turkey.
3. Strengthening our already substantial **economic ties** is another win-win situation for both sides, particularly in the currently difficult economic climate. At the heart of this would be the modernisation and expansion of the scope of the current EU-Turkey **Customs Union** as already proposed by the Commission. This would also provide a guiding framework for economic reforms in Turkey. EU Member States should agree on the negotiating directives and authorise the Commission to open negotiations for this modernisation, provided that Turkey takes concrete steps in resolving the current trade irritants.
4. Keeping communication channels open is useful - not least to support Turkey's economic and sectorial reform commitments. Previously suspended **High-level dialogues** could thus be relaunched, on the economy, energy, transport, political developments, foreign and security policies, and initiated on other new topics, e.g. the green deal/climate, internal security, inter-faith relations and culture.
5. Increasing **people-to-people contacts** is a further confidence-building measure. The Commission intends to continue facilitating Turkey's participation in the next generation of EU programmes, such as Erasmus+, Horizon Europe etc. under the new Multi-annual Financial Framework. The Commission remains ready to advise Turkey on the specifics of the outstanding benchmarks defined in the Visa Liberalisation Roadmap.

Should Turkey, however, not move forward constructively in developing a genuine partnership with the EU, but instead return to renewed unilateral actions or provocations in breach of international law, aimed at causing prejudice to the interests of the EU and its Member States, in particular in the Eastern Mediterranean, it should be made clear that this would bear **political and economic consequences**, as spelled out in the report. Further EU measures should be focused, proportionate and reversible, in order to adapt to the situation and the level of threat or challenge in the best possible manner, incentivise a return to a cooperative track and avoid a negative escalation dynamic.

In addition to suspending the elements of the constructive cooperation offer set out above, we should foresee smart, scalable yet reversible **restrictive measures**, building on those in place. These could gradually include:

1. The adoption of the **additional listings** already agreed by the December European Council;
2. Restrictive measures under the existing sanctions frameworks could be **enhanced** and consideration could be given to include legal entities;
3. Further restrictions on **EU-Turkey economic cooperation**, including on the operations of the European Investment Bank and other financial institutions;

4. Measures **targeting other sectors** important for Turkish economy, such as a prohibition to supply of tourism services, negative travel advice by Member States etc.
5. Additional EU measures in the **energy and related sectors**, such as import/export bans on certain goods and technologies;

Last but not least and in line with the December 2020 European Council conclusions, the Commission will also rapidly prepare options for continued **funding for refugees and host communities** in Turkey. Given the serious needs on the ground and the significant burden that Turkey continues to shoulder in this regard, this is a European investment in stability and solidarity. We have a genuine self-interest to build on the success stories of the last years.