

A COMPARATIVE ANALYSIS OF THE EUROPEAN UNION FINANCIAL
ASSISTANCE TO CENTRAL AND EASTERN EUROPEAN COUNTRIES AND
TURKEY

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ABSTRACT

A COMPARATIVE ANALYSIS OF THE EUROPEAN UNION FINANCIAL ASSISTANCE TO CENTRAL AND EASTERN EUROPEAN COUNTRIES AND TURKEY

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This thesis makes a comparative analysis of financial assistances provided to Central and Eastern European Countries (CEECs) and Turkey by the European Union (EU) prior and pursuant to candidacy. Furthermore, the thesis argues results obtained through comparison of financial assistances provided to CEECs and Turkey by the EU within the framework of integration theories and examines the place of Turkey within the enlargement perspective of the EU by addressing arguments that are dominant in the literature in relation to European integration theories.

The major argument of the thesis is that Turkey has not been treated equally with CEECs as regards financial assistance provided by the EU. As a justification for this, it is assumed that ideational factors have an impact on the enlargement perspective of the EU and they are determinant in the stance of EU towards Turkey.

Keywords: The EU, Financial Assistance, CEECs, Turkey, Integration Theories

ÖZ

AVRUPA BİRLİĞİ TARAFINDAN MERKEZ VE DOĞU AVRUPA ÜLKELERİ VE TÜRKİYE'YE YAPILAN MALİ YARDIMLARIN KARŞILAŞTIRILMASI

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Yüksek Lisans

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Bu tez, Avrupa Birliği (AB) tarafından Merkez ve Doğu Avrupa ülkeleri (MDAÜ) ile Türkiye'ye adaylık öncesi ve sonrasında verilen mali yardımları karşılaştırmalı olarak incelemektedir. Tez, aynı zamanda Avrupa entegrasyon kuramlarına ilişkin son dönemde literatüre hakim olan tartışmaları da ele alarak, AB tarafından MDAÜ ve Türkiye'ye yönelik yapılan mali yardımların karşılaştırması ile elde edilen sonuçları entegrasyon kuramları çerçevesinde tartışmakta ve AB'nin genişleme perspektifinde Türkiye'nin yerini incelemektedir.

Tezin temel argümanı olarak AB tarafından yapılan mali yardımlarda Türkiye'ye MDAÜ ile eşit davranılmadığı öne sürülmektedir. Bunun nedeni olarak ise AB, genişleme perspektifinde ideational faktörlerin etkili olduğu ve bu unsurların AB'nin Türkiye'ye yönelik tutumunda belirleyici olduğu savunulmaktadır.

Anahtar Kelimeler: AB, Mali Yardımlar, Merkez ve Doğu Avrupa Ülkeleri,
Türkiye, Entegrasyon Teorileri

To My Mother

And

My Love

And

My Friends

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LIST OF ABBREVIATIONS

ACP	African, Caribbean and Pacific Group of Countries
ALA	Asia and Latin America Countries
CAP	The Common Agricultural Policy
CEECs	Central and Eastern European Countries
CF	Cohesion Fund
DIS	Decentralized Implementation System
EAFRD	The European Agricultural Fund for Rural Development
EAGGF	The European Agricultural Guidance and Guarantee Fund
EC	The European Communities
ECSC	The European Coal and Steel Community
EEC	The European Economic Community
EDF	European Development Fund
EIB	European Investment Bank
ENPI	The European Neighborhood and Partnership Instrument
EP	European Parliament
ERDF	European Regional Development Fund
ESF	European Social Fund
EU	European Union
EUR	Euro
FIFG	Financial Instrument for Fisheries Guidance

GDP	Gross Domestic Product
GNP	Gross National Product
IPA	The Instrument for Pre-Accession Assistance
ISPA	Instrument for Structural Policy for Pre-Accession
MEDA	The Euro-Mediterranean Partnership Programme
NIS	New Independent States
NRDS	National Rural Development Strategy
PHARE	Poland and Hungary Assistance for the Reconstruction of the Economy
RMP	Renovated Mediterranean Policy
SAPARD	Special Accession Programme for Agriculture and Rural Development
SEA	Single European Act
SMEs	Small and Medium Enterprises
TERRA	Earthquake Assistance

CHAPTER 1

INTRODUCTION

1. The Subject Matter and Aim

The European Union (EU) has been a subject for various discussions in political, economic and social fields since its foundation. Thus, today there exists a broad literature that studies the EU with its all aspects. In particular, recently its enlargement decision towards Central and Eastern Europe and its impacts are intensively studied in the literature. Enlargement decision as well as the scope of enlargement and its swift realization is the focal point of discussions. Relations between the EU and Turkey and the candidacy of Turkey are also discussed within the framework of this process.

After the fall of the Berlin Wall in 1989, the European Community instantly established relations with Central and Eastern European Countries (CEECs). In the early 1990s, the European Union introduced the Europe Agreements, which were designed to assist the economies in transition of CEECs and to provide the legal basis for bilateral relations between these countries and the EU. In 1993 the Copenhagen European Council confirmed the legitimacy of CEECs applications for membership. In 1998, the European Council notified the negotiation with the Czech Republic, Estonia, Hungary, Poland and Slovenia from CEECs. In December 1999, at Helsinki Summit, the EU decided to open negotiations with five others: Bulgaria, Latvia, Lithuania, Romania, and Slovakia. The Accession Treaty was signed with the eight CEECs on 16 April 2003 and other two CEECs on 25 April 2007. Finally ten countries joined the European Union on 1 May 2004. Eight of those are CEECs which are the Czech Republic, Slovakia, Hungary, Poland, Slovenia, Latvia,

Lithuania, and Estonia. On 1 January 2007 Bulgaria and Romania finally joined the EU. Meanwhile, the pre-candidacy process of Turkey with the EU developed more differently. The relation between Turkey and the EU started with Ankara Agreement in 1963. Turkey submitted its application for full membership into the European Community in 1987 which was rejected in 1989. The EU recognized Turkey as a candidate at the Helsinki Summit in 1999. The EU finally opened accession talks with Turkey on 3 October 2005 and formal negotiations between the EU and Turkey was formally launched in 2006.

Due to this difference between CEECs and Turkey, the manner in which the enlargement process has been constructed and proceeded to turned out an important issue for both the EU and Turkey. Probably, the relation between Turkey and the EU based on a protracted process of membership makes the discussions of enlargement more critical, and is likely to produce the problems to enlargement and deepening both inside and outside of the EU. Particularly in the last period, the literature has started to focus on the differences in the policies implemented for CEECs by the EU and the accession process of Turkey which has been going on since 1963.

In this thesis, the objective is to answer some of the questions that are posed referring to these issues ongoing in the literature. The major question of this thesis is whether there are ideational factors that affect the policies of the EU regarding enlargement process as discussed by the constructivist theory. On the basis of the above-mentioned major question, an attempt is made to answer the question of ‘Do ideational factors have an impact on the construction, and use of policy tools towards Turkey in the enlargement process of the EU?’ and ‘Is there any concrete differences between the financial assistance provided to Turkey during pre-accession process and the ones provided to CEECs, due to ideational factor, from comparative perspective?’

The study is composed of two main parts in order to answer these questions forming the main framework of the study. These parts are the major subjects that the thesis will discuss and chapters of the thesis will be shaped according to these parts.

The first part is the one where Chapter 2 is included. In the first part, both for answering these entire questions and for the sake of clarity and scientific inquiry, the EU enlargement perspective will be reviewed and examined with reference to the integration theories. Then, the contemporary theoretical framework on European integration and enlargement will be clarified. Here rationalist and constructivist approaches which predominate the literature will be addressed, and both approaches will be discussed comparatively. However, it is extremely important to clearly define the role of this part in the thesis. In this part, although the discussion will be on the recently predominant integration theories, development of integration theories will also be addressed in order to look at the background of the point reached in the literature. However, in terms of questions that the thesis tries to answer, attention will be drawn to the recently developing rationalist and constructivist divide and especially the claims of constructivist approach will be discussed.

Despite the recent role of constructivism named as *via-media* or middle ground, the claim that ideational factors are effective on EU's enlargement – particularly the value-based justification claimed by Helene Sjursen which will be discussed in the chapter in detail – is noteworthy. Thus deriving from this claim, there are many serious studies trying to describe EU's enlargement process towards CEECs. Again deriving from the same claim, EU's attitude towards Turkey is also questioned and it is assumed that ideational factors are effective on EU's attitude towards Turkey. According to constructivist approach, ideational factors are effective on EU's expansion, so it is inevitable that the EU will have a different attitude towards Turkey when compared to CEECs in its expansion process. This claim set forth by the constructivist approach tells that there are informal criteria (ideational factors such as value, identity) as well as formal criteria in the EU's enlargement process. However, there is another important point to be considered here. This point is also the foundation of the thesis. If EU acts also with informal criteria in its enlargement process, it must be traced any concrete expression of them. In other

words, if EU has treated Turkey differently, as set forth by the constructivist approach, due to ideational factors, where is this difference?

To be able to answer this question, it is suggested in this study that it is necessary to take a look at the financial assistance provided by the EU to Turkey and CEECs. That's why, in the second part of the thesis, financial assistance system implemented by the EU will be covered and the extent and limits of financial assistance will be investigated. Then financial assistance – from quantitative and qualitative perspective - provided to Turkey and the CEECs will be compared in this study. Comparing the financial assistance provides evidence as to whether or not Turkey's application to join EU has been treated differently. At this point, it is highly important to answer the question why financial assistance is chosen as the field of comparison. First, the EU sees financial assistance as the most important means in harmonization with the EU policies. In other words, EU's attitude on financial assistance can be considered as the indicator of its attitude towards the policy, the subject matter of assistance, and the country. Secondly, financial assistance is granted by extremely precise, concrete criteria. Despite these concrete criteria, the EU may adjust the granted amounts. Therefore, despite concrete criteria, reasons behind the adjustments in amounts seem critical. If there are adjustments in amounts granted to Turkey and CEECs despite concrete criteria, its reasons should be inspected. Thirdly, claims that ideational factors of constructivism have an effect on enlargement, and the EU has non-formal criteria as well as formal ones are open to debate. For this reason, the visibility of the constructivist claim should be tracked in concrete policies. That's why if ideational factors indeed give a shape and constrain the enlargement process as claimed by constructivist approach, both enlargement process and Turkey's place within it will become a matter of discussion. Therefore, addressing claims of the constructivist perspective and questioning them are of crucial importance in this study.

On the other hand it should be stated that in this study, ideational factors such as European identity, common history and culture, and their manifestations in the EU

will not be studied. The major concern of this study is to discuss the case of Turkey by setting out from constructivist claim that these elements do already exist. For that reason, financial assistance system will be addressed in detail and it will be displayed whether ideational factors have any reflections in concrete political implementations.

Throughout the thesis it is assumed that when financial assistance provided to Turkey and Central and Eastern European Countries is compared, Turkey and the CEECs were treated differently. Some constructivist studies argue that this is because of the ideational factors such as values and identity. This study carries out a critical dialogue with these constructivist accounts. Within this context a detailed comparison will be made between financial assistance provided to CEECs and Turkey. Financial assistance is suggested as one positive concrete indicator and expression of the role of ideational factors on the EU's enlargement perspective.

2. The Structure of the Study

This thesis consists of three parts excluding the Introduction and the Conclusion. In the thesis, the analysis is made mainly by taking into account the period of the 1990 – 2006, in other words the period including whole process in the last EU enlargement and Turkey's current status. As known, the last EU enlargement included twelve countries and occurred in two periods. However, this enlargement process is discussed especially for being towards the ten CEECs countries. So the Czech Republic, Slovakia, Hungary, Poland, Slovenia, Latvia, Lithuania, and Estonia, Bulgaria and Romania will be included in this thesis; which are part of the former Communist Bloc. Even though Cyprus and Malta joined the EU in the same term, there are some reasons of excluding Cyprus and Malta from this thesis: unique characteristics of the EU enlargement to CEECs, Cyprus and Malta's small size and their relative economic strength and their different historical background as compared with CEECs.

The thesis proceeds with the second chapter which firstly examines the integration theories. This chapter basically defines constructivist and rationalist approach that have led breakdowns in the literature. The object of the chapter is to set these key approaches which currently lie at the basis of the debates on the enlargement and integration of the EU. First part mentioned before which the thesis is built upon is actually the second chapter. Therefore, this chapter heavily focuses on constructivism which is necessary to assess whether there are ideational factors that affect the policies of the EU.

Chapters 3 and 4 are the main chapters that will form Part 2 of the study. The third chapter examines the nature of financial assistance system for CEECs and Turkey with questions: What is the aim of the financial assistance? What are the basic phases of financial assistance? What is the role of financial assistance in the EU? How did CEECs and Turkey benefit from financial assistance? In order to answer these questions, financial assistance system is clarified and detailed in this chapter. This chapter is descriptive and it connects the third chapter to earlier arguments in the second chapter and the fourth chapter. In other words the third chapter forms a basis for the fourth chapter.

On the other hand, the fourth is the chapter in which a more in-depth analysis will be made on quantitative and qualitative aspects of financial assistance. The basic question tackled throughout the fourth chapter is: Has Turkey been differently treated in the pre-accession process as compared to CEECs? For the purpose of answering this question, all the financial assistance provided to Turkey and CEECs will be studied and compared by taking into consideration some criteria. That comparison is not to be made by considering total amount of provided assistance; it is divided as qualitative and quantitative analysis. At the end of this chapter, the question if there is any concrete difference between the financial assistance provided CEECs and Turkey during pre-accession process is answered.

CHAPTER 2

THE EVOLUTION OF EUROPEAN INTEGRATION THEORY

Although the latest enlargement process of the EU completed in 2007, it has sparked so many discussions. The most important point agreed upon is that this enlargement is a crucial part of the self-identification process of the EU, and its results have led to significant changes inside and outside the EU. In its efforts to re-identify itself, how the EU decided to enlarge towards Eastern and Central Europe and how this process, impacts of which still prevail, will continue with regard to both the EU and current candidate countries, and even how it will be finalized is still being questioned. It is quite important to analyze all policies constituting a part of the latest enlargement in order to understand this. However, at this point a need arises for a tool which is a theoretical framework to be able to analytically analyze the enlargement process. According to Andreev Svetlozar, enlargement has traditionally been analyzed as a complex social and political phenomenon, which has been very difficult to quest theoretically. In the current literature on enlargement, 'it has been viewed either as an external policy area of the EU, or as a polity-building and polity-transformation process which has been intimately related to the process of European integration and its theoretical frame.'¹

The analysis of financial assistance is main subject of this study, and comparison of financial assistance provided to CEECs and Turkey is likely to produce significant results that would allow making deductions about how the

¹ Andreev Svetlozar, 'Theorising Enlargement: The EU Enlargement Eastwards and European Integration Theory' *Paper presented at ECSA-Denmark Conference*, University of Odense, 2004. available at: <<http://www.ecsa.dk/2004%20papers/Svetlozar.DOC>> (accessed on 27.11.2007) , p. 3

enlargement process will continue and even how it will be finalised. Departing from this point as emphasized by Svetlozar that it is also highly important to interpret correctly what the result actually imply and what they tell us among enlargement and deepening debates. For that reason, it is necessary to present the latest point reached regarding integration theories and in the literature and to make an interpretation of the latest Eastern enlargement of the EU from a theoretical perspective. Then discussion of financial assistance, presentation of results of the comparison concerning financial assistance provided to Turkey and CEECs are necessary so as to potray a complete picture by establishing a link between theory and practice.

Therefore, in this chapter, integration theories that provide the infrastructure of the theoretical framework under which enlargement of the EU is discussed will be addressed. Setting from this point, an attempt will be made to answer the question of ‘Why do we need theories to explain EU integration and enlargement?’ After that the historical development of European integration theories, their roots and their developments will be shortly examined. Thus, this chapter presents a short but critical overview of the key theoretical approaches to the study of European integration. Most influential approaches in European integration (constructivist and rationalist approaches) is detailed and directly included in this study. What is aimed at by addressing key theoretical approaches is to demonstrate the latest point, namely meta-theory debates, in particular constructivism – rationalism relation.

In this respect, the aim of this chapter is to cover debates cited against rationalism and constructivism theories. Then it is aimed to make an analysis of the results of the comparison to be made in relation to financial assistance, to be addressed in further chapters, from a theoretical framework.

2.1 The Historical Development of European Integration Theories

Integration is the most significant European historical development in the past fifty years, and since the start of the integration process a number of theoretical

approaches of integration have been applied to study the process. However, two major questions should be answered before looking into historical development of integration theory. The first question is why we need theories in explaining the European integration process. Thomas Diez and Antje Wiener give us a clue as to why we are so concerned about theories to explain the process and to emphasize the relationship between theory and empirical knowledge. According to them;

...‘pure’ empirical knowledge of how institutions work is impossible and thus not very meaningful. It is *impossible* since representation of empirical facts is always based on particular concerns, and assumptions about the nature of the EU and the finality of the integration process, which often remain unreflected. Integration theory helps to highlight and problematize these concerns and assumptions. ‘Pure’ empirical knowledge is *not very meaningful* in the sense that since any empirical representation is imbued with such assumptions, to concentrate on the ‘facts’ provides only a superficial understanding that disregards at least some of political disputes ‘underneath’ the surface. To sum this point up, analyzing integration is not only a ‘technical matter’, but involves particular understandings and conceptualizations of integration and the EU, for which we need integration theory.²

Diez and Wiener touch upon a point that forms the basis of this study through establishment of a link between theory and practice. On the other hand Frank Schimmelfennig and Berthold Rittberger specify another point in more simple way. According to them, the purpose of integration theories is to explain the scope and dynamics of European integration and theories allow formulating expectations ‘as to when and under what conditions integration will progress across the different dimensions.’³ Even though this point does not seem to be

² Thomas Diez and Antje Wiener, ‘Introduction’, in Thomas Diez and Antje Wiener (eds.), *European Integration Theory*, Oxford: Oxford University Press, 2003. p.4

³ Frank Schimmelfennig and Berthold Rittberger, ‘Theories of European Integration: Assumptions and Hypotheses’ in Jeremy Richardson (eds.), *European Union: Power and Policy Making*, London: Routledge, 2005. p.74

very different than Diez and Wiener's one; it rather indicates that theories us a tool to make deductions.

The second question is needed to be answered what integration theories' power of explaining integration process in micro and macro scales is. The main integration theories seek to provide a comprehensive explanation of the EU's political structure and development. They try to answer some common questions such as 'would the direct transfer of powers from the nation-state to the Community level and the creation of new institutions lead more quickly to the purported goal of political union? Or would it be easier to start by integrating sectors of the economy, which would gradually bring about the need for political integration?'⁴ Although all these efforts in making a comprehensive explanation, John Peterson indicated that no single theory can explain EU governance at all level analysis. According to him, broad 'macro' approaches to the issue of integration (such as neo-functionalism) are useful explaining the major 'history-making' decisions of the EU. When it comes to explaining 'policy setting' or 'policy shaping' decisions 'macro theories tend to lose their explanatory power'⁵ Sinem Açıkmese offers similar point of view on the issue, as Peterson. According to her, each theory can only explain some pieces of the integration puzzle because of nature of the integration process in the shape of the EU that constitutes a barrier to theorizing efforts in general terms.⁶

This chapter does not have such a concern to discuss this issue or to answer question of why European integration theories lose their explanatory

⁴ Tsoukalis Loukas, *The Politics and Economics of European Monetary Integration*, London: Biddles Ltd, 1977. p.20.

⁵ John Peterson, 'Decision Making in the European Union: Towards a Framework for Analysis', *Journal of European Public Policy*, Vol.2, Issue.1, 1995. p.84

⁶ Sinem Açıkmese, 'Uluslararası İlişkiler Teorileri Işığında Avrupa Bütünleşmesi', *Uluslararası İlişkiler Dergisi*, Cilt.1, Sayı.1, 2004. p. 29-31

power in policy setting as stated by Peterson. These questions and their answers can be a subject for another debate. The point needed to be emphasized here is that in order to read dimensions of the EU enlargement, theoretical approaches are not ‘necessarily mutually exclusive and incommensurable, as is often assumed’.⁷ In some cases they can be combined. As a matter of fact that combining integration theories in order to read all dimensions of the EU enlargement arrives at the concept of ‘mosaic of integration’ stated by Diez and Wiener. According to them,

Each approach can be as a stone that adds to the picture that we gain of the EU. This picture is likely to remain unfinished, as new approaches will add new stones to change the picture...rather than directly competing with each other, each approach contributes to the emerging picture in its own limited way.⁸

Neo-functionalism, for example, is a handful theory in terms of explaining Poland and Hungary Assistance for the Reconstruction of the Economy (PHARE) programme which was an important part of the EU’s pre-accession strategy for integrating CEECs into the Union. Yet, neo-functionalism does not consider interest, norms and ideas of political actors behind PHARE programme and its importance for integrating CEECs and it does not try to explain the policy choices that are made within the enlargement process.⁹ In other words, whilst neo-functionalism explains why pre-accession aids should be given to a candidate country; it does not have sufficient explanatory power about the determination of financial or political criteria

⁷ Diez and Wiener, *ibid*, p.19

⁸ *Ibid*

⁹ Arne Niemann, *Explaining Decisions in the European Union*, New York: Cambridge University Press, 2006. p.4 - See also: Arne Niemann, ‘The PHARE Programme and The Concept of Spillover: Neofunctionalism in the Making’, *Journal of European Public Policy*, Vol. 5, Issue. 3 , 1998.

for pre-accession aids. Furthermore, it does not explain why Turkey has not received an equal treatment as compared to CEECs.

For that reason, emphasis on ‘mosaic of integration’ by Diez and Wiener in the discussions concerning integration theories, and case studies developed on the basis of theories become even more important. Because as stated before each theory can only explain some pieces of the integration puzzle because of the nature of the integration process in the shape of the European Union. Keeping this point in mind will help to understand the current debates on integration theories.

Needless to say, the progress of integration must be examined in order to catch the current debates. In this respect the development of integration theory is divided into three phases by Diez and Wiener.¹⁰ In this study, historical development of integration theories will be examined taking the division made by Diez and Wiener into consideration.

The first phase, identified as explanatory, lasted from the signing of the Treaty of Rome until early 1980s. In this phase, integration theories shaped with the effect of the conditions of the period. In this respect, the integration ideal was firstly promoted in Europe thanks to the post war environment of the Second World War.¹¹ Therefore, the main concern of all theories of this period was to prevent a new war with European integration.

Federalism, based on the mission of preventing a new war, is the theory debated intensively in this period. Federalism in the context of the EU is the application of the federal principles to the process of European integration and in federalism the term ‘integration’ refers to coming together of previously separate or

¹⁰ Diez and Wiener, *ibid*, p.19

¹¹ Özlem, Türk, ‘The Idea of European Integration within a Historical Perspective’ *Unpublished Master of Thesis*, Middle East Technical University, 1997. p.43

independent parts to form a new whole.¹² That's why the federalism examines any process of integration 'in terms of an end point which is the creation of a federal state' and progress in integration is identified 'with measures which lead to a loss of sovereignty at the state level in favour of central authority.'¹³ Yet, Federalism rejects any attempts to unite Europe by force. It defends unification by legal; so 'they believe that the decisions to unite Europe must be taken by democratic governments. At this stage the nation states are the means to European unification'¹⁴ and 'only way for integration is to abolishing and radically modifying current system.'¹⁵ Criticisms raised against federalism, which can be explained in broad terms like that, focus on two points. First one is that nation states are tending 'to reject a European federation which involves the transfer of parts of their sovereignty to a supra-national authority.'¹⁶ In other words, federalism is insufficient in explaining sovereignty of nation state. Second one is that studies in federalist approach are not academically qualified.¹⁷ Federalism maintains its importance as federalist theory in the EU integration discussions despite all these criticisms voiced.

Another theory effective in this period besides federalism is functionalism. The chief exponent of functionalism, David Mitrany, also proposes a solution to the problem of war in this phase. In his book '*A Working Peace System*' (1943), he

¹² Michael Burgess, 'Federalism', in Thomas Diez and Antje Wiener (eds.), *European Integration Theory*, Oxford: Oxford University Press, 2003. p.30

¹³ Loukas, *ibid*, p.21

¹⁴ Türk, *ibid*, p. 45

¹⁵ Charles Pentland, *International Theory and European Integration*, New York: The Free Press, 1973. p.155-164.

¹⁶ Açıkmeşe, *ibid*, p. 33

¹⁷ Ben Rosamond, *Theories of European Integration*, London: Macmillan Press, 2000. p.28

argues that ‘as cooperation between countries in functional areas spilled over from one area to another, the incentive to go war with partners would diminish and a working peace system would prevail.’¹⁸ In fact, Mitrany proposed a universal solution, rather than a regional one and Mitrany opposes to nationalism, and the territorial organization of power which he sees as a threat to world peace.¹⁹ Thus a key factor in understanding Mitrany’s functionalist vision is ‘the distinction between political /constitutional co-operation and technical /functional co-operation in his advocacy of a new international society.’²⁰ Related to this point, in Mitrany’s theory, there is a doctrine of ramification. According to this doctrine, the development of coloration in one technical field leads to collaboration in other technical fields. In other words, ‘functional collaboration in one sector results from a felt need, and generates a felt need for functional collaboration in another sector. The effort to create a common market gives rise to pressure for further collaboration on pricing, investment, transport, insurance, tax, wage, social security, banking and monetary policies.’²¹ Eventually such collaboration would absorb the political sector. The most important criticism cited is that integration cannot be achieved through only absolute technocrats of the theory, and determinative effect of the political will is ignored.²²

¹⁸ Laura Cram, Desmond Dinan and Neil Nugent, ‘Introduction’, in Laura Cram, Desmond Dinan and Neil Nugent (eds.), *Developments in the European Union*, London: Palgrave Macmillan, 1999. p.8

¹⁹ Laura Cram, ‘Integration Theory and the Study of the European Policy Process: Towards a Synthesis of Approaches’, in Jeremy Richardson (eds.), *European Union: Power and Policy Making*, New York: Routledge, 2001. p.52

²⁰ Ibid, p.53

²¹ J.E Dougherty and Robert L. Pfaltzgraff, *Contending Theories*, New York: Harper and Row, 1981. p.419-420

²² Emre Çakır, *Avrupa Bütünleşmesinin Siyasal Kuramları*, İstanbul: Vedat Kitapçılık, 2001. p.31

As is seen, two theoretical approaches came to dominate in integration debates and ‘both were based on rational actor assumptions, while locating the push and pull for the integration process.’²³

The second phase broadens the scope of empirical research and theoretical reflection on European Union.²⁴ The dominated approaches in this phase were neofunctionalism and intergovernmentalism. In particular, neo-functionalism has turned out to be a theory that has predominantly used in theoretical discussions. Neo-functionalism is defined as representative of the intellectual descendant of functionalism.²⁵ Ernst Haas is known as the founder of neo-functionalism. Other neo-functionalists are Leon Lindberg, Philippe Schmitter and Joseph Nye. In neo-functionalism ‘political integration comes about less through pressures from functional needs or technological change as such and more through the integration of political forces – interest groups, parties, governments which seek to exploit these pressures in pursuit of their interests.’²⁶ Neo-functionalism uses Mitrany’s concept of spillover as the driving force of integration, but in neo-functionalism spillover is referred to ‘the way in which the creation and deepening of integration in one economic sector would create pressures for further economic integration within and beyond that sector, and greater authoritative capacity in European level.’²⁷ Moreover

²³ Diez and Wiener, *ibid*, p.8

²⁴ *Ibid*, p.9

²⁵ Dougherty and Pfaltzgraff, *ibid*, p. 422

²⁶ Pentland, *ibid*, p.100

²⁷ Rosamond, *ibid*, p.60

spillover process in neo-functionalism is divided into three elements: Technical/Functional Spillover, Political Spillover and Geographical Spillover.²⁸

Neo-functionalism, thus, provided both a theory and a strategy for the integration like the federalist school. However the federalist approach was never really put into practice. Yet, the neofunctionalists analyzed a strategy which was both accepted and followed by some of the main political leaders in Western Europe.²⁹ For example, by the effect of neofunctionalism, ‘not only had the Rome treaties been signed in 1957, providing a good example of sectoral spillover, but by the early 1960’s, a number of the competitor European Free Trade Association had begun to apply for membership of the EEC.’³⁰

Neo-functionalism is criticized in several ways. Firstly it is insufficient in explaining the inconsistent nature of integration. Secondly, it is criticized ‘for exaggerating the capacity of trans-national elites and supranational organizations to guide the peace of integration against the will of the member states.’³¹ Because neo-functionalism assumes ‘an automaticity of integration through the concept of spillover, based on an objective economic rationale, and neglect the wider world within which integration takes place.’³² However, the strong link that it is established between theory and practice makes neofunctionalism a theory that is taken seriously even today and serious studies are made about the theory.

²⁸ Cram, Dinan and Nugent, *ibid*, p.10

²⁹ Loukas, *ibid*, p.23

³⁰ Laura Cram, *ibid*, p.53

³¹ Bjorn Hoyland and Mark Schieritz, ‘Theories of European Integration’ in Jorge J. Fernandez Garcia, Jess E. Clayton and Christopher Hobley (eds.), *The Student’s Guide to European Integration* Cambridge: John Wiley & Sons Ltd, 2003. p.30

³² Andreas Bieler, ‘The Struggle Over EU Enlargement: a Historical Materialist Analysis of European Integration’ *Journal of European Public Policy*, Vol.9, Issue.4, 2002. p.577

Despite all criticism raised in 1960s, neo-functionalism has seemed to discover the secret of integration through the link it established between theory and practice and thus the place it has gained in practice and it was claimed that thanks to neo-functionalism 'advanced and industrialized nations could push the international community beyond the sovereign state and dramatically reduce the possibility of war.'³³ But was this the end of the nation-state? The empty chair crisis in 1965 indicated that nation-state was alive. Under these circumstances, Stanley Hoffman argues in his article, '*Daedalus*' (1966), that the states of Europe are still self-interested entities with clear interests.³⁴ Hoffman lays the ground of inter-governmentalism with his this study, and gives a response to neo-functionalism. He argues that 'national governments might allow a certain degree of spillover in areas of 'low politics' (such as economics and welfare issues) where such spillover did not threaten their vital interests and indeed where cooperation might enhance their position within the international environment. However, in areas of 'high politics' (such as foreign policy, security and defence), national governments would be much more provident and would stop to any attempts to encourage spillover.'³⁵ Because, according to Hoffmann, national governments are more 'obstinate' than 'obsolete' in the process of European integration. This is clearly a 'serious challenge to the snowball effect of cooperation proposed by the neofunctionalist approach'.³⁶ However, the differences between intergovernmentalism and neo-functionalism, started to be mentioned with Hoffman, is not limited to this. While neo-functionalism

³³ Brent F. Nelsen and Alexander C-G. Stubb, 'Introduction to Intergovernmentalism and Stanley Hoffmann' in Brent F. Nelsen, Alexander C-G. Stubb, (eds.), *The European Union. Readings on the Theory and Practice of European Integration*, 2nd Edition, Macmillan: Houndmills, 1998. p.163

³⁴ Ibid.

³⁵ Cram, Dinan and Nugent, *ibid*, p.11

³⁶ Cram, *ibid*, p.48

gives significant importance to supranational institutions or agents in the EU, the intergovernmentalism attributes little influence to them.³⁷ Intergovernmentalism sees the state as a single unilateral actor by ignoring the fact that the state consists of several different actors with their own goals and agendas.³⁸ Moreover, intergovernmentalism concentrates on inter-state negotiations as the most important instances of integration. Therefore, the theory has difficulty in explaining enlargement of the EU or creation of new institutions or financial issues such as Structural Funds.³⁹

As seen the theories both on the first and second phase are shaped by rationalist theories. However that does not mean that there are no dichotomies between the theories of the first and the second phases. Mark Pollack briefly summarizes dichotomies of the integration theories from the 1950s through 1990s with particular attention to debates between mainstream integration theories. According to him, the 1990s witnessed the emergence of a new dichotomy which is between rationalist and constructivist. As the integration process was going well, during the 1950s and early 1960s, neo-functionalism and other theorists explained 'the process whereby European integration proceeded from modest sectoral beginnings to something broader and more ambitious.' When the integration process started going badly from the middle of 1960s through the early 1980s, intergovernmentalist and others explained 'why it had not proceeded as smoothly as its founders had hoped.' However, by the 1990s this debate had largely replaced by a

³⁷ Donald J. Puchala, 'Institutionalism, Intergovernmentalism and European Integration: A Review Article', *Journal of Common Market Studies*, Vol.37, Issue.2, 1999. p.319

³⁸ Hoyland and Schieritz, *ibid*, p.32

³⁹ Bieler, *ibid*, p.577

new divide between rationalism and constructivism.⁴⁰ Therefore, a new phase named by Diez and Wiener as the third phase started.

2.2 Is The Rationalism–Constructivism Divide Helpful?⁴¹

The period called as the third phase is shaped by international relations theory. In other words, the transformation experienced in international relations theory has changed the structure of integration theories too. Thus, it is of paramount importance to touch upon the transformation experienced in international relations theory and its impacts on integration theory.

In the 1990s, international relations theory was characterized by the rise of a variety of critical and constructivist approaches apart from rationalist approach, which drew their inspiration from developments in other fields of social theory.⁴² In this way, integration theory has diversified beyond the traditional debate between intergovernmentalism and supranationalism. Different from the first and the second phases, which tried to explain or analyze either institution or the supranational level, ‘this phase of integration theory faced more encompassing task of theorizing the goal or finality of European integration.’ Works during this phase have been concerned with questions about ‘our understanding of integration, how particular policy areas have been defined and what political effects these definitions and historical processes have had.’⁴³

⁴⁰ Mark A. Pollack, ‘Theorizing the European Union: International Organization, Domestic Polity, or Experiment in New Governance?’, *Annual Review of Political Science*, 2005. p. 359- 368

⁴¹ Markus Jachtenfuchs, ‘Deepening and Widening Integration Theory’, *Journal of European Public Policy*, Vol. 9, Issue.4, 2002. p.651

⁴² Diez and Wiener, *ibid*, p.9 –10 - See also Thomas Christiansen, Knud Erik Joergensen, and Antje Wiener (eds.), *The Social Construction of Europe*, London: Sage Publications, 2001. p.537

These developments leave integration theory as a three-cornered race: rationalism, constructivism and reflectivism.⁴⁴ Rationalism, constructivism and reflectivism are in fact social meta-theories or three corners of integration theory that 'define a set of assumptions, on which variety substantive theories are based.'⁴⁵ For example neorealism, neoliberal institutionalism and liberal intergovernmentalism share rationalist assumptions. Social, Modern or Wittgensteinian constructivism, on the other hand, consolidates under the umbrella of constructivism.

For each meta-theory, relations among them are as important as their theoretical frameworks. At this point, role of constructivism is even more crucial. According to observers working from the perspective of constructivism, it is located somewhere between rationalist and reflectivist approaches. Moreover constructivist positions do not converge on a third point of the theoretical triangle –in the form a semi-circle - and as such it can be seen as a middle ground or a *via media*. In this way, constructivism actually contributes to establish a middle ground for those who do not agree with the two extreme poles.⁴⁶ Emanuel Adler defines the reason of middle ground position of constructivism. He defines it as: 'the view that the manner in which the material world shapes and is shaped by human action and interaction depends on dynamic normative interpretations of the material world.'⁴⁷

⁴³ Diez and Wiener, *ibid*, p.9 –10

⁴⁴ Thomas Christiansen, Knud Erik Joergensen, and Antje Wiener, 'Introduction', in Thomas Christiansen, Knud Erik Joergensen, and Antje Wiener (eds.), *The Social Construction of Europe*, London: Sage Publications, 2001. p.11

⁴⁵ Ulrich Sedelmier, *Constructing the Path to Eastern Enlargement*, Manchester University Press: Oxford, 2005. p. 17

⁴⁶ Thomas Christiansen, Knud Erik Jorgensen and Antje Wiener, 'The Social Construction of Europe', *Journal of European Public Policy*, Vol. 6, Issue.4, 1999. p.536 - See also Steve Smith, 'Social Constructivisms and European Studies: a Reflectivist Critique', *Journal of European Public Policy*, Vol. 6, Issue.4, 1999. p.683

Attribution of such a role to constructivism, defined as a middle ground, is closely related to emphasis ‘mosaic of integration’, mentioned at the beginning of the chapter. As remembered, in mosaic of integration, approaches will add new stones to change the picture rather than directly competing with each other, each approach contributes to the emerging picture in its own limited way. However, the major problem here is ‘How close the point is that constructivism has been located at between two poles to rationalism or reflectivism?’⁴⁸ The relationship of constructivism is with the pole called as rationalism is rather important that’s why constructivism - rationalism relationship will be discussed within the context of EU integration and the latest enlargement process.

However, before examining studies carried out in the literature concerning this issue, it is necessary to address rationalist and constructivist approaches shortly. Then it is useful to analyze debates ongoing between rationalism and constructivism in the literature within the framework of EU integration briefly so as to make the subject easily comprehensible.

The dominant meta-theory in literature throughout the history of international relations and also European integration has been rationalism. The main reason of this is that rationalism is simpler and its methodology is applicable in larger studies as compared to constructivism and reflectivism. In rationalism, the basic units of actions

⁴⁷ Emanuel Adler, ‘Seizing Middle Ground: Constructivism in World Politics’ *European Journal of International Relations*, Vol.3, Issue.3, 1997. p.322 - See also Steve Smith, ‘Integration Theory and European Integration’ *International Relations Theory and Politics of European Integration* in eds.Morten Kelstrup and Michael C. Williams London: Williams Routledge, 1999.

⁴⁸ Reflectivism is affected by diverse many schools as well. These are postmodernism, feminism, critical theory, normative theories, radical constructivist approaches and historical sociology. Strict rejection of rationalist assumptions is common to all of them. Reflectivism basically assumes that the nature of reality is social, subjective and therefore it could not be separated from observer and scientifically explored. For further information related to the issue, Steve Smith ‘Reflectivist and Constructivist Approaches to International Theory’, in: John Baylis and Steve Smith (eds.): *The Globalization of World Politics*, Oxford University Press: Oxford, 2001.

are individual agents (including corporate actors) and they are independent of the structures in which they operate. In this regard states, as corporate actors, are the primary actors in international relations and they act with assumptions as self-interest, such as security and welfare. On the other hand, rationalism conceives of structure as material, rather than social. Structures, such as formal institutions, affect actors' behaviour by creating incentives for certain strategies, but they do not affect actor's underlying interests.⁴⁹

It is quite relevant to examine liberal intergovernmentalism and its rationalist perspective which is the most recent example of theorizing European integration. The initiator of this theory, Andrew Moravcsik, based his theory on the idea of state rationality like other rationalist theories.⁵⁰ According to rationalism, actors calculate utility of alternative courses of action and choose the one that maximizes their utility under the circumstances. In liberal intergovernmentalism, utility is defined by the issue-specific welfare interests of the dominant domestic interest groups.⁵¹ In this respect Moravcsik specifies that 'State behaviour reflects the rational actions of governments constrained at home by domestic societal pressures and abroad by their strategic environment.'⁵² As a matter of fact liberal intergovernmentalism identifies domestic interest group pressure as a central factor shaping government preference, which they then defend in inter-state bargaining. Moravcsik phrases this point as:

The assumption of rational state behaviour provides a general framework of analysis, within which the costs and benefits of economic

⁴⁹ Sedelmier, *ibid*, p. 18 - See also James G. March and Johan P. Olsen, *Rediscovering Institutions: The Organizational Basis of Politics*, New York: Free Press, 1989. p.160

⁵⁰ Pollack, *ibid*, p.364

⁵¹ Schimmelfennig and Rittberger, *ibid*, p.84 - 86

⁵² Andrew Moravcsik, 'Preferences and Power in the European Community: A Liberal Intergovernmentalist Approach' *Journal of Common Market Studies*, Vol. 31, Issue.4, 1993. p 483

interdependence are the primary determinants of national preferences, while the relative intensity of national preferences, the existence of alternative coalitions, and the opportunity for issue linkages provide the basis for an intergovernmental analysis of the resolution of distributional conflicts among governments.⁵³

Interstate bargaining issue is the most powerful and detailed argument of liberal intergovernmentalism. Moravcsik argues that agreements are the result of asymmetrical interdependence, in other words, the outcomes of international bargaining between states are determined by the preferences and bargaining power of states.⁵⁴ From this perspective, EU policy-making is the outcome of a bargaining process between actors who maximize given material preferences.⁵⁵ According to Moravcsik, in order to understand European integration the most fundamental task is to explain these bargains. Because ‘from the signing of the Treaty of Rome to the making of Maastricht, the EC has developed through a series of celebrated intergovernmental bargains, each of which set the agenda for intervening period of consolidation.’⁵⁶ On this ground liberal intergovernmentalism theorizes that the Commission can not exert influence via bargaining (posing threats, demands or concessions to the member states), because it lacks formal votes (as bargaining power) in the Council of Ministers. However, the European Commission can improve the efficiency of inter-state bargaining though detecting existing state interests.⁵⁷

⁵³ Ibid, p.481

⁵⁴ Ibid, p. 473

⁵⁵ Sedelmeier, ibid, p. 7

⁵⁶ Moravcsik, ibid, p.473

⁵⁷ Diana Panke, ‘The Differential Impact of Communicated Ideas Bridging the Gap between Rationalism and Constructivism’, *Hamburg Review of Social Sciences*, Vol.1, Issue.3, 2006. p.318

The theory of liberal intergovernmentalism is not without its critics. Moravcsik claims that economic interests are most important factors in the European integration process. In other words, political concerns are excluded by Moravcsik. However, politics and economics cannot be separated from each other. In this context Marlene Wind, among those criticizing liberal intergovernmentalism puts that ‘... important institutional elements such as the evolution and change of norms, ideas and historically produced codes of conduct – discursive as well as behavioural, are completely expelled from analysis.’⁵⁸

On the other hand, Frank Schimmelfennig draws attention to the weight of intergovernmentalism in the literature although it is not a theoretical school and despite criticisms voiced against it. According to Schimmelfennig;

Liberal intergovernmentalism is an application of rationalist institutionalism, a larger class of international relations theories to the field of European integration. Moreover, liberal intergovernmentalism has quickly acquired the status a baseline theory against which new theoretical conjectures are tested and which is used as a ‘first cut’ to explain new developments in European Integration.⁵⁹

Through the findings of Schimmelfennig, it is clear that the strength of liberal intergovernmentalism derives from rationalism and from the fact that it has been able to adapt itself theoretically to explain new developments with flexibility that majority of the theories within rationalism trend lack.

On the other hand, constructivism offers a different account of European integration. It maintains that political actors do not always make their decision based on calculation of material benefit. In their view, even though decision makers agree

⁵⁸ Marlene Wind, ‘Rediscovering Institutions: A Reflectivist Critique of Rational Institutionalism’, in Knud Erik Jørgensen, (eds.), *Reflective Approaches to European Governance*, Houndsmills: Macmillan Press, 1997, p. 28

⁵⁹ Frank Schimmelfennig, ‘Liberal Intergovernmentalism’, in Thomas Diez and Antje Wiener (eds.), *European Integration Theory*, Oxford: Oxford University Press, 2003. p.75

on certain facts about the world, they formulate their opinions and take action in a social context. According to constructivism, decision makers consider the ways of group norms, ideas and even cultures which shape and sometimes change the identities and interest of decision makers and other political actors.⁶⁰ Constructivism actually gives norms a constitutive character, and it has the opinion that they can have a formative influence on aims and interests of the actors. In this regard, the actors adopt themselves to some social norms and reflect these in their behaviour. Thus actors do not only act selfish and for the sake of benefit maximizing, like other rational theories think.⁶¹ Moreover 'their activities are not independent from their environment but strongly influenced by their knowledge and perception of things, which means that the actors decide which meaning social structures have for themselves.'⁶² Constructivist scholars define institutions more broadly to include informal norms and as well as formal rules and 'posit a more important and fundamental role for institutions, which constitute actors and shape not simply their incentives but their preferences and identities as well.'⁶³

Whereas rationalists are in the main concerned with explaining, constructivists attempt to understand the world. That's why rationalists try to explain 'how' or 'why' rather than 'account for.'⁶⁴

⁶⁰ Jeffrey C. Checkel, 'Social Construction and European Integration', in Brent F. Nelsen and Alexander Stubb (eds.), *The European Union: Readings on the Theory and Practice of European Integration*, Boulder:Lynne Rienner Publishers, 2003. p.351

⁶¹ Frank Schimmelfennig, 'The Community Trap: Liberal Norms, Rhetorical Action, and the Eastern Enlargement of the European Union', *International Organization*, Vol.55, Issue.1, 2001. p. 59

⁶² Ibid

⁶³ Pollack, *ibid*, p.234

In this regard Karin Fierke and Antje Wiener state difference of their constructivist approaches from rationalist approach as follows:

Rationalists take the context as given; we want to problematize the context. Rather than taking rules of any particular game for granted, and focusing on rationality of decisions within an assumed context, we want to elaborate on the context itself within which the changing identities and interests of both organizations we invested with social and political meaning.⁶⁵

The position of constructivism on the issue of bargaining process is different from rationalism, as well. It presumes that interactions are characterized by the exchange of arguments. During processes of arguing, communicated ideas can facilitate changes in actors' substantial policy interests.⁶⁶ Thus, formal bargaining power does not matter much; actors such as 'the European Commission can exert substantial influence in the Council of Ministers, if the Commission succeeds in persuading the member states. The Commission is especially successful in exerting substantial influence on EU policies, if the Commission possesses an ideational advantage and can develop new and innovative arguments'.⁶⁷ This bargaining process is controversial in comparison to the bargaining process assumed by liberal intergovernmentalism. On the other hand, as stated by Diana Panke, 'empirical studies highlight that arguing and bargaining coexist in interactions in the European

⁶⁴ John O'Brennan, 'Re-Conceptualising Europe: Social Constructivism and EU Enlargement', 2000. Available at: <http://www.unige.ch/ieug/B6_O%27Brennan.pdf> (Accessed on 01.12.2007), p.174

⁶⁵ Karin Fierke and Antje Wiener, 'Constructing Institutional Interests: EU and NATO Enlargement' *Journal of European Public Policy*, Vol. 6, Issue.5, 1999. p. 723

⁶⁶ Panke, *ibid*, p.318 - For further information Thomas Risse, 'European Institutions and Identity Change: What Have We Learned', In Richard Herrmann, Marilyn Brewer and Thomas Risse (eds.), *Transnational Identities: Becoming European in the EU*, Lanham, MD: Rowman & Littlefield, 2004.

⁶⁷ *Ibid*, p.318

Union. This indicates that rationalist and constructivist accounts only explain parts of the complex reality of social interactions, albeit different ones.⁶⁸

As a matter of fact that rationalist and constructivist approaches might ‘complement one another and provide a more comprehensive explanation of the empirical phenomena in question, if scope conditions⁶⁹ for both approaches can be developed in order to avoid contradictory claims.’⁷⁰ As March and Olsen concede actors both calculate actions and follow rules. According to them ‘political action cannot be explained in terms of either one or the other... any particular action probably involves elements of the other. Political actors are constituted by their interests, which they evaluate according to the expected consequences of their actions, and by the rules embedded in their identities and political institutions’.⁷¹ Schimmelfennig puts the complementary relation between constructivism and rationalism as follow:

Rationalism and constructivism do not provide us with elaborated an internally consistent competing hypotheses on enlargement that we could rigorously test against each other...The differences between rationalist and sociological theories of institutions are multidimensional and often a matter of degree rather than principle. I therefore use rationalism and constructivism as partially competing and partially complementary resources of hypothesis construction of enlargement.⁷²

⁶⁸ Ibid

⁶⁹ Scope conditions may be conceptualized as independent variables held constant in order to limit the generalizability of the theory to a specific and well-defined domain, and to maximize comparability across studies. For further information: Martha Foschi, ‘On Scope Conditions’ *Small Group Research*, Vol. 28, 1997.

⁷⁰ Panke, *ibid*, p.319

⁷¹ James G. March and Johan P. Olsen, ‘The Institutional Dynamics of International Political Orders’, *International Organization*, Vol. 52, Issue.4, 1998. p.952-953

It is worth noting here that such a relationship that can be interpreted as complementary between rationalism and constructivism actually stems from the role of constructivism which is defined as a middle ground or a *via media* theory.

Within the context of European integration what then makes constructivism particularly well suited for research on European integration?⁷³ According to Philippe Schmitter classical integration theories based on rationalist perspective, such as neofunctionalism and intergovernmentalism, have traditionally side-stepped the EU's relations with non-members, focusing instead on the internal motors and brakes of integration.⁷⁴ Thomas Christiansen, K. Erik Jorgensen and Antje Wiener argue on this issue from constructivist perspective. According to them:

European integration has a transformative impact on the European state system and its constituent units. European integration itself has changed over the years, and it is reasonable to assume that in the process agents' identity and subsequently their interests and behaviour have equally changed. While this aspect of change can be theorized within constructivist perspectives, it will remain largely invisible in approaches that neglect processes of identity formation and/or assume interests to be given exogenously.⁷⁵

After the critical relationship between rationalism and constructivism is emphasised within the framework of European integration studies, a few alternative approaches attempting to establish a relationship between constructivism and

⁷² Frank Schimmelfennig, *The EU, NATO and the Integration of Europe: Rules and Rhetoric*, Cambridge: Cambridge University Press, 2003. p.11

⁷³ Christiansen, Jorgensen and Wiener, *ibid*, p.529

⁷⁴ Philippe Schmitter, 'Examining the Present Euro-Polity with the Help of Past Theories', in G. Marks (eds.), *Governance in the European Union*, London: Sage, 1996. p, 14

⁷⁵ Christiansen, Jorgensen and Wiener, *ibid*, p.529

rationalism can be mentioned. However, the point to be paid attention is that these attempts were made by constructivists. In other words, constructivism positions itself against rationalism within the framework of the role that can be named as middle ground or *via media*. However, it is an attempt that is not totally against it, but one that is in line with it. At this point, two names, Frank Schimmelfennig and Helene Sjursen, attempting to establish a relation between constructivism and rationalism by approaching from constructivist approach come to the surface.

Frank Schimmelfennig bases his theory both on rationalism and constructivism; he tries to solve the puzzle of European integration by rhetorical action. For him the enlargement of the EU cannot only be explained by rational arguments about costs, benefits and state preferences. But also constructivism is needed in order to explain the EU's decision to enlarge. Rhetorical action combines social action with the assumption of rational action and 'it postulates that social actors use and exchange arguments based on identities, values and norms institutionalized in their environment to defend their political claims and to persuade their audience and their opponents.'⁷⁶ Schimmelfennig mainly emphasized the EU's decision to enlarge with strategic use of norms as follow:

In the institutional environment of an international community, state actors can strategically use community identity, values, and norms to justify and advance their self-interest. However, strategic behavior is constrained by the constitutive ideas of the community and the actors' prior identification with them...[t]hey can be forced to honor identity- and value-based commitments in order to protect their credibility and reputation as community members.⁷⁷

It should be noted that the author points out legitimacy as an influencing factor which is based on the collective identity and defines the privileges and duties of the Community. Since the actors have to justify their behaviour and their aims,

⁷⁶ Schimmelfennig, 2003, p.8

⁷⁷ Schimmelfennig, 2001, p. 77

they use norm-based argumentation to reach their interests.⁷⁸ Legitimacy has impact on the ‘interaction between political actors and their relative power over outcomes’ because of the link between the identity, which the community has in common, and the distributional conflict.⁷⁹ As seen rhetorical action is distinct from certain constructivist claim that ‘human action is driven by rules of appropriate or exemplary behaviour, organized into institutions where rules are followed because they are seen as natural, rightful, expected and legitimate.’⁸⁰ In contrast to certain constructivist analyses ‘policy makers are assumed to have equally and fully internalized a maximalist version of identity to share it equally’, rhetorical action gives social facts as a regulative constraint on behaviour.⁸¹ That’s why it can be evaluated as closer rationalist corner or pole. Moreover, because of its rationalist emphasis, rhetorical action still plays an important role in answering the question does the EU decide to enlarge to CEECs if the potential benefits of enlargement considerably outweigh its costs?

Schimmelfennig’s conception of rhetorical action, on the other hand, is insufficient in answering some questions such as which aspect of identity are salient in EU enlargement and whether EU identity might have more than a merely regulative effect on certain actions. In this regard Wallace states that ‘the most fundamental problem of enlargement is finding criteria for defining what a European state is, or where Europe stops.’⁸² However, rhetorical action can barely answer

⁷⁸ Ibid

⁷⁹ Ibid, p.49

⁸⁰ Johan P. Olsen and James G. March, ‘The Logic of Appropriateness’ , *Arena Working Paper Series*, Oslo: University of Oslo, 2004. Available at <www.arena.uio.no/publications/wp04_9.pdf> , (Accessed on 15.12.2007), p.1

⁸¹ Sedelmier, *ibid*, p.36

Wallace's questions. Sjursen draws attention to this point and criticizes rhetorical action. Sjursen advocates that 'actors do not use norms instrumentally in decision to enlarge. Norms constitute the identity of the actors; in other words, norms not only constrain their behaviour, but also constitute their world – views and preferences.'⁸³ After that Sjursen stresses on that it should be answered who the Europeans are and what kinds of values characterize Europe. Sjursen suggested two alternative forms of normative justification that might have led actors to support enlargement. The first form views the EU as a value-based community, legitimized through a collective self-understanding of special European values. The second form views EU as a rights-based union where the legitimacy of the union derives from norms approved in a free and open debate.⁸⁴ Sjursen comes to a significant conclusion through the distinction she makes. According to Sjursen, right-based justification has been as effective as value-based approach in the enlargement of EU. According to her it seems that the notion of universal rights would be more difficult to use as a mobilizing argument for enlargement. It does not warrant for establishing borders. 'If rights were only mobilizing argument for enlargement, there would be few reasons why, for example, Canada should not become a Member State in the EU.'⁸⁵ Thus the distinction allows us to understand enlargement perspective of the Union. Therefore value-based justification needs to be considered. Sjursen states it as follow:

⁸² W. Wallace, 'Form Twelve to Twenty Four? The Challenges to the European Community Posed by the Revolution in Eastern Europe', in C. Crouch and D. Marquand (eds.), *Toward Greater Europe*, Oxford: Blackwell, 1992. quoted in Helene Sjursen, 'Why Expand? The Question of Legitimacy and Justification in the EU's Enlargement Policy', *Journal of Common Market Studies*, Vol. 40, Issue.3, 2002, p. 501

⁸³ Helene Sjursen, 2002, p. 501

⁸⁴ Helene Sjursen, 'Enlargement and the Nature of the EU Polity' in Helene Sjursen (eds.), *Questioning the EU Enlargement: Europe in Search of Identity*, New York: Routledge, 2006. p.10

⁸⁵ Sjursen, 2002, p.502

Liberal democratic norms are a necessary condition for enlargement, but not on their own sufficient to explain the decision to include particular countries. This observation helps us understand the prioritization of the Central and East European applicants. This prioritization can not be explained unless the distinction between ethical-political and moral arguments is made.⁸⁶

According to Sjursen, it is seen that the EU would prioritize enlargement to states toward which it had a particular sense of kinship based duty. The point to be paid attention in the analysis of Sjursen is that interests are not totally excluded from the enlargement process. However, a constitutive role rather than a strategic role is given to norms as different from the approach of Schimmelfennig. That's why it would be suggested that enlargement is not only a matter of interest, but also a matter of values, and also a sense of common identity.⁸⁷ In this sense Sjursen also states that:

Based on a distinction between rights-based and value based normative justifications, it has been suggested that a sense of 'kinship – based duty' contributes to an explanation not only of the general decision to enlarge to Central and Eastern Europe but of the differentiated support for the enlargement to this group of states in comparison to Turkey.⁸⁸

Here Sjursen particularly emphasizes that value-based norms have an impact greater than not giving priority to some among the equals and it leads to unequal treatment of candidates. In other words the claim of Sjursen that 'there is differentiated support for the enlargement to this group of states in comparison to Turkey' is striking.

Test of this claim is quite important. Because it gives important clues about EU enlargement perspective, and a further step ahead, about its integration

⁸⁶ Sjursen, 2002, p.508

⁸⁷ Sjursen, 2006, p. 10

⁸⁸ Sjursen, 2002, p.509

perspective. If ideational factors as values/identity indeed give a shape and constrain the enlargement process as claimed by Sjursen, both enlargement process and Turkey's place within it will become a matter of discussion. Therefore, addressing claims of constructivist perspective and testing them are quite important. However, Sjursen has not conducted a comparative study to test her own claim that the EU has treated Turkey differently. Sjursen has attempted to display the place of ideational factors in the enlargement perspective of the EU. To this end, she has examined a series of speeches. Sjursen has emphasized the sentence 'you are profoundly European nation' that was used constantly in various speeches of Commissioner Hans van den Broek who was responsible for enlargement especially towards Eastern and Central Europe. Going further ahead, Sjursen has drawn attention to the emphasis that actually CEECs are European culturally and historically, which is stated in the enlargement reports of European Commission and records of European Parliament. For example, Sjursen indicated that in the Commission profile of Poland as candidate it was argued that 'For centuries, Polish culture has been an integral part of European Culture' (European Commission 2000a). According to Sjursen, 'with the reference to Turkey, the justifications for enlargement were different. Rather than a natural part of European family, Turkey was described as an important partner to Europe'.⁸⁹

As it can be seen, by setting from a series of speeches and reports, Sjursen has attempted to display the place of ideational factors in the enlargement perspective of the EU rather than showing that Turkey has been treated differently. For that reason, it has turned out to be necessary to make a study on whether Turkey has been treated differently or not through more comprehensive and concrete policies. In other words, it is necessary to display the existence of formal factors that affect decision-making process as well as informal factors that cannot be described explicitly; however it is assumed that informal factors are present through concrete policy

⁸⁹ Sjursen, 2006, p.12

implementations in EU enlargement process. For that reason, constructivist approach, addressed in this chapter, and its relation with rationalist approach is quite important.

Sjursen has not directly conducted a study on this subject. Instead of this, she has supported the study of Asa Lundgren on this and has discussed its results in her studies.⁹⁰ Lundgren has compared support of the EU towards Turkey and CEECs in moral and financial fields. However, there are some shortcomings in the comparison carried out by Lundgren. First of all, Lundgren has focused on ‘moral supports’ of the EU rather than financial assistance. The comparison made by Lundgren under the title of moral support is based on the reports of the Commission, a series of speeches and historical sequencing. Thus, it is not possible to obtain concrete indicators at the desired level through comparison that is made under the title of ‘moral support’.

In addition to it, Lundgren has narrowed the scope of the comparison of financial assistance, by focusing on Romania and Poland instead of studying all CEECs. Moreover, Lundgren has compared just total amount of financial assistance between these two countries and Turkey in the period 1990 – 2000. Because of these reasons, the comparison of financial assistance made by Lundgren has been rather limited. This limitation makes analysis of Lundgren on financial assistance vulnerable to criticism from many aspects. On the other hand, there are few studies in the literature comparing financial assistance provided to Turkey and CEECs. However, results have not been discussed within a theoretical framework in these studies. In addition to that, these studies have not covered financial assistance provided recently and they have not looked into the process that continues under 2007- 2013 financial perspective.

⁹⁰ Asa Lundgren, ‘Prioritisations in the Enlargement Process: Are some Candidates more ‘European’ than Others?’ in Helene Sjursen (eds.) *Enlargement in Perspective*, ARENA Report 2/05, 2005. Available at: <www.uned.es/dcpa/invest/cidel/documents/ARENA_Report22005_text.pdf> (Accessed on 27.11.2007) and Asa Lundgren, ‘Are Some Candidates More European Than Others?’ in Helene Sjursen (eds.) *Enlargement in Perspective*, Oslo: ARENA Report, 2006.

In this study, ideational factors such as European identity, common history and culture, and their manifestations in the EU are not studied. Because the major concern of this study is to discuss, keeping above-mentioned shortcomings in mind, the case of Turkey by setting out from the claim that these elements do already exist. For that reason, financial assistance is addressed in detail in later chapter and it is demonstrated whether informal factors have any reflections in concrete political implementations.

2.3 Conclusion

In this chapter of the study, integration theories were addressed. Firstly an attempt was made to answer the question of ‘Why do we need theories to explain EU integration and enlargement?’ Later the historical development of European integration theories, their roots and their developments were shortly examined. After a short but critical overview of the key theoretical approaches to the study of European integration, currently most influential approaches in European integration - rationalism and constructivism - were detailed. By addressing key theoretical approaches, it was aimed to demonstrate the latest point, namely meta-theory debates.

Rationalism and constructivism – reflectivism - are in fact social meta-theories that define a set of assumptions, on which variety substantive theories are based. It was discussed that relations among them are as important as their theoretical frameworks. At this point it was emphasized that the role of constructivism is even more crucial and constructivism is located somewhere between rationalist and reflectivist approaches.

After the critical relationship between rationalism and constructivism was stated within the framework of EU integration studies, a few alternative approaches attempting to establish a relationship between constructivism and rationalism were reviewed. Especially claim of Sjursen that ideational factors have an impact greater than not giving priority to some among the equals was discussed. To investigate of

this claim was rather important in that it gave important clues about EU enlargement perspective, and a further step ahead, about integration perspective.

If ideational factors such as values/identity indeed shape and constrain the enlargement process as claimed by Sjursen, both enlargement process and Turkey's place within it will become a matter of discussion. In this way, a theoretical frame was ensured to make an analysis of the results of the comparison made in relation to financial assistance.

CHAPTER 3

EUROPEAN UNION FINANCIAL ASSISTANCE

EU financial assistance is a comprehensive support and development system which is provided to a large geography. EU financial assistance which is provided to member and third countries is used according to a funding system which is elaborated considerably by the Union. In this part of the study, EU financial assistance will be briefly addressed and short information will be given on funding system, which is the use procedure of financial assistance. However, the main focus will be on financial assistance provided to CEECs and Turkey, which is the main subject of this part.

Financial assistance is the product of different policies of the EU. However, history of financial assistance process dates back to the founding treaties of the Community. As is known, the EU, whose founding aim is to achieve a developed and peaceful region which is balanced in economic and social terms, was composed of countries with very different economic and social structures in its foundation. In the Treaty establishing the European Coal and Steel Community (ECSC), which was signed on 18 April 1951 and entered into force on 24 July 1952, a separate chapter was dedicated to the subject of financial assistance in relation to investments in coal and steel productions, and it was stated that ‘the Commission could assist to implementations of investment programmes by providing grant aid to the initiatives within Community.’⁹¹ After that, The Treaty of Rome, signed on 25 March 1957 and entered into force on 1 January 1958. It referred in its preamble to the need ‘to

⁹¹‘ESCS Treaty’ - European Communities Official Website
<http://europa.eu/scadplus/treaties/ecsc_en.htm> (Accessed on 26.11.2007) - See also Hakan Karabacak, ‘Avrupa Birliği Mali Yardımları ve Türkiye ile Mali İşbirliği’, *Maliye Dergisi*, Sayı: 146, 2004. p. 69

strengthen the unity of their economies and to ensure their harmonious development by reducing the differences existing among the various regions and the backwardness of the less-favored regions.’⁹²

This aim which was indicated in treaties appeared in policies such as regional policy, development policy, neighbour policy, pre-accession strategy. In other words, EU financial assistance is implemented in the framework of aim and principle determined in the founding treaties and is given depending on different political frameworks as well. In this point, the solidarity principle, which constitutes the legitimate base of financial assistance and all political frameworks for their use, and the relationship between the solidarity principle and the founding aim of the EU is rather important than addressing the long history of financial assistance process based on treaties. As is stated in the founding treaties, it was foreseen as obligatory to realize solidarity principle and activate the compensation mechanisms in order to provide a balanced, harmonized and consistent development in the EU which was composed of strong and weak economies, and to realize the possibility of a long-lasting EU.

Since the establishment of the EU, the Union has acted within the context of the solidarity principle. Yet, European solidarity is in fact mentioned in the preamble of the Treaty on European Union in 1992. The Treaty explicitly refers to the solidarity principle and specifies that the Community acts to strengthen its economic and social cohesion and specifically to reduce the gaps among levels of development in the various regions.⁹³ By this way first legal record of solidarity principle which is based on sharing both the advantages, i.e. prosperity, and the burdens equally and justly among members has been made. This is why the Member states participate in a

⁹² ‘The Treaty of Rome’ - European Communities Official Website
< http://www.europa.eu/scadplus/treaties/eec_en.htm > (Accessed on 26.11.2007)

⁹³ ‘Treaty on European Union’ European Communities Official Website < <http://europa.eu.int/eur-lex/lex/en/treaties/dat/11992M/htm/11992M.html> >(Accessed on 26.11.2007)

European regional policy co-financed by the European funds such as Structural Funds and Cohesion Fund which embody community solidarity. However, the solidarity principle gradually went beyond the EU boundaries and constituted the legitimate base of the financial assistance process, provided third countries. In other words, the EU provides financial assistance in a large geography aimed at member and third countries by a funding system which derives its legitimacy from the solidarity principle.

The question of whether the intended results towards the aim of a balanced, harmonized and consistently developing the EU are achieved or not through financial assistance which are primarily provided to the countries with poorer economy within the Union is rather essential. Nurettin Bilici who sought the answer of this question has demonstrated with the table below the effects of the structural funds and cohesion funds, which will be addressed in the scope of financial assistance aimed at the member states later on. The table has also shown the proceeding of the member states of EU such as Greece, Spain, Portugal, and Ireland through the financial assistance given to them in the framework of solidarity principle.

Table 1
The Proceeding of the Some Member States
(As Percentage of the EU Average)

Country	Date of Membership	Per Capita Income by the date of membership	Per Capita Income by the year of 2000
Greece	1981	43	65
Spain	1986	54	84
Portugal	1986	25.5	60
Ireland	1973	55.2	119

Source: Nurettin Bilici, *Avrupa Birliđi – Türkiye İlişkileri* Ankara: Seçkin Yayınları, 2007. See also: Habib Yıldız and Fatih Yardımcıođlu, ‘Türkiye’ye Yönelik Avrupa Birliđi Mali Yardımları ve Aday Ülkelerle Karşılaştırılması’ *C.Ü. İktisadi ve İdari Bilimler Dergisi*, Cilt 6, Sayı 2, 2005

As is seen in the Table 1, Ireland which became a member of Union in 1973 and her income per capita was calculated as 55.2 % at the same year according to the EU average, achieved to increase it to 119 % in the EU average in 2000. A similar increase is seen in Portugal, which increased its income per capita from 25.5 % to 60% in a shorter period of time. This situation presented by Bilici in relation to financial assistance is striking in terms of demonstrating the significance of financial assistance aimed at the member states and the underlying solidarity principle.⁹⁴ However, it is important to accept the effect of the financial assistance policy implemented by the EU in these increases, while not externalizing the effects of other political and social processes stemming from countries' own dynamics, and from the EU membership.

The approach of the EU to creating and distributing financial assistance within the Union should not be interpreted as eliminating the differences only within the Union. In other words financial assistance is used to lessen the differences not only within the Union, but also outside the Union. A significant amount of resources was started to be given and has been given not only to the member states but also to third countries. Financial assistance to third countries as grant and credits are used in the service of the Union's aims.⁹⁵

This chapter is an analysis of financial assistance provided to Turkey and CEECs. Therefore, firstly, the systematic and grant conditions of financial assistance will be addressed based on the brief framework addressed above in relation to aim and significance of financial assistance. Secondly, EU financial assistance provided to CEECs and to Turkey will be separately examined and thus, their places in the financial assistance mechanism will be determined.

⁹⁴ Bilici, 2007, p.66

⁹⁵ Financial assistance to third countries will shortly be detailed under the title of 'Expenditures of External Actions.'

However, there exist three critical points to be clarified before proceeding with the systematic and grant conditions of financial assistance. First of all, basically EU financial assistance are only a part of Financial Cooperation Programmes between the EU and a country and they should not be confused. As is stated, the subject of financial assistance will be addressed and the subject of financial cooperation will be left outside the scope of this study. Secondly, it should be known that a country with candidate status is able to benefit from financial assistance of the EU before having a candidate status. However, financial assistance received after obtaining the candidate status is assessed within the scope of pre-accession strategy. In this chapter, while addressing financial assistance provided to Turkey and CEECs, pre-candidate and candidate status will be addressed together; however, especially financial assistance after the candidate status is granted as a part of pre-accession strategy will be emphasized. The third critical point is about the changes in the EU financial assistance system as of 1 January 2007. As this study embraces the process until the end of 2006, the system used until this date will be introduced. On the other hand, changes came into force as of 1 January 2007 will be addressed briefly and financial assistance and their systematic guaranteed to grant Turkey in this period will be included into the comparison in Chapter 5 under the title of ‘looking ahead’ within the scope of 2007-2013 budget.

3.1 European Union Financial Assistance

EU financial assistance is a rather comprehensive and detailed subject. However, in this study financial assistance will be addressed in two separate titles which are assistance in the form of *credit* allocated through only the ‘European Investment Bank’ (EIB) and assistance in the form of *grant* provided under the scope

of ‘General Budget of the European Communities’ in order not to deviate from the subject and to give a general information about the financial assistance.⁹⁶

3.1.1 Financial Assistance through the European Investment Bank

The European Investment Bank (EIB) is the European Union's financing institution and was created on 25 March 1957 by the Treaty of Rome establishing the European Economic Community (EEC). Articles 266 and 267 of the Treaty form the legal basis for the EIB. The EIB's mission is to contribute to the balanced and steady development of the common market by financing investment projects on a non-profit-making basis. It not only contributes to economic integration, the strengthening of economic and social cohesion and the implementation of development cooperation operations through the financial assistance it provides; but also facilitates the implementation of public and/or private investments and attract other investments for the projects that it supports. The EIB composed of the Member States which subscribe to its capital. Despite of that fact it enjoys its own legal personality and financial autonomy within the Community system.⁹⁷

The EIB finances for capital investment in particular regional development, Trans-European Networks of transport, telecommunications and energy, research, development and innovation, environmental improvement and protection, health and education. Although the projects can cover a wide range of subjects, they must be geared to one of the following objectives:⁹⁸

⁹⁶ For the classification used in this chapter see Yıldız and Yardımcıoğlu 2005 and Karabacak 2004.

⁹⁷ ‘The Operational Priorities of the European Investment Bank’ - European Communities Official Website - < <http://europa.eu/scadplus/leg/en/lvb/g24221.htm> > (Accessed on 26.11.2007) and ‘Fact Sheet of European Investment Bank’ - European Parliament Official Website <http://www.europarl.europa.eu/factsheets/1_3_13_en.htm> (Accessed on 26.11.2007)

- development of the European Union's less-favored regions;
- modernisation of businesses and creation of new activities which cannot be entirely covered by national funding resources;
- aid for investment in infrastructures of Community interest which, as a result of their scope or nature, cannot be funded by one Member State alone.

In its corporate operational plan the EIB sets out its medium-term policy and identifies its operational priorities in the light of its objectives as laid down by its governors. Since 1 January 2007, with the accession of Romania and Bulgaria to the EU, this capital has stood at EUR⁹⁹ 164.8 billion and for the 2007-2009 period lending activity is geared to six main priorities:¹⁰⁰

- cohesion and convergence
- support for small and medium-sized enterprises
- environmental sustainability
- implementation of the Innovation 2010 Initiative¹⁰¹

⁹⁸ 'The Operational Priorities of the European Investment Bank' - European Communities Official Website < <http://europa.eu/scadplus/leg/en/lvb/g24221.htm> > (Accessed on 26.11.2007)

⁹⁹ On 1 January 1999, eleven of the countries in the European Economic and Monetary Union (EMU) decided to give up their own currencies and adopt the Euro (EUR) currency: Austria, Belgium, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Portugal, and Spain. the Euro is not just the same thing as the former European Currency Unit (or 'ECU'). The ECU was a theoretical "basket" of currencies rather than a currency in and of itself, and no 'ECU' bank notes or coins ever existed. After 1999, the ECU has been replaced by the Euro. EUR is used through this thesis instead of ECU.

¹⁰⁰ 'The Operational Priorities of the European Investment Bank' - European Communities Official Website < <http://europa.eu/scadplus/leg/en/lvb/g24221.htm> > (Accessed on 26.11.2007)

- development of trans-European transport and energy networks
- promotion of sustainable, competitive and secure energy

Even though the EIB acts as an independent bank, it is accountable to its shareholders, the governments of the 27 EU Member States. According to European Parliament Fact Sheet of The European Investment Bank, the Board of Governors of the bank consists of 27 ministers appointed by the Member states (generally the finance ministers). The Board of Directors decides on granting credits, guarantees, borrowing and interest rates on credits. The Board of Directors of it consists of 28 members are appointed by the Board of Governors for five years, one nominated by the Commission and 27 by the Member states.¹⁰² However, in this case it is harder to say that the EIB is an independent financial institution; and the organic ties of the EIB between both the European Commission and the European Parliament arise the question of whether the decisions of the EIB have political dimensions or not. Moreover, as the Member States are shareholders and partners the EIB credits can not be allocated without their initiatives. As a matter of fact there are serious debates about that the EIB's legal status and its obligations with respect to the EU have never been properly clarified. It is obvious that the EIB is a lead player in implementing the Union's priority objectives. However, there is confusion over how exactly it can be held responsible to the EU. It is noticed that the European Council or the Member States collectively ask the EIB to take on external mandates to lend from its own resources with a Community or the Member States guarantee, or from grant resources provided by the European Commission or the Member States (known as risk capital

¹⁰¹ With the establishment of the Lisbon Agenda in 2000, the European Union set itself the strategic goal of establishing a competitive, innovative and knowledge-based European economy, capable of sustainable economic growth with more and better jobs and greater social cohesion by 2010. The Innovation 2010 Initiative was launched by the EIB in response to the Lisbon agenda. It focuses on three objectives paving the way for technological modernization and the tailoring of human capital to the European economy of tomorrow.

¹⁰² 'Fact Sheet of European Investment Bank' - European Parliament Official Website
<http://www.europarl.europa.eu/factsheets/1_3_13_en.htm> (Accessed on 26.11.2007)

operations). In agreeing to these requests, the EIB assumes responsibility for implementing specific financial components of agreements concluded under European development assistance and co-operation policies.¹⁰³ Moreover, at present there is a discussion about transparency of the EIB which is considered as the least transparent of all institutions established through the Treaty of the European Union.¹⁰⁴ The EIB argues that its secretiveness is due to its function as a financial institution. However, a study by the Bank Information Center in Washington DC and Freedom Info in New York in 2004 revealed that the EIB is by far the most non-transparent when compared to other public multilateral financing institutions, such as the World Bank and European Bank for Reconstruction and Development.¹⁰⁵ As a result of all critics of independent and non-governmental organizations monitoring regional development banks and financial institutions, the EIB adopted a new disclosure policy and made many improvements in its transparency policy. However, the EIB does not still have a transparent and open public system as much as it should have.

In addition to this, there is no guarantee whether the credit allocated to a country will be totally used by the allocated country or will be made used through the EIB. Therefore, the amount allocated by the EIB to the service of a country may not be totally used by the country; moreover, the EIB may not permit the utilization of the credit due to various reasons. For example, the EIB has a long standing lending

¹⁰³ 'The UK's International Development Partnership with the European Investment Bank (EIB)' (2000) Department for International Development Strategy Paper <<http://www.dfid.gov.uk/pubs/files/inter-american-dev-bank.pdf>> (Accessed on 26.11.2007)

¹⁰⁴ 'EIB Urged to Make the Most Transparency Review' - The CEE Bank Watch Network Supported by the EU Website <www.bankwatch.org> (Accessed on 26.11.2007)

¹⁰⁵ Article of 'Public Funds for Public Benefit: Making the European Investment Bank Support People and the Environment' - The European Union Resource Network Official Website <<http://www.fern.org/>> (26.11.2007) - See also Bank Information Center Website <www.bicusa.org>

activity in Turkey, which has started in 1965, when Turkey signed a cooperation agreement with the Union. Since then, the EIB has provided finance for the projects in Turkey. However, the EIB did not offer credit facilities to Turkey until 1994 due to high tension between European Community and Turkey following the military coup d'état of 1980. It is possible to say that pursue of a tough guaranteed credit policy by the EIB, although it is a non-profit organization, as well as political conditions of that period, had an impact on its decisions. While examining financial assistance provided to Turkey by the EU, credits provided to Turkey by the EIB will be addressed, and the relations between the EIB and Turkey will be discussed from the perspective of financial assistance.

3.1.2 Financial Assistance through General Budget of the European Communities

It is necessary that the EU realizes the policies formulated by the Union such as agricultural policy, structural policies, and research policies; it makes some expenditure to this purpose in order to reach the goals of economic, political and social integration. Due to the necessity of these expenditures, a need has also arisen for income resources; and due to this reason, an independent budget of the Community independent from the national budget system of the Member States became obligatory. Up to 1970, the European budget was funded by state contributions. The system of own resources was introduced in 1970. Since the reform of the budget in 1970, the European Community has its own resources to finance its expenditure. The expenditures of the budget, since this date, have been allocated to the common policies of the EU; and the budget incomes also have stemmed from the common policies of the EU. Within this framework, the budget resources of the EU are composed of taxes collected from the import of agricultural and sugar products,

customs duties, value added taxes and the contribution of the member states' gross national products.¹⁰⁶

On the other hand, the expenditures of the Union were made under six main titles in the budget. These were expenditures for agriculture, structural operations, internal actions, external actions, reserves, compensation, pre-accession strategy and administrative expenditures.¹⁰⁷ Expenditures for internal policies, reserves, compensation and administrative are not directly related to financial assistance issue. For this reason they are not included in the study. On the other hand the titles which are expenditures for agriculture, structural operations, external actions and pre-accession aid are directly related to financial assistance issue and so these titles are included into the study. They are divided as 'Financial Assistance Aimed at the Member states' and 'Financial Assistance Aimed at Non -Members'.¹⁰⁸

3.1.2.1 Financial Assistance Aimed at the Member States

Financial assistance provided by the General Budget of the European Community aimed at Member states, is carried out under two Titles: *expenditure for agriculture* and *structural operations* which are expenditure items of *General Budget of the European Communitie*. Agricultural and structural expenditures which compose the significant amount of the budget expenditures are conducted and distributed by the administrations of the member states themselves. The expenditures made by the member states are supervised by various EU institutions, primarily by

¹⁰⁶ For further information 'Financial Programming and Budget', European Commission Official Website < http://ec.europa.eu/budget/faq/faq_eu_budg_en.htm> (Accessed on 27.11.2007)

¹⁰⁷ By 2007 – 2013 financial perspective, there have been changes in expenditure titles. New arrangements will be handled introduced in Chapter 5.

¹⁰⁸ For further information Karabacak, *ibid*.

the Commission.¹⁰⁹ This assistance provided for the most important policies of the EU is rather important for the EU.

3.1.2.1.1 The European Agricultural Guidance and Guarantee Fund (EAGGF) – Guarantee Section

The Common Agricultural Policy (CAP) is a system of European Union agricultural subsidies and programmes. Until 1 January 2007 in order to execute this policy the European Agricultural Guidance and Guarantee Fund (EAGGF) was used which was set up by Regulation No 25 of 1962 on the financing of the common agricultural policy. EAGGF consumes a large part of the general budget of the EU.¹¹⁰ Notwithstanding Guidance and Guarantee Fund is seemed as one fund, it is separated as *guidance section* and *guarantee section* because of different target and the way of use of sections.

The Fund's Guarantee Section that will be examined under this title finances expenditure on the agricultural market organizations, the rural development measures that accompany market support and rural certain veterinary expenditure and information measures relating to the CAP. Especially the Guarantee Section of the fund is very important. Because it is open for all member states and 90 % of the fund is used under this section. On the other hand, the Guidance Section finances other rural development expenditure, not financed by the EAGGF Guarantee Section and it is used to finance structural policy measures.¹¹¹

¹⁰⁹ Bilici, 2007. p. 95 – 96

¹¹⁰ 'Financing the Common Agricultural Policy' - European Commission Official Website <http://ec.europa.eu/agriculture/fin/index_en.htm> (Accessed on 26.11.2007)

¹¹¹ Ibid

By 2007 – 2013 Financial Perspective, the European Agricultural Fund for Rural Development (EAFRD) was set up on 1 January 2007 instead of EAGGF. By the use of a single fund, an improvement in the competitiveness of agriculture and forestry, the environment and rural land management, as well as the quality of life and diversification of the rural economy is aimed. The EAFRD fund will also finance local development strategies and technical assistance.

3.1.2.1.2 Expenditures for Structural Operations

This expenditure served cohesion policy of the Union. As known cohesion policy was originating with the Single European Act (SEA) 1986 and it could be thought of as the need of harmonious economic development within the EU. The EU's perspective on cohesion was that the wide disparities in wealth and opportunities must be reduced through a series of policy measures. In this regard cohesion policy was a general term and refers to range of EU policies having the common aim of reducing or ameliorating these economic disparities.¹¹² In this regard, five specific financial instruments (four structural funds and cohesion fund) were used to decrease socio- economics disparities in the Union.

For the period between 2000 and 2006, EUR 213 billion has been earmarked for all structural instruments for the 15 Member States. In addition, another EUR 24 billion in structural interventions for the new Member States in the period 2004–2006, was spent within the Union's adjusted financial perspective. The total of about EUR 237 billion represents approximately 36 % of the EU budget for the period up to 2006.¹¹³ Most of the funding was being spent through multiannual development

¹¹² Chris Rumford, *European Cohesion*, London: St. Martin Press, 2000. p.1

¹¹³ 'Regional Policy of the Eu' - European Commission Official Website
<http://ec.europa.eu/regional_policy/intro/working4_en.htm> (Accessed on 26.11.2007)

programmes, managed jointly by Commission services, the Member states and regional authorities. The EU subsidized and supplemented national aid.

3.1.2.1.2.a The Cohesion Fund

The Treaty of the European Union instituted as one of the objectives of the Union the search of social and economic cohesion among the diverse regions and countries of the community. To achieve it, the cohesion fund was established by the Council Regulation No 1164/94 of 16 May 1994. This Regulation established that ‘the Cohesion Fund which part-finances action in the fields of the environment and transport infrastructure of common interest with a view to promoting economic and social cohesion and solidarity between Member States.’¹¹⁴

Eligible countries for cohesion fund were the least prosperous Member States of the Union whose gross national product (GNP) per capita was below 90% of the EU-average and had a programme leading to the fulfillment of the conditions of economic convergence. In this regard, four Member States of the Union -Spain, Greece, Portugal and Ireland - were eligible under the Cohesion Fund.¹¹⁵ For the period from 1993 – 1999, the Cohesion Fund was allocated EUR 15.5 billion (at 1992 prices) in order to reinforce existing regional policy in Spain, Greece, Portugal and Ireland.¹¹⁶

¹¹⁴ ‘Cohesion Fund -Council Regulation (EC) No 1164/94 European Communities Official Website’ <<http://europa.eu/scadplus/leg/en/lvb/l60018.htm#AMENDINGACT>> (Accessed on 26.11.2007)

¹¹⁵ ‘Cohesion Fund at a Glance’ - European Commission Official Website - <http://ec.europa.eu/regional_policy/funds/procf/cf_en.htm> (Accessed on 26.11.2007) and ‘Cohesion Fund Parliament Fact Sheet, Article 161 of the EC Treaty’ -European Parliament Official Website <http://www.europarl.europa.eu/facts/4_4_3_en.htm>(Accessed on 27.11.2007)

¹¹⁶ Rumford, *ibid*, p. 32

For the years 2000–2006, the EU provided over EUR 18 million for the Cohesion Fund. This amount was allocated by objective criteria over the four countries eligible: Spain (62%), Greece (17%), Ireland (4%) and Portugal (17%). However, the Commission’s mid-term review of 2003 deemed Ireland as ineligible under the Cohesion Fund as of 1 January 2004. For 2004 – 2006, EUR 7.590 million was reserved for the new Member States.¹¹⁷

In 2007 – 2013 financial perspective this fund has been modified and it is now subject to the same rules of programming, management and monitoring as the European Social Fund (ESF) and the European Regional Development Fund (ERDF). The Fund is linked to the ‘Convergence’¹¹⁸ objective of the reformed cohesion policy and the fund concerns Bulgaria, Cyprus, the Czech Republic, Estonia, Greece, Hungary, Latvia, Lithuania, Malta, Poland, Portugal, Romania, Slovakia, Slovenia and Spain.

3.1.2.1.2.b The Structural Funds

The funds originated as individual financial instruments in the 1970s and they have been used for different goals and functions until 1989. However, till that time, the resources could not be used at intended productivity, they were utilized inefficiently and wasted, and there were difficulties in achieving the goals since the funds were provided without coordination and without certain principles and priorities.¹¹⁹ Hereupon, in 1988 European Community decided that the funds should

¹¹⁷ ‘Cohesion Fund’ - European Commission Official Website
<http://ec.europa.eu/regional_policy/funds/cf/index_en.htm> (Accessed on 27.11.2007)

¹¹⁸ The convergence objective is supporting growth and job-creation in regions whose development is lagging behind. This includes all EU regions with a Gross Domestic Product (GDP) per head below 75% of the Community average.

be connected to each other within coordination and provided that the different funds came together under the title of ‘the Structural Funds’. In addition to this, principles, priorities and countries were set for the utilization of the funds and distribution of the funds and allocation of the resources were planned. In pursuit of this, utilization of structural funds was rearranged in 1993. In this regard, the Structural Funds were created to help those regions within the EU whose development was lagging behind. In 1997 the European Commission published its proposals for reforming the Structural Funds in the Agenda 2000¹²⁰ report.¹²¹ By this way, as of 2000, the new form of structural funds rearranged within the context of goals, countries and regions included in the goals and amounts of financial assistance came into force. Finally, the funds were subjected to reform in 2007, financial resources of the funds were rearranged, new norms were determined for the management, control and evaluation of the projects, and three new goals and priorities were defined. Thus, simplification of the funds and their utilization policies was aimed.

In sum, there have been four programming periods for EU Structural Funds. These are 1989 – 1993, 1994 – 1999, 2000 – 2006 and current 2007 – 2013. However in this study periods between 1993 – 2006 when all funds combined and were used together will be considered. In this period the Structural Funds concentrated on clearly defined priorities and determined objectives:¹²²

¹¹⁹ Rona Michie and Rona Fitzgerald, ‘The Evolution of Structural Funds’, in John Bachtler and Ivan Turok, *The Coherence of EU Regional Policy*, London: Jessica Kingsley Publishers Ltd, 1997. p.14-17

¹²⁰ On 26 March 1999, at the Berlin European Council, the Heads of Government or States concluded a political agreement on Agenda 2000. It is an action programme whose main objectives are to strengthen Community policies and to give the EU for the period 2000 – 2006 with a view to enlargement. ‘Europe’s Agenda 2000’ – European Commission Official Website <http://ec.europa.eu/agenda2000/public_en.pdf> (Accessed on 27.11.2007)

¹²¹ Rumford, *ibid*, p. 32

- 70% of the funding goes to regions whose development is lagging behind. They are home to 22% of the population of the Union (Objective 1);
- 11.5% of the funding assists economic and social conversion in areas experiencing structural difficulties. 18% of the population of the Union lives in such areas (Objective 2);
- 12.3% of the funding promotes the modernization of training systems and the creation of employment (Objective 3) outside the Objective 1 regions where such measures form part of the strategies for catching up.

A short examination of the funds will be helpful for discussions of financial assistance provided to CEECs and Turkey.

European Regional Development Fund (ERDF): The European Regional Development Fund was set up in 1975. The aim of the fund was ‘to promote economic and social cohesion by correcting the main regional imbalances and participating in the development and conversion of regions, while ensuring synergy with assistance from the other Structural Funds.’¹²³ Half of the budget on structural fund was allocated was ERDF.

European Social Fund (ESF): According to the Treaty of Rome, the European Social Fund (ESF) was established in 1958. The aim of fund was ‘to help the expansion of employment, the promotion of the rate of employment, equal opportunities and to support the investment in the human resources and in trainings.’¹²⁴

¹²² ‘Regional Policy: Facts and Figures’ - European Commission Official Website
<http://ec.europa.eu/regional_policy/intro/regions2_en.htm> (Accessed on 27.11.2007)

¹²³ ‘Council Regulation No 1783/1999 of the European Parliament and of the Council of 12 June 1999 on the European Regional Development Fund - European Communities Official Website
<<http://europa.eu/scadplus/leg/en/lvb/l60015.htm>> (Accessed on 27.11.2007)

European Agricultural Guidance and Guarantee Fund – Guidance Section (EAGGF – G): It operates since 1970. The aim of the fund was ‘to sustain the contact between the multifunctional agricultural and the soil; to secure diversification of rural economy; to help the preservation of the rural communities; the improvement and the preservation of the environment and cultural heritage.’¹²⁵

Financial Instrument for Fisheries Guidance (FIFG): These three structural funds mentioned above were supplemented with FIFG in 1994. The aim of the fund was ‘to contribute to achieving the objectives of the common fisheries policy.’¹²⁶ For this purpose it supported structural measures in fisheries, aquaculture and the processing and marketing of fishery and aquaculture products. In this way it promoted the restructuring of the sector by putting in place the right conditions for its development and modernization.

As seen each of the four existing Structural Funds had its own specific thematic area. In order to receive the Structural Funds, the Member States had to submit a plan to the European Commission outlining the social and economic situation in the region; the priorities and strategy for use of the Structural Funds; the financial resources of the applicant member state. The submitted plan formed the basis of negotiations between the member states and the European Commission and resulted in an agreement known as a ‘Community Support Framework Document’ or a ‘Single Programming Document’. These documents set out the actions, objectives, targets, anticipated financial resources, monitoring, evaluation, and control systems to

¹²⁴ ‘What is ESF?’ - European Commission Official Website-
<http://ec.europa.eu/employment_social/esf/discover/esf_en.htm> (Accessed on 27.11.2007)

¹²⁵ ‘Financing the Common Agricultural Policy’ - European Commission Official Website
<http://ec.europa.eu/agriculture/fin/index_en.htm> (Accessed on 26.11.2007)

¹²⁶ ‘Council Regulation No 1263/1999 of 21 June 1999 on the Financial Instrument for Fisheries Guidance’ - European Communities Official Website
<<http://europa.eu/scadplus/leg/en/lvb/l60017.htm>> (Accessed on 27.11.2007)

be set in place to manage the EU funds. However, the structural funds were not directly transferred into the projects which were chosen by the Commission; and it required, in a wide sense, a decentralized structure in practice. The whole process was decided together with the Commission; however, the projects were determined by the local and decentralized structure. After the selection of the project, it was financed not only by the Community funds; the national resources contributed to the projects at a rate of 20 % as well. In other words, it was essential that the national resources were always supported by the Community funds since the programme budgets always cover Community funds besides the national resources (private or public).¹²⁷

As is seen, the Structural Funds and the Cohesion Fund had a rather significant place in financial assistance provided to the member states within the scope of general budget of the European Communities. Aims and sectors set forth by cohesion fund and structural funds became a guidance while regulating the quality and quantity of financial assistance provided to particularly candidate countries and non-member states; and attention was paid to ensure that aid provided during pre-candidacy period was provided in the framework of the Structural Funds and it was in the nature of a preparation to them. The system, which was decentralized and based on project designing, was essential in implementing structural funds and cohesion fund and this system was also implemented in the pre-candidate and pre-accession process. This case will arise again as a critical element in the comparative study to be mentioned later on in relation to CEECs and Turkey.

3.1.2.2 Financial Assistance Aimed at Non-Member States

The aid, which is not provided to EU Member States from EU financial assistance, is provided to candidate and other third countries under various titles. Under the scope of this study, financial assistance provided to non- member states

¹²⁷ Karabacak, *ibid*, p. 76

will be addressed under the titles of *expenditures for external actions* and *pre-accession aid*, which are expenditure items of *General Budget of the European Communities*. The titles of expenditures for external actions and pre-accession aid are different; however the financial assistance provided to CEECs and Turkey was first carried out under the title of ‘expenditures for external actions’, and later on financial assistance was given to CEEC and Turkey under the title of ‘pre-accession aid’. So, financial assistance under expenditures for external actions and pre-accession aid will be handled as financial assistance aimed at non-member states. First of all the financial assistance provided under the title of expenditures for external actions will be examined, and then financial assistance provided directly to CEECs and Turkey under both titles will be addressed.

3.1.2.2.1 Expenditures for External Actions

The title of expenditures for external activities of Community budget includes expenditures which are envisaged to be provided to third countries by the EU. These are seen in the forms of development fund, humanitarian aid, food aid, and aid for supporting democracy and human rights. According to European Parliament resolution on the implementation of macro-financial assistance to third countries, the main aim of financial assistance is for third countries ‘to contribute to the stability in the regions proximate to the European Union’. The resolution also states that financial assistance to third countries can ‘perform an important function in certain circumstances, primarily in seeking to stabilize previously conflict-stricken areas and in promoting processes of economic and political change when there appear to be good opportunities to facilitate progress through the provision of additional resources.’¹²⁸ In this scope, financial assistance is provided to African, Caribbean and

Pacific Group of Countries (ACP), New Independent States (NIS), Asia and Latin America countries (ALA), Mediterranean countries and recently to the Balkan countries by the EU.¹²⁹ Financial assistance was provided to CEECs in this scope, before the Pre-accession Strategy. Turkey benefited from the financial assistance provided to the Mediterranean countries within the scope of MEDA Programmes. MEDA Programmes will be touched upon later within the framework of financial assistance which Turkey benefited; so it would be useful to briefly address the aims and qualities of the programmes under the title of aid for external activities.

3.1.2.2.2 The Euro-Mediterranean Partnership Programme (MEDA I - II)

Another important country group which benefit from financial assistance provided under the title of Expenditures for External Activities of the community budget is Mediterranean Countries. Essentially, the European - Mediterranean partnership dates back to 1960s, before the MEDA Programmes. It was expanded in 1970s by including economic and financial cooperation. At the end, with the adoption of the document entitled 'Towards a New Mediterranean Policy' by the Council in December 1990, a significant progress was made. However, the main progress within the efforts to form a cooperation framework was achieved with European-Mediterranean Conference which was held in Barcelona, in 1995; and with the 'Barcelona Declaration', a new period began in cooperation.¹³⁰ As an outcome of the

¹²⁸ 'European Parliament Resolution on the Implementation of Macro-Financial Assistance to Third Countries' (3.01,2003/2002/2265(INI)) - Office for Official Publications of the European Communities Official Website
<<http://eur-ex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2004:068E:0086:0090:EN:PDF>>
(Accessed on 20.01.2008)

¹²⁹ 'General Budget of the European Union for the Financial Year 2006' - European Commission Official Website - (Office for Official Publications of The European Communities)
<http://ec.europa.eu/budget/publications/budget_in_fig_en.htm>(Accessed on 27.11.2007)

declaration, the decision of implementing a financial assistance programme in order to develop the cooperation and to establish a free trade area between the Mediterranean partners within the scope of programme and the EU until 2010 was taken and first programme called as MEDA I was launched in 1995 and ended in 1999. Second programme called as MEDA- II amended for the term 2000 - 2006. The programmes enabled the EU to provide financial and technical assistance to the countries in the southern Mediterranean: Algeria, Cyprus, Egypt, Israel, Jordan, Lebanon, Malta, Morocco, the Palestinian Territory, Syria, Tunisia and Turkey. In this regard the priorities for MEDA resources at the bilateral level are to support economic transition, to strengthen the socio-economic balance, to develop better socio-economic balance, to foster regional integration and to gradually create a euro-Mediterranean free trade area.¹³¹

For the period 1995 –1999, MEDA-I accounted for EUR 3.435 million of the EUR 4.422 million of budgetary resources allocated for financial cooperation between the EU and its Mediterranean Partners. For 2000–2006, MEDA - II is endowed with EUR 5.350 million. In 2000 committed MEDA – II funds amounted to EUR 879 million (in addition, EUR 8.8 million were carried over to 2001). These grants from the Community budget were accompanied by substantial lending from the EIB. For 1995–1999, the EIB credits totaled EUR 4.808 million; for 2000–2006, the EIB’s Euromed II lending mandate is EUR 6.400 million. The EIB committed EUR 1.000 million from its own resources in the same period for transnational projects.¹³²

¹³⁰ Karabacak, *ibid*, p.81

¹³¹ ‘MEDA Programme: Council Regulation (EC) No 1488/96 of 23 July 1996 on financial and technical measures to accompany and the reform of economic and social structures in the framework of the Euro-Mediterranean partnership [Official Journal L 189 of 30.07.1996] <<http://europa.eu/scadplus/leg/en/lvb/r15006.htm>> (Accessed on 27.11.2007)

Within the framework of EU's 'New Neighborhood Policy'¹³³, after 2006, MEDA was replaced by policies covering larger areas. Within the scope of new policies, the EU developed its cooperation with the regions in closer relations with the EU including non-EU-member states in Eastern Europe, and countries of Caucasus Region. Turkey was excluded from MEDA process at the end of 2002 within the framework of pre-accession strategy. Even if MEDA had continued until 2006, Turkey would not have taken place within this scope because MEDA and New Neighborhood Policies do not cover candidate countries.

3.2 Financial Assistance Provided to CEECs

Of the Central and Eastern European Countries, Czech Republic, Estonia, Latvia, Lithuania, Hungary, Poland, Slovenia, Slovakia, Romania, and Bulgaria received aid both in the form of credit from the EIB and in the form of grant from general budget of the European Community after 1989, when their diplomatic relations with the EU started. Aid in the form of credit was provided to these countries in the pre-candidate status and after. Aid in the form of grant were provided through the PHARE programme - under the external action- in the pre-candidacy period; after they won candidate status they received this aid through three *pre-accession instruments, namely PHARE (Poland and Hungary Assistance for the Reconstruction of the Economy), ISPA (Instrument for Structural Policy for Pre-*

¹³² 'Euro-Mediterranean Partnership and MEDA Regional Activities' - Delegation of the European Commission Official Website <<http://www.delegy.ec.europa.eu/>>(Accessed on 27.11.2007)

¹³³ The European Neighbourhood Policy (ENP) was developed in 2004 for closer ties with seven new neighbours. The countries involved in the first round are Ukraine, Moldova, Israel, Jordan, Morocco, Tunisia and the Palestinian Authority. The second ENP round was outlined in 2005, when the Commission issued country reports on Egypt and Lebanon as well as the Southern Caucasus countries of Armenia, Azerbaijan and Georgia. The ENP does not aim to open up the prospect of membership to the countries concerned. Further information 'European Neighbourhood Policy' - European Commission Official Website <http://ec.europa.eu/world/enp/index_en.htm> (Accessed on 27.11.2007)

Accession) and *SAPARD (Special Accession Programme for Agriculture and Rural Development)* under the title of *pre-accession aid* of the European Communities budget. These programmes, which were put into force by the European Commission, are the instruments forming the financial dimension of 'Pre-accession Strategy' which was developed to prepare the CEECs to the membership as a part of EU financial perspective of 2000-2006.

It is essential to notice that aid is used in the general legal framework of Association Agreements signed with these countries, based on principles, priorities and conditions of Accession Partnership document, in these aid programmes in the form of grant. The Directorate – General to Enlargement (the European Commission) is responsible for the general policies and programming for the PHARE. The authorized units in the Commission for ISPA and SAPARD are General Directorate of Regional Policy and General Directorate of Agriculture, respectively.¹³⁴ In this part of the study, information will be provided upon PHARE, ISPA, SAPARD programmes which are opened to the service of CEECs and the credits of the EIB were used by CEECs.

In addition to this, financial assistance provided within the framework of one to one relations between CEECs and the EU has been addressed in this study; however, aids provided by the Union for a particular region and aids provided with European Community Programmes¹³⁵ have not been addressed. Three pre-accession financial instruments (PHARE, SAPARD and ISPA) are only included in the study.

¹³⁴ Karabacak, *ibid*, p.86

¹³⁵ European Community programmes are an integrated set of actions adopted to promote co-operation between the EU Member States and candidate countries in different specific fields related to Community policies, over a period of several years. These are not part of financial assistance provided to CEECs and Turkey. So they are not included in the calculations. For further information 'European Communities Programmes' - European Communities Official Website <<http://europa.eu/geninfo/query/resultaction.jsp?page=1>> (Accessed on 27.11.2007)

3.2.1 PHARE (Poland and Hungary Assistance for the Reconstruction of the Economy)

From the programmes in question, PHARE Programme, which has the largest budget, became the primary financial and technical cooperation instrument and the most important assistance mechanism of the EU for CEECs.

Originally, it was meant to foster and support the changes in Poland and Hungary in their reform process by Council Regulation No. 3906/89 and in December 1989. In this regard, PHARE was intended to have expired at the end of 1992, but in November 1992 the EC Council decided to prolong it at least until 1997 and by the time it was expanded to other countries in Central and Eastern Europe, the Czech Republic, Estonia, Latvia, Lithuania, Slovakia and Slovenia, as well as Bulgaria and Romania. Until 2000 the countries of the Western Balkans (Albania, Bosnia-Herzegovina and the Former Yugoslav Republic of Macedonia)¹³⁶ were also beneficiaries of PHARE.

PHARE Programme mainly focused on supporting the economic transition period of CEECs between 1989 and 1999 and showed a demand-based approach. In this regard PHARE Programme in its first years focused on providing technical information, technical aid and humanitarian aid when the need arose. Therefore, it is not possible to consider it as an aid programme directly supporting the pre-accession process. However, PHARE's 'pre-accession' focus was put in place in 1997, in response to the Luxembourg Council's launching of the present enlargement process. After that the PHARE programme has changed from being a 'demand driven' programme to an 'accession driven' programme.

During 2000 – 2006 period PHARE focused on two main priorities: Institution Building and Acquis-Related Investment Support. Besides the 'PHARE 2000 Review' emphasised the additional priority of linking PHARE to the Structural

¹³⁶ However, as of 2001 the CARDS Programme (Community Assistance for Reconstruction, Development and Stability in the Balkans) has provided financial assistance to these countries.

Funds. By these changes made in the programme for 2000 – 2006 PHARE programme supported the implementation of tasks defined by the national governments and the European Commission in the Accession Partnership and in the National Programmes for the adoption of Aquis. These tasks concern developments, which have economic, social and political effects. For 2000 – 2006 period the main objective of PHARE is to assist the preparation of the applicant countries for joining the regional (ERDF) and social (ESF) section of the Structural Funds. These orientations were further refined in 1999 with the creation of SAPARD and ISPA, which took over rural and agricultural development (SAPARD) and infrastructural projects in the environmental and transport fields (ISPA) allowing PHARE to focus on its key priorities that were not covered by these fields.¹³⁷

Total PHARE allocations in the period of 1992 – 2002 are like in the Table 2.

Table 2

Total PHARE Allocations in the Period of 1992 -2002

Country	Total Al. During 1992 - 2002	% of Total Al. in 1992 – 2002	Population (million) (2002)	Area 1000 km2	GDP per Capita*¹³⁸ (2002)
Poland	3.450	31,6 %	38,2	313.0	9200.0
Romania	2.025	18,5 %	22,4	238.0	5900.0
Bulgaria	1.035	9,4 %	7,9	111.0	6500.0
Hungary	1.389	12,7 %	10,1	93.0	11900.0
Czech Republic	854	7,8 %	10,2	79.0	13300.0
Lithuania	584	5,3 %	3,5	65.0	8700.0
Slovakia	572	5,2 %	5,4	49.0	11100.0

¹³⁷ 'PHARE Financial Instrument' - European Commission Official Website
http://ec.europa.eu/enlargement/financial_assistance/PHARE/index_en.htm (Accessed on 27.11.2007)

Table 2 (Continued)

Latvia	426	3,9 %	2,3	65.0	7700.0
Slovenia	295	2,7 %	2,0	20.0	16000.0
Estonia	286	2,6 %	1,3	45.0	9800.0
Total CEECs	10.916	100%	103,3	1078.0	

Source: Regular Reports on Candidate Countries Progress 1998 – 2002 - European Commission Official Website <<http://ec.europa.eu/enlargement/>> (Accessed on 27.11.2007)

* Gross Domestic Product (GDP) is the market value of all final goods and services produced within a country during a given time period. GDP per capita is calculated by dividing either nominal or real GDP for a given year by the population in that year. These numbers can be thought of as the average share of output per person.

As seen in the Table, Poland becomes the country to benefit from the PHARE Programme most with a share of 31,6 %. Romania and Bulgaria follow Poland with the rates of 18,5 % and 9,4 %. Countries benefiting least from the aid are Slovenia and Estonia with 2,7 % and 2,6 %. As is seen from the Table, there are some reasons of the difference in the amount used by mentioned countries. Country allocations are clearly positively correlated with population and area but negatively with GDP per capita. Except of these, countries were included in PHARE at different times; hence the period of use in some cases is shorter than in others. Moreover there were certain criteria in usage of PHARE. These were economic and social potential of the recipient countries; absorption capacity and administrative readiness of them; experience in management and programme realization.¹³⁹

EUR 4.680 million aids were provided between 2000 and 2002 of the allocated EUR 10.916 million aid between 1992 and 2002. Since accession negotiations with CEECs were started between 1998 and 2000; and renewed PHARE programme incompatible with pre-accession strategy was activated as of 2000.

¹³⁹ Pawel Capik (2004) 'Pre-Accession Assistance – Conditions, Spatial Distribution and Management Issues on a Polish Example' *Conference Paper from the 5th UACES Student Forum Regional Conference*, p.5

Hence, it is worth considering that of the aid allocated in the period covering the years between 1990 and 2006, not the total amount was received payment. Total commitments 1990–1999 was EUR 10.229 million. Realization ratio of the allocated aid of EUR 7.915 million for this period was 77, 4 %. Total payments under signed contracts 1990-1999 were EUR 6.767 million. Thus 62,1 % of all committed funds have been paid and 80,3 % of all contracted funds have been paid.¹⁴⁰ With the realization of SAPARD and ISPA programmes within the framework of pre-accession strategy after 2000, the ratios of payments and commitments became closer; and no serious deviation occurred in the allocated ratios.

When the total PHARE aid between 2000 and 2006 and annual distributions are examined, the distribution and total amount of the aid is like in the Table 3. As it is understood from the table, PHARE aids provided between these years demonstrates an equal distribution on annual basis.

Table 3

PHARE Grant-Aids for the Period of 2000 – 2006

(Million EUR)

	2000	2001	2002	2003	2004	2005	2006	Total
PHARE	1560	1560	1560	1560	1560	1560	1560	10920

Source: ‘PHARE Allocations’ - European Commission Official Website
 <http://ec.europa.eu/regional_policy/funds/PHARE/PHARE_en.htm>
 (Accessed on 27.11.2007)

When the total PHARE aid provided between 2000 and 2006 is examined, it is seen that the total amount of aid of 6 years which is EUR 10.920 million is far above

¹⁴⁰ ‘The Phare Programme Annual Report 1999’ - European Commission Official Website
 <http://ec.europa.eu/enlargement/archives/pdf/financial_assistance/phare/phare1999_en.pdf>
 (Accessed on 27.11.2007)

the aid of EUR 7.915 million provided between 1990 and 1999. Moreover, the eight CEECs which became members of the Union in 2004, except Romania and Bulgaria, went on receiving this aid despite gaining the full membership status. Additional aids were continued to be provided to Romania and Bulgaria between 2004 and 2006 within the scope of PHARE. The total amount of the aid allocated to the both countries within the scope of PHARE was EUR 4.680 million.

The annual allocations for PHARE in the period of 2000- 2006 are like in the Table 4.

Table 4
The Annual Allocations for PHARE
(2000–2006)
(Million EUR)

Country	PHARE Annual Allocations
Poland	398
Romania	242
Bulgaria	100
Hungary	96
Czech Republic	79
Lithuania	42
Slovakia	49
Latvia	30
Slovenia	25
Estonia	24
Total CEECs	1085*

Source: ‘Preparing for Accession: Major Instruments’ - European
Commission Official Website
<http://ec.europa.eu/agriculture/external/enlarge/publi/infopaper/01_en.pdf>
(Accessed on 27.11.2007)

*Only national programmes are included. (crossborder and horizontal programmes not included)

As seen in the Table 4, Poland has received the largest amount from annual allocations from PHARE. Estonia has received the smallest amount from annual allocations from PHARE. The total amount of the aid provided to all countries between 1990 and 2006 and its distributions for pre-candidate status and after is like in the Table 10. As is seen in the table, the total PHARE aid provided between 1990 and 2006 is the total amount of is approximately EUR 17.7 billion.

3.2.2 ISPA (Instrument for Structural Policy for Pre-Accession)

ISPA was established by Council Regulation No.1267/1999 in June 1999 on the basis of a Commission proposal in Agenda 2000 to enhance economic and social cohesion in the applicant countries of Central and Eastern Europe for the period 2000-2006.¹⁴¹ Like the PHARE programme, the ISPA programme has the aim of Economic and Social Cohesion. Yet, ISPA's exclusive focus on environmental and transport infrastructure measures has subsequently allowed the PHARE programme to focus on other aspects of Economic and Social Cohesion.¹⁴²

Projects realized with ISPA assistance must be not only economically effective, therefore before they are accepted for realization the costs and benefits of their social impact and influences on the local economy must be considered. The Programme assists with realization of projects complying with each beneficiary's 'National Strategy of Preparation for Membership' and 'National Development Plan.'¹⁴³

¹⁴¹ 'ISPA Financial Instrument' - European Commission Official Website - http://ec.europa.eu/enlargement/financial_assistance/ispa_en.htm (Accessed on 27.11.2007)

¹⁴² Ibid

ISPA grant-aids for the period 2000 – 2006 are like in the Table 5.

Table 5

ISPA Grant-Aids for the Period of 2000 – 2006

(Million EUR)

	2000	2001	2002	2003	2004	2005	2006	Total
ISPA	1040	1040	1040	1040	1040	1040	1040	7280

Source: ‘Regional Policy – ISPA’ - European Commission Official Website -
<http://ec.europa.eu/regional_policy/funds/ispa/ispa_en.htm>
(Accessed on 27.11.2007)

The total amount of ISPA aid of 6 years between 2000 and 2006 is approximately EUR 7,2 billion. A balanced distribution of aid provided between 2000 and 2006 exists on the annual basis, like the PHARE programme. However, on the country basis, the distribution of ISPA aid differs. In the Table 6, ranges for ISPA fund allocation per beneficiary country is provided. The allocation of ISPA resources among the beneficiary countries has been decided by the Commission, using the following three criteria: population size, per capita GDP and land surface area. On the other hand in order to encourage the beneficiary countries to propose high quality projects and to have some flexibility in the management of ISPA funding, the overall allocations are provided as ranges.

¹⁴³ Ibid

Table 6

Ranges for ISPA Fund Allocation per Beneficiary Country

Countries	ISPA Ranges
Bulgaria	8.0% - 12.0%
Czech Republic	5.5% - 8.0%
Estonia	2.0% - 3.5%
Hungary	7.0% - 10.0%
Lithuania	4.0% - 6.0%
Latvia	3.5% - 5.5%
Poland	30.0% - 37.0%
Romania	20.0% - 26.0%
Slovenia	1.0% - 2.0%
Slovakia	3.5% - 5.5%

Source: 'The Mini ISPA Report 2000 – 2003 ' – European Commission Official Website <http://ec.europa.eu/regional_policy/funds/ispa/pdf/mini00_03.pdf> (Accessed on 27.11.2007)

The countries have received aid within the framework of the ratios seen in the Table 6. Due to this reason, it is necessary to consider ISPA aid provided on country basis between 2000 and 2006 and amounts received by countries given in the Table 7 within the framework of these ratios.

Table 7
The Annual Allocations for ISPA
(2000 – 2006)

Country	2000 – 2006 (Million Euro)	Population (million) (2002)	Area 1000 km²	GDP per capita (EUR) (2002)
Poland	312 – 384.8	38,2	313.0	9200
Romania	208 – 270.4	22,4	238.0	5900
Bulgaria	83.2 – 124.8	7,9	111.0	6500
Hungary	72.8 – 104	10,1	93.0	11900
Czech	57.2 – 83.2	10,2	79.0	13300
Lithuania	41.6 – 62.4	3,5	65.0	8700
Slovakia	36.4 – 57.2	5,4	49.0	11100
Latvia	36.4 – 57.2	2,3	65.0	7700
Estonia	20.8 – 36.4	1,3	45.0	16000
Slovenia	10.4 – 20.8	2.0	20.0	9800.0
Total	1040	103,3	1078.0	

Source: 'Preparing for Accession: Major Instruments' - European Commission
Official Website

<http://ec.europa.eu/agriculture/external/enlarge/publi/infopaper/01_en.pdf>

(Accessed on 27.11.2007)

and Regular Reports on Candidate Countries Progress 2000 – 2002- European
Commission Official Website <<http://ec.europa.eu/enlargement/>> (Accessed on
27.11.2007)

As it is understood from the table, there are differences in allocations of the aid on the country basis. The amounts seen are compatible not only with ratios given in the Table 6, but also with criteria given above. According to table, Poland has received the largest share as being the most populated country and having the largest area. Slovenia, with its population of approximately 5% of that of Poland, and with its territory of approximately 8% of that of Poland, received an aid that amounts to approximately 5% of the aid provided to Poland.

3.2.3 SAPARD (Special Accession Programme for Agriculture and Rural Development)

SAPARD was established by Council Regulation 1268/1999 in June 1999, on the basis of a Commission proposal as part of the Agenda 2000 programme for increased pre-accession assistance in the period 2000 - 2006.¹⁴⁴ The aim of SAPARD is to 'help the 10 beneficiary countries of Central and Eastern Europe deal with the problems of the structural adjustment in their agricultural sectors and rural areas, as well as in the implementation of the *acquis communautaire* concerning the CAP and related legislation.' Besides, it is designed to address priorities identified in the Accession Partnerships.¹⁴⁵

SAPARD Grant-Aids for the period of 2000-2006 are like in the Table 8.

¹⁴⁴ 'SAPARD Financial Instrument' - European Commission Official Website
<http://ec.europa.eu/enlargement/financial_assistance/sapard_en.htm> (Accessed on 27.11.2007)

¹⁴⁵ 'European Union Committee The 2006 EC Budget Report' Published by the Authority of the House of Lords – UK Parliament Official Website <www.publications.parliament.uk> (Accessed on 27.11.2007)

Table 8
SAPARD Grant-Aids for the Period of 2000-2006
(Million EUR)

	2000	2001	2002	2003	2004	2005	2006	Total
SAPARD	520	520	520	520	520	520	520	3640

Source: ‘SAPARD Allocations’ - European Commission Official Website
 <http://ec.europa.eu/regional_policy/funds/sapard/sapard_en.htm>
 (Accessed on 27.11.2007)

Total amount of SAPARD aid for 6 years between 2000 – 2006 is approximately EUR 3,6 billion. A balanced distribution was provided between 2000 – 2006 on the annual basis, like PHARE and ISPA. However on the country basis the distribution of SAPARD aid differs. The annual allocations for SAPARD are like in the Table 9.

Table 9
The Annual Allocations for SAPARD
(2000 – 2006)

Country	SAPARD Annual Allocations (2000 – 2006) (Million EUR)	Agricultural Area (000 ha) (2000)	Share of Employment (Million) (2000)	GDP per Capita (EUR) (2000)
Poland	168,7	1.897	7,4	9.200
Romania	150,6	14.874	9,9	5.900
Bulgaria	52,1	5.498	2,1	6.500
Hungary	38,1	5.853	0,6	11.900
Lithuania	29,8	3.489	0,6	8.700

Table 9 (Continued)

Czech Republic	22,1	4.282	0,5	13.300
Latvia	21,8	2.540	0,4	7.700
Slovakia	18,3	2.444	0,3	11.100
Estonia	12,1	986	0,1	9.800
Slovenia	6,3	486	0,2	16.000
Total CEECs	520	1472.0	22,0	

Source: 'Preparing for Accession: Major Instruments' - European Commission Official Website
 <http://ec.europa.eu/agriculture/external/enlarge/publi/infopaper/01_en.pdf>
 (Accessed on 27.11.2007)

As seen in the Table 9, Poland has received the largest amount from the annual allocations for SAPARD. On the other hand, Slovenia has received the smallest amount from the annual allocations for SAPARD. As understood from the table country shares are divided based on the some criteria. In SAPARD allocations, 90 % of the resources are divided according to agriculture employment, agriculture land and GDP in purchasing power parity in each country. The remaining 10% is allocated according to country geographical specifics. Especially this last criteria seems to be ambiguous, as some of the features that are being considered include the length of border and coastline.¹⁴⁶ That explains why Hungary received less than Bulgaria despite of the fact that Hungary's agricultural area is larger than Bulgaria's agricultural area. However, as is seen in PHARE and ISPA programmes, concrete

¹⁴⁶ Capik, p.7 - See also: 'Council Regulation (EC) No 1268/99 of 21 June 1999 on Community support for pre-accession measures for agriculture and rural development in the applicant countries of central and eastern Europe in the pre-accession period' – Office for Official Publications of the European Communities Official Website < http://eur-lex.europa.eu/smartapi/cgi/sga_doc?smartapi!celexapi!prod!CELEXnumdoc&lg=EN&numdoc=31999R1268&model=guichett > (Accessed on 27.11.2007)

criteria have been regarded in the distribution of financial assistance on the country basis, and allocations have been realized according to this in SAPARD programme.

Total PHARE – ISPA and SAPARD Allocations for the Period of 1990 – 2006 are like in the Table 10.

Table 10

**Total PHARE – ISPA and SAPARD Allocations for the Period of 1990 – 2006 *
(2000 prices - million EUR)**

	1990-1999	2000-2003	2004-2006	Total
	10 CEECs		(Romania and Bulgaria)	
PHARE	6.767	6.240	4.680	17.687
ISPA	-	4.160	3.120	7.280
SAPARD	-	2.080	1.560	3.640
Sub - Total	6.767	13.200	9.360	28.607

Source: Wim Kok (2003)'Enlarging the European Union: Achievements and Challenges', Report of Wim Kok to the European Commission, Robert Schuman Centre for Advanced Studies, Available at:
<http://ec.europa.eu/enlargement/archives/pdf/enlargement_process/past_enlargements/communication_strategy/report_kok_en.pdf> (Accessed on 27.11.2007) p.46 and 'European Union – Turkey Relations' - Republic of Turkey Secretariat General for EU Affairs Official Website <www.abgs.gov.tr> (Accessed on 27.11.2007)

* 1990-1999 expenditures based on actual payments, post-1999 on commitments Ten countries of Central and Eastern Europe (including Bulgaria and Romania) without Cyprus, Malta and Turkey which benefit from separate pre – accession funding.

As is understood from the table, the total amount of the aid provided between 1990 and 2006 is EUR 28.607 million. Approximately EUR 22,5 billion of the total

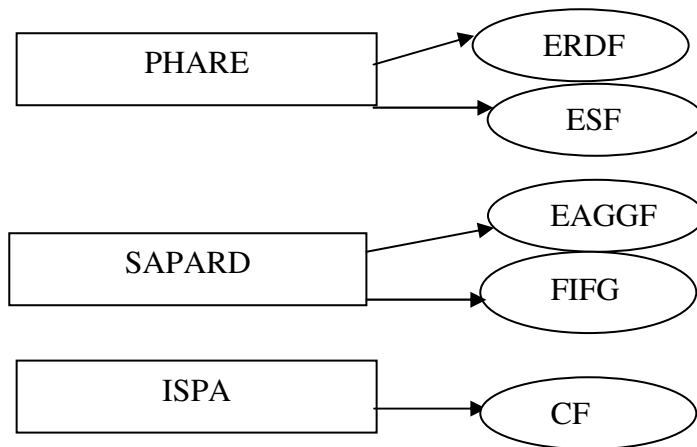
amount was provided after CEECs had gained candidate status; and only EUR 6,7 billion of this amount was allocated between 1990 and 1999. In addition to this, the annual average of the total amount of aid provided between 1990 and 2006 is approximately EUR 1,8 billion.

All mentioned above are just financial value of aids. Investment values of them are mostly higher than financial values. For example, ISPA grants have allocated over 300 large-scale infrastructure investments in the CEECs. Total assistance amounted to EUR 7,2 billion, however an investment value of it is over EUR 11,6 billion (2006 prices).¹⁴⁷ That underscores importance of financial assistance.

The significance of PHARE, SAPARD and ISPA Programmes do not stem from only their financial contribution to CEECs. The quality and utilization aims of these programmes are rather significant, as well. The idea behind it was to enable accession countries to get familiar with the procedures and rules of the funds they could access after joining the EU. PHARE supports the same sets of activities as the European Regional Development Fund (ERDF) and the European Social Fund (ESF), while SAPARD has comparable aims with the European Agriculture Guidance and Guarantee Fund (EAGGF) and the Financial Instrument for Fisheries Guidance (FIFG). ISPA mostly resembles the Cohesion Fund (CF).¹⁴⁸

¹⁴⁷ 'ISPA Programme' – The European Commission Representation in Bulgaria Official Website - <<http://www.evropa.bg/en/del/eu-programmes/additional-information/ispa.html>>(Accessed on 27.11.2007)

¹⁴⁸ Capik, *ibid*, p.4



Source: Capik, *ibid*, p.4

Figure 1

Similarities between Pre-Accession and the Structural Funds

This situation is the result of the EU's will to prepare the CEECs to the membership in a systemized and rapid way. It also lays the ground for differences to arise when the aims and methods of the financial assistance provided to Turkey will be discussed.

Financial assistance allocated to CEECs were based on some criteria such as GDP per capita, population, agricultural area, share of employment, total area. Moreover these criteria were explicitly stated in Council Regulations of the Union in order to prevent political speculations and be acted in equity by the Union. On the other hand in order to encourage the beneficiary countries to propose high quality projects and to have some flexibility in the management of funding, the overall allocations of ISPA are given as ranges. This point is quite critical which will be discussed in comparison between CEECs and Turkey.

3.2.4 The EIB Credits for the Enlargement to CEECs

The European Investment Bank's lending activity is concentrated on areas designated as high priority by its shareholders, the Member States. From the beginnings of 1990's its priority objectives were promotion of regional development in the EU, reinforcement of the European economy's capacity for innovation, underpinned by the widespread application of information technologies, environmental protection and enhancement, preparation of the Accession Countries for Union membership.¹⁴⁹ In Central and Eastern Europe, the EIB's task is to contribute to the Accession Countries' integration into the EU. By allocating EUR 40 billion credit, since 1990, the EIB is the foremost provider of finance for CEECs. The EIB financing for CEECs was previously centered on upgrading and expanding transport infrastructure (both road and rail) and the telecommunications sector with a view to connecting and integrating CEECs more closely with the EU market.¹⁵⁰

The EIB credits for CEECs in the period of 1990 –2006 are like in the Table 11.

Table 11

EIB Credits for CEECs in the Period of 1990-2006

(Per country)

Country	As Percentage (EUR 40 billion)	Approximate Amount (EUR Billion)
Poland	34 %	13.6
Romania	12 %	4.8

¹⁴⁹ 'EIB Group Financing' - European Investment Bank Official Website
<<http://www.eib.org/about/press/2002/2002-016-eib-group-financing-during-2001.htm>> (Accessed on 27.11.2007)

¹⁵⁰ 'EIB Group Financing' - European Investment Bank Official Website
<<http://www.eib.org/about/press/2002/2002-016-eib-group-financing-during-2001.htm>> (Accessed on 27.11.2007)

Table 11 (Continued)

Bulgaria	3 %	1.2
Hungary	17 %	6.8
Czech Republic	19 %	7.6
Latvia	2 %	0.8
Slovakia	5 %	2
Estonia	1 %	0.4
Slovenia	6 %	2.4
Lithuania	1 %	0.4
Total CEECs	100 %	40

Source: European Investment Bank Official Website <www.eib.org>
(Accessed on 27.11.2007)

As is understood from the table, Poland has received the largest share with its ratio of 34% while Estonia and Lithuania have received the smallest share with their ratios of 1% in credit facility. As stated previously, there is no guarantee whether the credit allocated to a country will be totally used by the allocated country or will be made used through the EIB. Therefore, the amount allocated by the EIB (EUR 40 million) to CEECs could not be totally used by CEECs. However, the EU has provided financial assistance of EUR 30 billion in the form of grant (additional amount that provided to Romania and Bulgaria for 2004–2006 is not included in total. When it is considered, it is seen that almost EUR 40 billion is allocated to CEECs in the period of 1990 – 2006) and EUR 40 billion in the form of credit for CEECs. In other words, the amount of the aid provided to the ten CEECs is approximately EUR 70 billion between 1990 and 2006

3.3 Financial Assistance Provided to Turkey

As was stated earlier, EU financial assistance has been created with the aim of providing finance for common policies of the Union. Turkey has benefited from financial assistance in grant and in credit from 1963 with the enforcement of Ankara Agreement till today. However, there have been differences in the structure, amounts and utilization methods of the financial assistance in grant and credit in the course of time. These reasons may follow as:

- The changes of financial assistance mechanisms of the EU for third countries (the transformation of mechanism of financial protocols into credit-grant system on the basis of project in time)
- The changes in conditions with inclusion of Turkey in the scope of candidate countries depending on the developments in Turkey-EU relations (the customs union).

Because of these reasons, the financial assistance process between Turkey and the EU is examined by separating it into different periods. First of all, it is possible to examine EU financial assistance according to their structure and scope under two titles as 'Financial Assistance Prior to the Helsinki (1964 – 1999)' and 'Financial Assistance in the Post - Helsinki (2000 – 2006)'. Then it would be appropriate to separate 'Financial Assistance Prior to the Helsinki' as 'Period Prior to the Customs Union (1964 – 1995)' and 'Period After the Customs Union (1996 – 1999)' in order to provide the cohesion of the subject.

The separation as 'Financial Assistance Prior to the Helsinki' and 'Financial Assistance in the Post-Helsinki' is rather important. Financial assistance which was provided in the form of technical cooperation and harmony with single market in the period prior to the Helsinki it gained a comprehensive nature in the period pursuant to Helsinki in order to guarantee the preparation of Turkey for full membership, as it was the case for all the other candidate countries.

In addition to this, financial assistance provided within the framework of one to one relations between Turkey and the EU has been addressed in this study; however, aid provided by Community/Union for a particular region, except MEDA, and financial assistance provided with European Community Programmes have not been addressed.

3.3.1 The History of EU-Turkey Relations

The history of relations between Turkey and the EU goes back a long way. Turkey formally applied for Associate Membership of the European Economic Community (EEC)¹⁵¹ in July 1959. The negotiations resulted in the signature of Ankara Agreement on 12 September 1963 and it entered into force on 1 December 1964. The Agreement envisaged ‘integration process culminating eventually with full membership of the customs union following the successful completion of the preparatory and the transitional stages.’¹⁵² The Agreement was supplemented by an Additional Protocol signed in November 1970, which set out a timetable for the abolition of tariffs and quotas on goods circulating between Turkey and the European Communities (EC).¹⁵³

Turkey’s relations with the EC in the 1960s and 1970s were highly unstable. ‘This was partially due to the internal divisions inside the EC, the crises that

¹⁵¹ In 1965 the Merger Treaty was signed, which combined the institutions of the ECSC and Euratom into that of the EEC, they already shared a Parliamentary Assembly and Courts. The term European Communities or EC came into use from this time onward.

¹⁵² Ziya Öniş, ‘An Awkward Partnership: Turkey’s Relations with The European Union in Comparative- Historical Perspective’, *Journal of European Integration History*, Vol. 7, No. 1, 2001. p.112

¹⁵³ ‘EU-Turkey Relations’ - European Commission Official Website, <http://ec.europa.eu/enlargement/turkey/eu_turkey_relations_en.htm> (Accessed on 03.02.2008)

European integration passed through in 1960s and the unstable international environment of the 1970.¹⁵⁴ The political and economic difficulties experienced by Turkey throughout the 1970s and 1980s did not help matters at all in terms of advancing relations with the EC. The Turkish military intervention in Cyprus in 1974 and the military coups in 1971 and 1980 created important tensions with the EC.¹⁵⁵ Specifically, there was a temporary freeze in Turkey - EC relations because of the military intervention in 1980. Following the multiparty elections of 1983, relations were re-established and Turkey applied for full membership in 1987 despite of disregarding the advice of German Chancellor Helmut Kohl, who said neither Turkey nor the ECC were ready. In 1989, Turkey's application was turned down by the EC and it concluded that at the present time, Turkey and the Community cannot be easily integrated.¹⁵⁶ In 1990, the European Council confirmed Turkey's eligibility for membership yet deferred an in-depth analysis of its application.¹⁵⁷

After the Cold War, the Community transformed into the European Union with an increased political identity. While Turkey considered the customs union to be only a preliminary step towards membership, the Copenhagen Summit of 1993 defined three 'Copenhagen Criteria' for the candidates.¹⁵⁸ According to Sjørnsen and

¹⁵⁴ Meltem Müftüleri Baç, 'Turkey's Political Reforms and the Impact of the European Union', *Southeast European Politics and Societies*, Vol.10, No.1, April 2005. p. 19

¹⁵⁵ Luigi Narbone and Nathalie Tocci, 'Running around in Circles? The Cyclical Relationship Between Turkey and the European Union', *Journal of Southern Europe and the Balkans*, Vol.9, Issue 3, 2007. p.236 – See also Müftüleri Baç, *ibid*, p.20

¹⁵⁶ Amanda Akçakoca, 'EU-Turkey Relations 43 years On: Train Crash or Temporary Derailment?', *European Policy Center Issue Paper*, No.50, 2006. p. 8

¹⁵⁷ 'EU-Turkey Relations' - European Commission Official Website, <http://ec.europa.eu/enlargement/turkey/eu_turkey_relations_en.htm> (Accessed on 03.02.2008)

Smith, the Copenhagen Criteria primarily addressed CEECs and were not specifically intended for Cyprus, Malta and Turkey. But then, 'they have been understood to form the basic conditions even for these three applicants.'¹⁵⁹

In 1995 the Customs Union agreement was signed between Turkey and the EU. The Customs union finalized the transitional period of Turkey's association as foreseen by the Ankara Agreement and the 1970 Additional Protocol.¹⁶⁰

Even though Turkey had the longest standing application and Turkey was the only applicant country that had realized a customs union, at the Luxembourg Summit in 1997, candidacy status was not granted to Turkey¹⁶¹ On the other hand, it was decided at the Summit that membership negotiations would begin with Cyprus, Hungary, Poland, Estonia, the Czech Republic and Slovenia and then the EU opened accession negotiations with these applicants in 1998. The remaining applicants, Romania, Slovakia, Latvia, Lithuania and Bulgaria, were considered in the Summit, insufficiently to enter negotiations and would have to speed up of their preparations.¹⁶² In response to Luxembourg Summit decisions, Turkey suspended all political dialogue with the Union.¹⁶³

¹⁵⁸ Martina Warning, 'EU-Turkey Relations Now, Then and Tomorrow', *ZEI EU-Turkey Monitor*, Center for European Integration Studies Official Website, Vol.3, No.1, 2007. p.2 Available at: <http://www.zei.de/download/zei_tur/ZEI_EU-Turkey-Monitor_vol3no1.pdf> (Accessed on 03.02.2008)

¹⁵⁹ Helene Sjursen and Karen E. Smith, 'Justifying EU Foreign Policy: The Logics Underpinning EU Enlargement', in Ben Tonra and Thomas Christiansen (eds.), *Rethinking European Union Foreign Policy*, Manchester: Manchester University Press, 2004. p.131

¹⁶⁰ Müftüler Baç, *ibid*, p. 20

¹⁶¹ *Ibid*

¹⁶² Lykke Friis, 'The End of the Beginning' of Eastern Enlargement – Luxembourg Summit and Agenda-Setting', *European Integration Online Papers (EIoP)*, Vol.2, No.7, 1998. <<http://eiop.or.at/eiop/pdf/1998-007.pdf>> (Accessed on 19.02.2008)

The Commission published a ‘European Strategy for Turkey’ on 4 March 1998. Apart from extending the customs union to the service sector and agriculture, it proposed closer cooperation between the EU and Turkey and the approximation of legislation in certain areas.¹⁶⁴ However, the ambiguity over how this package would be financed prevented Turkey from being optimistic about its chances of being put into effect soon.¹⁶⁵

The Commission announced ‘the Report on Turkey's Progress Towards Accession’ November 1998 and followed the same methodology as that used for CEECs.¹⁶⁶ According to Atilla Eralp, ‘this attitude was a clear improvement on that of the Luxembourg Summit: Turkey was reported together with other applicant countries, rather than put in a special category.’¹⁶⁷

One year after the report, the Helsinki Summit of 1999 granted Turkey the status of a candidate country. But without actually showing considerable domestic progress in the last two years, Turkey had benefited from external factors¹⁶⁸ such as

¹⁶³ Ibid - See also: ‘Statement by the Turkish Government on 14 December 1997, Concerning the Presidency Conclusions of the European Council Held on 12-13 December 1997 in Luxembourg’, *Journal of International Affairs*, Vol.2, No.4, 1997.

¹⁶⁴ ‘Turkey’s Pre-Accession Strategy’ – European Commission Official Website
<<http://europa.eu/scadplus/leg/en/lvb/e40113.htm>> (Accessed on 19.02.2008)

¹⁶⁵ Aylin Güney, ‘On Turkey’s Inclusion in EU Enlargement: An Asset or A Liability?’, *Perceptions*, Vol. 9, Issue 3, 2004. p.142

¹⁶⁶ ‘Turkey’s Pre-Accession Strategy’ – European Commission Official Website
<<http://europa.eu/scadplus/leg/en/lvb/e40113.htm>> (Accessed on 19.02.2008)

¹⁶⁷ Atilla Eralp, ‘Turkey in the Enlargement Process: From Luxembourg to Helsinki’, *Perceptions* V, No.8, 2000. Available at: <<http://sam.gov.tr/perceptions/Volume5/June-August2000/VolumeVN2AtilaEralp.pdf>> (Accessed on 19.02.2008)

¹⁶⁸ Martina, *ibid*, p.2

change of the German government from Christian-Democrats to a Social Democrat-Green coalition; manifest of the EU Commission about a greater awareness of the strategic dimension of enlargement after Kosovo crisis; an increasing rapprochement between Turkey and Greece after the earthquakes in both countries; relations with Greece; EU's decision to create military forces of up to 50,000-60,000 persons to launch and conduct EU led operations in response to international crises and in this respect the role of Turkey.¹⁶⁹ Therefore the Helsinki decision to grant candidate status to Turkey can be interpreted as 'an attempt of the EU to somehow correct the Luxemburg decision and to counteract worrying developments rather than as a reward for political reform.'¹⁷⁰ In this respect the EU insisted that Turkey still fell short of meeting the conditions set out in the 'Copenhagen criteria' for starting membership talks and thus Turkey was not eligible for immediate accession negotiations.¹⁷¹ Despite of these facts, according to Ziya Öniş, the decision of the European Council to accept Turkey officially as a candidate country at the Helsinki Summit represented a fundamental turning point in Turkey-EU relations.¹⁷²

Following the Helsinki decision, the Accession Partnership with Turkey was established in June 2001. It is based on the pre-accession strategy, which is the main instrument providing Turkey with guidance in its preparations for accession.¹⁷³ In this

¹⁶⁹ Eralp, *ibid*

¹⁷⁰ Martina, *ibid*, p. 2

¹⁷¹ Akçakoca, *ibid*, p.8

¹⁷² Ziya Öniş, 'Domestic Politics, International Norms and Challenges to the State: Turkey-EU Relations in the post-Helsinki Era', *Turkish Studies*, Vol. 4, Issue 1, 2003. p.9

¹⁷³ 'Accession Partnership with Turkey' – European Commission Official Website <<http://europa.eu/scadplus/leg/en/lvb/e40111.htm>> (Accessed on 19.02.2008)

respect, the EU adapted its financial assistance to match Turkey's new candidate status. A pre-accession programme was approved by the Council in December 2001 and funding was increased. A number of financial assistance instruments and community programmes already open to other candidate countries were also put at Turkey's disposal.¹⁷⁴

While Turkey was adjusting its political system to the EU norms, ten of the candidate countries concluded their accession negotiations in 2002.¹⁷⁵ In December 2002, the Copenhagen European Council concluded European Council of December 2004 should decide on the basis of a report and a recommendation from the Commission whether Turkey fulfilled the Copenhagen political criteria and, accordingly, whether the EU would open accession negotiations with Turkey.¹⁷⁶ The European Commission's Progress Report of 6 October 2004 to the European Council recommended the opening of Turkish accession negotiations, noting the sweeping political and legal reforms in Turkey.¹⁷⁷ Based on the Commission's report, the Brussels European Council held on 16-17 December 2004 decided to open negotiations. Turkey and the EU signed the additional protocol to the Ankara Agreement. Accession negotiations opened with Turkey in 2005. However, on 29 November 2006, The Commission recommended to partially suspend membership negotiations with Turkey due to lack of progress on the Cyprus issue and on 11 December 2006 EU foreign ministers decided to follow the Commission's recommendations and suspend talks with Turkey

¹⁷⁴ Narbone and Tocci, *ibid*, p.20

¹⁷⁵ Müftüler Baç, *ibid*, p.21

¹⁷⁶ 'Turkey: the Commission recommends opening accession negotiations' – European Commission Official Website <<http://europa.eu/scadplus/leg/en/lvb/e50015.htm>> (Accessed on 19.02.2008)

¹⁷⁷ *Ibid*

on eight of the 35 negotiating areas. In addition to eight areas, on 25 June 2007, economic and monetary policy was blocked by France.

So far, Accession Partnership with Turkey has been revised a few times, in 2003, 2006 and 2007. Because it is a flexible instrument designed to evolve as Turkey progresses.¹⁷⁸ Lastly, in 2008, The Council adopted a revised Accession Partnership with Turkey that is an important document to focus Turkey's preparations for accession and to adapt new priorities to the evolving needs.¹⁷⁹ It identified new priorities on the basis of the conclusions of the Council on December 2007 and the 2007 Progress Report from the Commission on Turkey's preparations for integration within the EU. According to this, Council of European Union constituted the framework for Turkey's integration process and stated that 'In order to focus its preparations to the evolving needs of the process, Turkey should develop a plan with a timetable and specific measures addressing the new priorities.'¹⁸⁰

3.3.2 Financial Assistance Prior to the Helsinki (1964 – 1999)

This term is separated as 'Period Prior to the Customs Union (1964 – 1995)' and 'Period After the Customs Union (1996 – 1999)' in order to provide the cohesion of the subject.

¹⁷⁸ 'Accession Partnership with Turkey' – European Commission Official Website
<<http://europa.eu/scadplus/leg/en/lvb/e40111.htm>> (Accessed on 19.02.2008)

¹⁷⁹ 'Turkey - EU Accession Partnership' – European Communities Official Website
<http://www.europa-eu-un.org/articles/en/article_5595_en.htm> (Accessed on 19.02.2008)

¹⁸⁰ 'Council adopts a revised Accession Partnership with Turkey' – *Press Release 18.02.2008*, European Commission Official Website
<<http://europa.eu/rapid/pressReleasesAction.do?reference=PRES/08/44&format=HTML&aged=0&language=EN&guiLanguage=en>> (Accessed on 19.02.2008)

3.3.2.1 Prior to the Customs Union (1964-1995)

The financial assistance for Turkey had been executed in the framework of Financial Protocols additional to Ankara Agreement in the period prior to the Customs Union. With the aim of stimulating the social and economic development of Turkey, in addition to four different Financial Protocols and a Complementary Protocol was signed between 1964 and 1981.

3.3.2.1.1 The First Financial Protocol (1964-1969)

The First Financial Protocol covering the period between 1964 and 1969 was signed on 12 September 1963 together with Ankara Agreement. In the framework of this protocol, a credit of EUR 175 million was provided to Turkey. EUR 105,9 million of this credit was allocated to infrastructure projects; and the rest EUR 69,1 million was allocated to the other investment projects. These credits were used in a total of 44 projects, 11 of which were public projects, 33 were private sector projects; and 7 of them were infrastructure projects, the other 37 were industrial projects.¹⁸¹

Although the amount seems very limited in today's values, at that time it constituted a substantial amount for the Turkish economy, considering that Turkish annual exports were around 400 million dollars.¹⁸²

3.3.2.1.2 The Second Financial Protocol (1971-1977)

The Second Financial Protocol covering the period between 1971 and 1977 was signed on 23 November 1970 together with Additional Protocol; however, it came

¹⁸¹ 'Avrupa Birliği ve Türkiye', Dış Ticaret Müsteşarlığı Yayınları, 2002. p. 335

¹⁸² Harun Arıkan, *Turkey and the EU: An Awkward Candidate for EU Membership?*, London: Ashgate Publishing, 2003. p.94 - original reference from Haluk Kabaalioglu (1998) "Completion of the Customs Union and the Accession of Turkey to the European Union" in *The European Union in a Changing World A Selection of Conference Papers*, (the European Commission)

into force on 1 January 1973. With this protocol, Turkey began to benefit from resources of the EIB in addition to resources provided from the Community budget. In this regard, it was envisaged to provide a total of EUR 220 million credits, EUR 195 million from the Community budget and EUR 25 million from the EIB resources; and the total of the credit was used. The credit allocated by the Community budget was mainly allocated to public sector projects.¹⁸³

Moreover, a Complementary Protocol was signed on 30 June 1973 in order to provide the contribution of England, Ireland and Denmark, which became members to the EU on 1 January 1973, to the Second Financial Protocol. However, the protocol came into force on March 1978 due to the delay in the ratification of the Protocol. In the framework of this protocol, a total credit of EUR 47 million was received.¹⁸⁴

3.3.2.1.3 The Third Financial Protocol (1979–1981)

In the framework of the Third Financial Protocol covering the period between 1979 and 1981, a credit of EUR 310 million was provided to Turkey. Out of this credit, EUR 220 million was allocated from the Community budget and EUR 90 million from the EIB's equity capitals. The whole credit allocated from the Budget was mainly used in infrastructure investments for public sector. Out of the EIB credit, EUR 60 million was allocated to private sector's industrial projects and EUR 30 million was allocated to the public sector.¹⁸⁵

¹⁸³ 'Avrupa Birliği ve Türkiye', Dış Ticaret Müsteşarlığı Yayınları, 2002. p.336

¹⁸⁴ Nurettin Bilici, *Avrupa Birliği Mali Yardımları ve Türkiye*, Ankara: Akçağ Basım, 1997. p.131

¹⁸⁵ Ibid

3.3.2.1.4 The Fourth Financial Protocol (1982-1986)

The Fourth Financial Protocol was initiated in 1981 and it was planned to be implemented between 1982 and 1986. However, Greece which became a member to the Community in the same year always blocked the implementation of the protocol. Lastly it was aimed to put it into force by re- initialing in 1989, however the protocol was again blocked, after it had been presented to the Council by the Commission in 1991.

Of the envisaged aid of EUR 600 million, it was planned that EUR 325 million from the general budget resources as credit, EUR 50 million from the general budget as donation, EUR 225 million from the EIB as credit would have been allocated.¹⁸⁶ However, the process of EU-Turkey financial cooperation entered into a stagnation period between 1981 and 1990 and could not have been used.¹⁸⁷ It should be accepted that the political developments experienced in Turkey in that period and the escalating tension between the EU and Turkey were effective in this situation.

3.3.2.1.5 Special Aid Package (1980 - 1987)

The community decided to release a new grant package in 1980, in order to develop economic and technical cooperation by taking into account the severe economic conditions experienced in Turkey. In 1980 the Community granted a special aid package of EUR 75 million for financing projects involving particularly energy, health, environment and education. Due to the military intervention in 1980, a part of this package was frozen until 1987. Following the reestablishment of civilian authority, the remaining EUR 29 million was relaunched under a Special Action Programme. In the scope of this programme financing agreements were signed

¹⁸⁶ Bilici, 1997. p. 132 - 133

¹⁸⁷ Necip Polat, 'Avrupa Birliği – Türkiye Mali İşbirliği ve Sayıştay'ın Topluluk Kaynakları Üzerindeki Denetimi', *Sayıştay Dergisi*, Sayı: 52, 2004. p. 62

between the Turkish Government and the Community for the implementation of a series of projects mainly in the fields of health, tourism, environment, energy, vocational training and education.

3.3.2.1.6 Administrative Cooperation (1993 – 1995)

Between 1993 and 1995 Turkey received two three-million-Euro grants in a programme of administrative cooperation measures within the framework of facilitating preparations for the customs union. This aid was utilized in the form of Jean Monnet scholarships, the training of customs officers, trainings in the subjects of CAP and cooperation projects in different areas. The budget item was envisaged for subsequent two years; however, it was blocked by European Parliament.¹⁸⁸

Financial assistance in this term consisted both grants and credits. Financial assistance allocated to Turkey in a prior to the customs union is like in the Table 12.

Table 12

Financial Assistance in ‘Prior to the Customs Union (1964-1996)’

Financial Frame	Form of Assistance	Period	Commitment (Million EUR)	Payment (Million EUR)
The First Financial Protocol	Credit	1964–1969	175	175
The Second Financial Protocol	Credit	1973 – 1976	220	220
Complementary Protocol	Credit	1986	47	47

¹⁸⁸ Yıldız and Yardımcıoğlu, *ibid*, p.88

Table 12 (Continued)

The Third Financial Protocol	Credit	1979 – 1981	310	310
The Fourth Financial Protocol	375 Grant, 225 Credit	1982- 1986	600	not used due to the Veto of Greece
Administrative Cooperation	3	1993 -1996	3	3
Special Aid Package	Grant	1980	75	75
Gulf War	Credit	1991	175	175
Total			1.605	1.005

Source: ‘Türkiye - AT Karma Parlamento Komisyonu Türk Üyeler İçin Hazırlanan Not’, *State Planning Organization*, Ankara: SPO, 2000 and ‘Interview with MR. Oskar Benedikt on MEDA II and Financial Aids for Turkey’ – Oskar Benedikt was Economic Counsellor and Representation of the European Commission in Turkey – Euro Info Center Ankara Official Website <<http://www.abmankara.gov.tr/english/services/NW23.html#>> (Accessed on 27.11.2007)

As it is seen in the table, the financial assistance provided to Turkey between 1964 and 1996 was mainly composed of long-term and low-interest credits. The ratio of credits to the grants is rather high. This case is clearly seen when it is assessed over the totals, which are revealed in the Table 12, and constitute a summary of the figures seen in the Table 13.

Table 13
Commitments and Payments to Turkey in
‘Prior to the Customs Union (1964-1996)’

Form of Assistance (1964-1996)	Commitment (Million EUR)	Payment (Million EUR)
Credit	1.152	927
Grant	453	78
Total	1.605	1.005

Source: ‘Turkey – EU Financial Cooperation’ - Undersecretariat of The Prime
Ministry for Foreign Trade Official Website <www.dtm.gov.tr>
(Accessed on 27.11.2007)

As is seen in the Table 12 and the Table 13, despite the commitment of the EU to provide EUR 453 million grant and EUR 1.152 million credit to Turkey in this period, out of the total financial assistance of EUR 1.005 million, only EUR 78 million was grant, the rest (EUR 725 million) was credits. In other words, the realization rate for credit is circa 80%, while it is circa 17% for grant. Subscribed credits are only 2.5 fold of the subscribed grants; however, credits which were used are approximately 12 folds of the grants.

3.3.2.2 Period After the Customs Union (1996-1999)

‘Declaration of Financial Cooperation’ was announced in the Association Council Decision 1/95, which was named as the Customs Union Decision and the enforcement of the Customs Union in 1 January 1996 started a new era in the EU-Turkey relations. With the aim of eliminating the adverse effects of the Customs Union Agreement, the EU reaffirmed its commitment to resuming financial assistance to Turkey. The aim of financial assistance was to help alleviate the negative effect of the structural adjustment process so as to integrate Turkey into the single market of

the EU. In this respect, the frame and amount of financial assistance planned to be provided to Turkey has been determined by the sides.¹⁸⁹ According to the decision, it recognized that Turkey needed ‘substantial financial resources, in particular long term credits and technical assistance, in order to adapt its industrial sector to the new competitive situations created by the customs union.’¹⁹⁰ Thus, the EU provided financial assistance for Turkey in the form of credit and grant.

3.3.2.2.1 Financial Assistance in the Form of Grant

It is possible to group the aid provided to Turkey in the form of grant between 1996 and 1999 as in below.

i. The Customs Union Special Assistance (From the Community Budget Resources) : A grant of EUR 375 million starting from 1 January 1996, in a period of 5 year which would be provided from the Community budget resources was envisaged. However, the regulation prepared by the Commission concerning the grant could not be enacted due to the veto of Greece.¹⁹¹

ii. MEDA - I Programme (Grant) : It was envisaged that Turkey would be provided with a grant of EUR 375 million in the framework of MEDA programme which was composed of Community budget resources and EIB’s credits and came into force as of 1996 for Mediterranean countries. Moreover, it was planned that out

¹⁸⁹ ‘European Union – Turkey Relations’ - Republic of Turkey Secretariat General for EU Affairs Official Website <www.abgs.gov.tr> (Accessed on 27.11.2007) and ‘Turkey – EU Financial Cooperation’ - Undersecretariat of The Prime Ministry for Foreign Trade Official Website - <www.dtm.gov.tr> (Accessed on 27.11.2007)

¹⁹⁰ Arıkan, *ibid.*, p. 94 - See also ‘Declaration of the EU – Turkey Association Council on the Financial Cooperation, Decision no 1/95’ Office for Official Publications of the European Communities Official Website <<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:22001D0283:SL:NOT>> (Accessed on 27.11.2007)

¹⁹¹ ‘European Union – Turkey Relations’ - Republic of Turkey Secretariat General for EU Affairs Official Website <www.abgs.gov.tr> (Accessed on 27.11.2007)

of this amount, EUR 33,1 million would be provided in 1996, EUR 132,4 million in 1998, and EUR 140 million in 1999. However, only EUR 15 million of EUR 375 million was used. In other words, the realization rate of the grant was 4%. It should be stated that Turkey had the lowest realization rate after Syria whose rate was 0% in MEDA countries.¹⁹²

3.3.2.2.2 Financial Assistance in the Form of Credit

i. European Investment Bank's Credits : In pursuant to the enforcement of the customs union, it was envisaged that a credit of approximately EUR 750 million (this amount was stated orally) would be provided to Turkey as of 1996 for a 5 year-period with the aim of Turkey's preparation to the competitive environment of the customs union. However, supply of the credit was not accepted in the Governor Board of EIB, due to the veto of Greece's Minister of Finance.

ii. Renovated Mediterranean Policy (RMP) : For the financing of the infrastructure projects in the areas of environments, transportation and telecommunication, a credit of EUR 339, 5 million was used from the resource of RMP covering the years between 1992 and 1996.¹⁹³

iii. MEDA - I (Credit) : Within a separate organizational framework which is EUROMED developed for Mediterranean countries, EIB credit of EUR 205 million was allocated to Turkey, and was used in the scope of MEDA-I.

iv. Macro Economic Aid : The utilization of EUR 200 million was envisaged when it would be necessary with the ratification of some international organizations; however it was not used.

¹⁹² 'The Barcelona Process: Five Years on 1995-2000' European Commission Report - European Commission Official Website - <http://ec.europa.eu/external_relations/euromed/brochures/barcelona-5yrs_en.pdf> (Accessed on 27.11.2007)

¹⁹³ Metin Gençkol, 'Avrupa Birliği Mali İşbirliği Politikaları ve Türkiye', *Devlet Planlama Teşkilatı*, Ankara: DPT Yayını, 2003. p.85

Table 14

Financial Assistance in ‘Period after the Customs Union (1996-1999)’

Financial Frame	Type of Assistance	Period	Planned (Million EUR)	Commitment (Million EUR)	Payment (Million EUR)
EURO-MED Process MEDA- I	Grant	1995-1999	700	376	181
Budgetary Resources	Grant	1996-2000	375	375	Not used due to the veto of Greece
Administrative Cooperation	Grant	1996-2000	3	3	3
Various Projects (Fight against drugs, AIDS, environment, etc.)	Grant	1992 - 1999	-	-	14
EURO-MED Process MEDA – I	Credit	1997-1999	300	205	205
Renovated Mediterranean Policy	Credit	1992-1996	400	340	340
Risk Capital	Credit	1999	12	12	12
Macro – Economic Assistance	Credit	If Required	200	-	-
EIB Credit	Credit	1996 - 2000	750	750	Not used due to the veto of Greece
Total			2690	2061	755.3

Source: SPO, 2000, p.29 and ‘Interview with MR. Oskar Benedikt on MEDA II and Financial Aids for Turkey’ – Oskar Benedikt was Economic Counsellor and Representation of the European Commission in Turkey – Euro Info Center Ankara Official Website <<http://www.abmankara.gov.tr/english/services/NW23.html#>>
(Accessed on 27.11.2007)

As is seen from the Table 14, the envisaged amount of the EU's financial assistance to Turkey under financial cooperation of the customs union was approximately EUR 2.6 billion. According to Harun Arıkan, such an amount seemed to be insufficient for the needs of Turkey in structurally adjusting to it into single market of the EU.¹⁹⁴ Because Turkey undertook the obligation of eliminating the customs duties and quotas for 15 countries and implementing EU Common Customs Tariffs to the third countries, as well as implementing EU Common Foreign Trade Policy and EU Common Competition Policy in this period. In this process, big industrialists and sectors were affected. Financial assistance, which was very important for harmonization of small and medium sized firms with the customs union, was not provided, and this constituted an adverse effect only between 1996 and 1999. However, the EU did not provide the committed amount, it rather gave only EUR 755 million of this amount; and only EUR 198 million of this was provided as grant.

There were financial assistance in the form of grant (approximately EUR 34 million) provided within the scope community programmes by the EU in this period; however, they have not been included into the calculations as they were not directly related to the membership of the EU and harmony with the customs union.

In addition to this, Turkey could not benefit from the customs union at intended level as Turkey could not be integrated into the customs union process at intended speed and level, and as European Parliament did not give or delay the institutional support which would facilitate the integration of Turkey within the scope of the customs union. There still exist serious difficulties in relation to financial assistance Turkey received within the scope of the customs union from the EU.

¹⁹⁴Arıkan, *ibid*, p.95

3.3.3 Financial Assistance in the Post-Helsinki Period (2000 - 2006)

As states previously, at the Helsinki European Council held on 10-11 December 1999, Turkey was officially recognized as a candidate state on an equal footing with the other candidate countries. Thus, Turkey became eligible to benefit from a pre-accession strategy to stimulate and support its reforms. Specifically, a single framework for co-coordinating all sources of EU financial assistance for pre-accession was created. Furthermore, Turkey became eligible to participate in Community programmes open to other candidate countries and agencies. Actually after Helsinki Summit, not only amount of financial assistance for Turkey were increased but also targets and quality of them were changed. There are two crucial issues that should be considered. The first issue to be considered is that frame of financial assistance for Turkey could not immediately change. As a matter of fact, though the Commission issued a proposal for a Council decision on assistance to Turkey in the framework of pre accession strategy, at the beginning it was limited to resources that were already granted to Turkey under the customs union, the MEDA programmes, European Strategy for Turkey and earthquake assistance. The proposal rather had established a single framework for coordinating these financial instruments of EU assistance as part of the Accession Partnership Document.¹⁹⁵ On the other hand, as for all candidate countries, assistance would fall under two main headings:¹⁹⁶

1) Institution building would take the form of assistance to help Turkey to implement the *acquis* and to prepare for participation in EU policies such as economic and social cohesion. In this area support may be made available to public authorities at central, regional and local level.

¹⁹⁵ Arıkan, *ibid*, p.95

¹⁹⁶ 'EU – Turkey Financial Cooperation' - The Central Finance and Contracts Unit (CFCU) Official Website <<http://www.cfcu.gov.tr/program.php?lng=en&>> (Accessed on 29.11.2007)

2) Investment would take two forms. First, there may be investment to establish or to strengthen the regulatory infrastructure needed to ensure compliance with the acquis and direct, acquis-related investments. Second, part of the assistance programme will be directed towards investment in economic and social cohesion, taking into account the importance of regional disparities between Turkish regions as well as the gap between Turkey's national income and the EU average.

Later, Turkey was left outside of the MEDA's scope; and began to receive financial assistance from the budget item of '*Pre-accession Financial Assistance*'. The amount of financial assistance whose annual average was EUR 177 million was raised to EUR 250 million.

The second issue to be considered is that Turkey could not begin to use the financial assistance at once. Although Turkey was announced to be a candidate on December 1999, the basic document for Turkey is the 'Framework Regulation Concerning Pre-Accession Financial Assistance for Turkey' dated 17 December 2001. It was envisaged with this document that the financial assistance provided to Turkey would be available according to the priorities for Turkey's implementing the Union Acquis. Upon and pursuant to this basic document, accession Partnership Documents (2001-2003), Progress Reports, National Plan and Preliminary National Development Plan constituted the road map of the EU – Turkey financial relations. Progress Reports and National Development Plans are important as they are determinant about the amounts and utilization areas of financial assistance planned to be provided in forthcoming periods.

3.3.3.1 Financial Assistance in the Form of Grant

The aid to be provided to Turkey in the form of grant for the period of 2000-2006 was planned to be provided as annual average of EUR 177 million, under the titles of primarily the customs union, the MEDA Programmes, European Strategy for Turkey and Earthquake Aid. However, financial assistance in the form of grant was rearranged later, with the proposal of the European Commission. Within the framework of financial cooperation in the period of 2004-2006, it was decided and ratified that a total of EUR 1.05 billion financial assistance as grant would be used, as EUR 237,5 million in 2004, EUR 300 million in 2005 and EUR 500 million in 2006. Thus, the annual average of the aid increased to EUR 250 million from EUR 177 million. However, the financial assistance programmes and amounts which Turkey had benefited from before the rearrangement under the Title of 'Pre-accession Financial Assistance' are as follows.

i. MEDA II (Grant) : The European Commission has taken a series of decisions, in order to increase the amount of the financial assistance for Turkey for the period after the Helsinki. With the 2002 financial assistance programme and as a reflection of candidate status in the second period Turkey was excluded from the scope of MEDA; and began to receive support from the budget item titled 'Pre-accession Financial Assistance'. According to this, within the scope of the programmes of 2002, 2003, 2004, 2005 and 2006, the projects created directly and only with the harmony perspective to the EU within the Decentralized Implementation System (DIS) were ratified by the European Commission; their Financing Agreements were signed and actual implementations were started.¹⁹⁷

ii. European Strategy for Turkey : The aim of this type of aid, namely pre-accession aid is to assist to the candidate country to be in harmony with the Community Acquis in order to ensure its preparation to the negotiations. With this

¹⁹⁷ Republic of Turkey Secretariat General for EU Affairs Official Website <www.abgs.gov.tr> (29.11.2007)

aim, a total aid of EUR 135 million, which was annually EUR 45 million, for 2000-2002 was envisaged within the scope of the Regulation on Strengthening the Economic and Social Development, accepted on 22 January 2001. Moreover, a grant of EUR 15 million was allocated to Turkey for the period of 2000- 2002 with the aim of implementing the measurements for strengthening the customs union. The Council ratified the proposal on 10 April 2000.¹⁹⁸ The adequacy of this amount in terms of harmonization with Customs Union is arguable as it is stated under the Title of Financial assistance provided in Customs Union Period.

iii. Earthquake Assistance (TERRA I- II) : EU general budget covers the budget item of B7-411 titled ‘Rehabilitation in Mediterranean Countries’. In this scope, it made it possible to finance the appropriate proposals about the earthquake up to the EUR 20 million in 2000, and Turkey used a part of this aid. In this framework, European Commission’s Humanitarian Aid Office provided an aid of EUR 30 million as emergency aid to Turkey after the earthquake of 1999. In addition to this, an aid of EUR 20 million on December 2000 was provided to alleviate grieves of the earthquake.¹⁹⁹

Financial Assistance in the scope of pre – accession is like in the Table 15.

Table 15
Financial Assistance in the Scope of Pre – Accession

	2004	2005	2006	Total
Amount	237,5*	350	500	1.050

Source: ‘Financial Cooperation: Turkey and the European Union’ - Delegation of the European Commission to Turkey Official Website <www.deltur.cec.eu.int> (Accessed on 29.11.2007)

* EUR 250 million was foreseen for 2004. However the amount allocated was EUR 237,5 million. The difference was used in order to finance activities of the EU in Turkey.

¹⁹⁸ ‘Financial Cooperation: Turkey and the European Union’ - Delegation of the European Commission to Turkey Official Website - <www.deltur.cec.eu.int> (Accessed on 29.11.2007)

¹⁹⁹ Ibid

3.3.3.2 Financial Assistance in the Form of Credit

EIB credits established for Turkey in the period of 2000 – 2006 is like in the Table 16.

Table 16
EIB Credits Established for Turkey
(2000- 2006)

Period	Financial Frame	Credit Amount (Million EUR)
2000 – 2003	TERRA	600
2000 – 2006	Euro-Mediterranean Partnership Mandate	6.425
2001 – 2006	Euro-Med Partnership Facility	1.000
2000 – 2004	Strengthening and Deepening of Customs Union	450
2000 - 2003	Pre-accession lending facility	8.500

Source: ‘Turkey – EU Financial Cooperation’- Undersecretariat of The Prime
Ministry for Foreign Trade Official Website <www.dtm.gov.tr>
(Accessed on 29.11.2007)

As seen in the Table 16, Turkish Earthquake Rehabilitation and Reconstruction Assistance (TERRA) are up to EUR 600 million for 1999-2002. Priority of lending was rehabilitation and reconstruction works for economic infrastructure and private sector projects in the regions devastated by the earthquake of August 1999 and its aftershocks in Turkey. EUR 150 million of this aid was allocated to small and medium sized enterprises (SMEs). It was decided that the EUR 450 million of the earthquake credit would be given in three segments whose each part would be EUR 150 million. Within the year 2000, agreements were signed on the

first two segments of this part which was EUR 300 million and the first segment of the aid allocated to SMEs which was EUR 75 million.²⁰⁰

Turkey is also eligible for the Euro-Mediterranean Partnership Mandate (2000–2006) of EUR 6.425 million to all eligible countries. It is estimated that Turkey could benefit from EUR 210 million per year. This would amount to total of EUR 1.470 million. The aid allocated to Turkey targeted to support the pre-accession preparations. The structural and institutional arrangements which were required for the harmonization to the Community acquis were determined as the basic expenditure area.

In 2001, a credit of EUR 1 billion was allocated for facility of European-Mediterranean Partnership which would be used in investment projects connecting Turkey and the other Mediterranean countries to Europe. This facility is formalized under a cooperation agreement with the EU to strengthen economic and trade relations. Complementing the Member States' own bilateral co-operation policies, it forms part of the Barcelona Process which aims at promoting long-term growth and stability in the 12 non-EU Mediterranean countries which have signed cooperation and/or association agreements with the EU.²⁰¹ Although Turkey could not provide the credit eligibility criteria (BB), it became a part of a comprehensive programme. Exceptionally, despite the negotiations with the EIB for financing of the appropriate and sound investment projects in Turkey, Turkey was canalized into different resources and could not benefit effectively from this credit package.

European Strategy Strengthening and Deepening of the Customs Union (or named as Special Action Programme) is to support investments in infrastructure and in industry with special focus on joint EU-Turkish ventures and where appropriate

²⁰⁰ Gençkol, *ibid*, p. 179

²⁰¹ 'EIB Support to Turkey for Paving the Way to EU Membership' European Investment Bank Official Website <www.eib.gov.tr> (Accessed on 29.11.2007)

investments for technical installations facilitating the functioning of the customs union. Approved by the Bank's Council of Governor's in 2001, the Special Action Programme represents the EU's financial assistance to support Turkey's implementation of the customs union. For 2000 – 2004 total amount was EUR 450 million.²⁰²

EIB's Pre-Accession Lending Facility totaling EUR 8.5 billion during the period 2000-2003, is available to EU-Accession candidate countries in Central and Eastern Europe and the Mediterranean region, which have concluded Accession Partnership Agreements with the EU. Lending under this facility aims at projects integrating these countries with the EU and facilitating the adoption of the Community acquis. A particular emphasis is given to environmental protection, as well as communications infrastructure (including Pan-European Networks), industrial competitiveness and regional development.²⁰³ The credit amount which would be given from this package, in which no allocation of certain shares to the countries, would have depended on the projects prepared by the countries and on the ratification of these projects. In other words, credit performance was described as a process completely dependent on the country itself. Turkey could not reach to the intended amount on the utilization of this credit, and could reach a little more than EUR 90 million.

Summary of the EU's commitments before pre – accession strategy are like in the Table 17.

²⁰² Bilici, 2007, p.99 See also 'Turkish Economy and the European Investment Bank Actions' European Institute for Research on Mediterranean and Euro-Arab Cooperation Official Website (with the support of the European Commission) <<http://www.medeia.be/index.html?doc=1649>> (Accessed on 29.11.2007)

²⁰³ 'EIB Support to Turkey for Paving the Way to EU Membership' European Investment Bank Official Website <www.eib.gov.tr> (Accessed on 29.11.2007)

Table 17

The EU's Commitments before Pre – Accession Strategy for 2000 – 2006

Financial Assistance Durign Pre-Accession	Period	Grant (Million EUR)	Credit EIB (Million EUR)	Total
MEDA II	2000 - 2006	890	-	890
European Strategy for Strenthening and Deepening the Customs Union	2000 - 2002	15	-	15
European Strategy for Economic Social Development	2000- 2002	135	-	135
EUROMED*	2000 - 2006	-	1.470	1.470
EIB Credit Package	2001 – 2003	-	450	450
Earthquake Aids				
(i) Emergency Aid	1999	30		
(ii) Rehabilitation after the earthquake	1999	1		
(iii) Humanitarian Aid	1999	4		
(iv) TERRA	2000	-	600	600
Rehabilitation for Mediterranean Countries	2000	20	-	20
Total		1.285	2.520	3.615

Source: 'European Union – Turkey Relations' - Republic of Turkey Secretariat General for EU Affairs Official Website <www.abgs.gov.tr> (Accessed on 27.11.2007)

* There is no quota for countries in order to benefit EUR 6.4 billion Euro. Credit amount that a country can benefit depends on submitted project number of the countries. Thus EUR 1.4 billion is estimated number that Turkey can benefit.

As it seen from the table, the total amount of credit and grant committed for the usage of Turkey before pre-accession strategy was EUR 3.615 million for 2000-2006. Of the committed amount, EUR 1.2 billion was in the form of grant, while EUR 2.520 million was in the form of credit. However, Turkey could not use the whole of the grant of EUR 890 million since Turkey was excluded from the programme of MEDA II and included into Pre-accession Strategy. In this respect, the actual aid –in the form of grant - provided to Turkey for the period of 2000 – 2006 is EUR 1.730 million. As detailed in the Table 19, when the financial assistance provided to Turkey is assessed, approximately the total aid provided to Turkey as grant for 44 years has been EUR 2.202 million.

3.4 Conclusion

EU financial assistance is a comprehensive support and development system which is elaborated considerably by the EU. In this part of the study, EU financial assistance was briefly addressed and short information was given about financial assistance. However, the main focus of the chapter was on financial assistance provided to CEECs and Turkey.

In this chapter financial assistance were addressed in two main titles which were assistance in the form of credit allocated through the ‘European Investment Bank’ and assistance in the form of grant provided under the scope of ‘General Budget of the European Communities’. Throughout this analysis of the financial assistance provided to CEECs and Turkey, both forms of financial assistance are considered as the basic level of comparison.

Financial assistance through the EIB is in the form of credit by financing investment projects on a non-profit-making basis in order to contribute to the balanced and steady development of the common market. Financial assistance through the EIB is being used by members and third countries.

Financial assistance through ‘General Budget of European Communities’ are divided as ‘Financial Assistance Aimed at Member States’ and ‘Financial Aimed at Non – Members’. Financial assistance provided by the general budget of the European Community aimed at member states, is carried out under two titles: ‘expenditure for agriculture’ and ‘structural operations’ which compose the significant amount of the budget expenditures.

Financial assistance aimed at non – member states were addressed under the titles of ‘expenditures for external actions’ and ‘pre-accession aid’, which are expenditure items of General Budget of the European Communities. The titles of expenditures for external actions and pre-accession aid are different; however the financial assistance provided to CEECs and Turkey was first carried out under the title of ‘expenditures for external actions’, and later on financial assistance was provided to CEECs and Turkey under the title of ‘pre-accession aid’. Because of that, financial assistance provided to CEECs and Turkey was addressed under both the title of expenditures for external actions and pre-accession aid.

Of the Central and Eastern European Countries, Czech Republic, Estonia, Latvia, Lithuania, Hungary, Poland, Slovenia, Slovakia, Romania, and Bulgaria received aid both in the form of credit from the EIB and in the form of grant from the general budget of the European Community after 1989, when their diplomatic relations with the EU started. Aid in the form of credit was provided to these countries in the pre- candidate status and after. Aid in the form of grant were provided through the PHARE programme- under the external action- in the pre-candidacy period; after they were given candidate status they received this aid through three pre-accession instruments, namely PHARE, ISPA and SAPARD under the title of pre-accession aid. These programmes, which were put into force by the European Commission, are the instruments forming the financial dimension of ‘Pre-accession Strategy’ which was developed to prepare the CEEC to the membership as a part of EU financial perspective of 2000-2006. It is concluded that the total amount of the aid in the form of grant between 1990 and 2006 is EUR 28,6 billion.

Approximately EUR 21,9 billion of the total amount was provided after CEECs had gained candidate status; and only EUR 6,7 billion of this amount was allocated between 1990 and 1999. In addition to this, the annual average of the total amount of aid provided between 1990 and 2006 is approximately EUR 1,8 billion. EU has allocated EUR 40 billion in the form of credit for CEECs. In other words, the amount of the aid provided to CEECs is approximately EUR 70 billion between 1990 and 2006.

Turkey has benefited from financial assistance in the form of grant and credit from 1963 with the enforcement of Ankara Agreement till today. Because of differences in the structure, amounts and utilization methods of the financial assistance, the financial assistance process between Turkey and the EU were examined by separating it into two main periods: 'Financial Assistance Prior to the Helsinki (1964-1999)' and 'Financial Assistance in the Post-Helsinki (2000-2006)'. Financial Assistance under the period of 'Financial Assistance Prior to the Helsinki' was carried out under the title of 'expenditures for external actions'. Financial assistance under the period of 'Financial Assistance in the Post - Helsinki' was carried out under the title of 'pre-accession aid.' As a result it is seen that financial assistance provided to Turkey is as grant for 42 years has been approximately EUR 2.202 million. Credit allocated to Turkey between 1963 – 2002 is approximately EUR 2.344 million.

CHAPTER 4

COMPARATIVE ANALYSIS OF FINANCIAL ASSISTANCE PROVIDED TO CEECs AND TURKEY

It is necessary to introduce a comparative approach on financial assistance provided to CEECs and Turkey based on the framework explained so far in order to answer the question of ‘Had the EU treated Turkey differently as regards financial assistance?’ that is posed at the beginning of the study and one of the questions on which the study is structured. The aim of this chapter is to answer the question of whether the EU has treated Turkey and CEECs differently with regard to financial assistance based on financial assistance system outlined in the previous chapter. To this end, financial assistance provided to Turkey and CEECs is compared both quantitatively and qualitatively.

Even though the comparison introduced in this chapter mainly focuses on the period of 1990-2006, the financial assistance received by Turkey since 1963 is included in the scope of the comparison. Thus, EU’s financial assistance towards Turkey dates back to earlier times.

At the end of the chapter, it is attempted to demonstrate which aspects 2007-2013 financial perspective and financial assistance process, forming a part of the perspective, differ from 2000-2006 financial perspective and financial assistance process. The aim of demonstrating the difference is not only to show how to interpret financial assistance planned to be granted to Turkey under the framework of 2007-2013 financial perspective but also to ensure better interpretation of the table resulting from financial assistance provided in the period of 1963-2006. Before getting into detail of comparison, it should definitely be specified here is the

importance of financial assistance for a candidate. For the European Parliament, it would be highly desirable to adopt the measures necessary for the implementation of economic, financial and technical cooperation with States which are candidates for accession to the Union in accordance with the procedure laid down in Article 251 of the EC Treaty.²⁰⁴ Therefore financial assistance provided to candidate states is demonstration of the EU's willingness for the candidates.

4.1 Quantitative Analysis of Financial Assistance

In the discussion about the subject of financial assistance provided to Turkey and CEECs, the quantity of financial assistance and its comparison is rather significant in terms of understanding the differences between the financial assistance in a concrete way. While addressing financial assistance provided to CEECs and Turkey in the previous chapter, the total figures related to financial assistance received by the countries have been stated. Now this information will be discussed in a context of a qualitative and quantitative comparison in this chapter.

As has been stated in the previous chapter, CEECs received financial assistance as grant and as credit from in the general budget of the European Communities and the EIB between 1990 and 2006. The financial assistance provided as grant to CEECs was realized within the scope of external aid until 2000; and after this date it has been realized within the scope of 'Pre-accession Strategy'. The financial assistance for CEECs was provided within the scope of PHARE between 1990 and 2006; and within the scope of SAPARD and ISPA programmes between 2000 and 2006.

Total PHARE – ISPA and SAPARD Allocations for the Period 1990 – 2006 is like in the Table 18.

²⁰⁴ 'European Parliament Draft Report No: 2004/0222(CNS)' - European Parliament Official Website <http://www.europarl.europa.eu/meetdocs/2004_2009/documents/pr/567/567231/567231en.pdf> (Accessed on 30.11.2007)

Table 18

Total PHARE – ISPA and SAPARD Allocations for the Period 1990 – 2006

(2000 prices - million EUR)

	Amount
PHARE	17.687
ISPA	7.280
SAPARD	3.640
Total	28.607

As is seen in the table, the amount of financial assistance transferred into CEECs from the general budget of the European Community within the scope of PHARE, ISPA and SAPARD between 1990 and 2006 was circa EUR 28,6 billion. The highest amount of aid was provided within the scope of PHARE programme. In pursuit of the membership of the eight CEECs in 2004, Romania and Bulgaria received EUR 9.5 billion additional aid until 2007, the date of their membership to the Union.²⁰⁵ The annual average of the aid provided is EUR 1.8 billion. On the other hand, the total aid provided as grant to Turkey from the general budget of the European Community between 1964 and 2006 was as in the following.

²⁰⁵ Bilici, 2007, p.124

Table 19

Total Aid Provided as Grant to Turkey in the Period of 1964 and 2006

Title of Grant Programme	Total Amount (million EUR)
1964- 1999	
MEDA - I (1996-1999)	376
Earthquake Assistance	55
Special Aid Package	75
Various Projects (Fight against drugs, Human Rights, AIDS, environment, etc.)	14,3
Administrative Cooperation	6
Total – I	526,3
2000 – 2006	
For 2000 - 2001 (MEDA II + Strengthening and Deepening of Customs Union + European Strategy for Economic and Social Development + Mediterranean Rehabilitation Programme)	423
Pre-Accession Financial Cooperation programme for 2002	126
Pre-Accession Financial Cooperation programme for 2003	144
Pre-Accession Financial Cooperation programme for 2004	237,5
Pre-Accession Financial Cooperation programme for 2005	300
Pre-Accession Financial Cooperation programme for 2006	500
Total – II	1.730
Total I + II	2.202*

Source: Republic of Turkey Secretariat General for EU Affairs Official Website <www.abgs.gov.tr> (Accessed on 29.11.2007); Karabacak, ibid, p. 102; Bilici, 2007, p.124

* It is approximate value. Assistance from the Community Programmes are not included this total.

When the financial assistance provided to Turkey is assessed, approximately the total aid provided to Turkey as grant for 44 years has been EUR 2.202 million, as it is seen in the Table. Needless to remind that the total financial assistance provided to CEECs between 1990 and 2006 was EUR 28,6 billion. Financial assistance allocated for Romania and Bulgaria after 2004 (circa EUR 9,5 billion) are not included this total. While the annual average of the total aid allocated to CEECs between 1990 and 2006 was EUR 1,8 billion, the approximate total of financial assistance received by Turkey since 1964 is a little more than EUR 2,2 billion. Moreover, Turkey received more than half of the aid only after achieving the candidate status and announcement of the pre-accession strategy. In addition to that, the approximate average of the financial assistance received by Turkey after 1999, the announcement date of its candidacy, -namely after 2000- is EUR 250 million. When these figures compared with the other countries, it is seen that Romania received approximately EUR 5,1 billion, while Bulgaria received EUR 2,8 billion Euro within the same period. Poland, which became an EU member after 2004, received EUR 15,3 billion in the same period as a result of high increase in financial assistance provided to members.

Pre-accession funds yearly allocations beginning in the year 2000 are like in the Table 20.

Table 20

**Pre-accession Funds Yearly Allocations Beginning in the Year 2000 for
Negotiating Candidate Countries**

(1999 prices – Million EUR)

Applicant Countries**	PHARE	ISPA Minimum	ISPA Maximum	SAPARD
Bulgaria	100	83,2	124,8	52,1
Czech Republic	79	57,2	83,2	22,1

Table 20 (Continued)

Estonia	24	20,8	36,4	12,1
Hungary	96	72,8	104,0	38,1
Latvia	30	36,4	57,2	21,8
Lithuania	42	41,6	62,4	29,8
Poland	398	312,0	384,8	168,7
Romania	242	208,0	270,4	150,6
Slovakia	49	36,4	57,2	18,3
Slovenia	25	10,4	20,8	6,3
Total	1.085	1.040		520

Source: European Communities Official Website -
http://ec.europa.eu/regional_policy/intro/regions6_en.htm (26.11.2007)

* In the case of ISPA, the breakdown is given as allocation brackets to encourage beneficiaries to propose high-quality projects and to ensure the flexible management of resources

** Financial assistance allocated for Romania and Bulgaria after 2004 are not included.

As it is seen in the table, the annual average of financial assistance Poland received only from PHARE programme between 1990 and 2006 was much more than the average of the period when Turkey achieved the status of candidacy, which was EUR 250 million. The total annual average of Poland including its minimum receipt of ISPA reached to EUR 878 million after 2000. Romania is the second country which received the largest amount of aid from PHARE programme with its annual average of EUR 242 million after Poland. The total annual average of Romania including its minimum receipt of ISPA reached to EUR 600 million after 2000.

Besides the situation about grants, there is a clear difference in received credits between Turkey and CEECs. The credits allocated to enlargement from EIB between 1990 and 2002 are demonstrated in Table 21.

Table 21**The Credits Allocated to Enlargement from the EIB in the Period of 1990 – 2002**

	1990-1996	1997	1998	1999	2000	2001	2002	Total
Poland	1.406	355	715	347	941	1.144	-	4.098
Romania	808	142	435	395	853	40	333	3.006
Bulgaria	266	60	225	128	160	130	-	969
Hungary	872	35	375	170	240	483	-	2.175
Czech Republic	917	540	270	270	385	390	155	2.927
Lithuania	201	7	40	84	10	55	-	397
Latvia	31	20	44	98	10	5	-	208
Slovakia	352	262	51	270	242	79	-	1.256
Estonia	93	20	-	25	42	35	-	215
Slovenia	150	45	140	375	65	223	-	998
Total	5.096	1.486	2.295	2.162	2.948	2.584	488	16.249
Turkey	340	95	32	90	575	370	90	1.592
General Total	5.436	1581	2327	2252	3523	2.954	578	17.841

Source: 'Turkey – EU Financial Cooperation' - Undersecretariat of The Prime Ministry for Foreign Trade Official Website < www.dtm.gov.tr > (Accessed on 27.11.2007) ; (European Union – Turkey Relations' - Republic of Turkey Secretariat General for EU Affairs Official Website < www.abgs.gov.tr > (Accessed on 27.11.2007); Karabacak, ibid, p.104

As is seen in Table 20, the amount of credit allocated to Turkey between 1990 and 2002 was EUR 1.592 million. Even if the amount of credit, which was EUR 2.344 million, provided within the framework of financial protocols and complementary protocols before 1990, is considered, the total credit amount Turkey received until 2002 was EUR 2.344 million. However, it was provided that the facility to use credits to Poland was provided a facility to credits amounting to EUR 4.908 million and it was EUR 3.006 million to Romania and to Czech Republic EUR 2.927 million for the period between 1990 and 2002. The credit facility allocated to CEECs by the EIB was increased by twofold between 2002 and 2006; thus became EUR 40 billion. Turkey received approximately EUR 655 million in 2004 and EUR 730 million in 2005; thus totally received EUR 1.385 million as project credits from EIB. The amount of the project credit planned to be provided in 2006 was increased approximately fivefold compared to last year; and more than twofold of the total amount of the last two years and became EUR 3 billion. However, as has been stated earlier, use of the credits allocated from EIB depends completely on the initiative of the countries, and the facility of credit allocated from EIB may not be used by the addressee country. Here exists a striking element. The facility of credit which was increased by the EIB within the scope of the strategy after EU accession for Turkey seemed to increase the financial assistance. However, it is thought-provoking that Turkey was provided a facility of aid as credits of EUR 4 billion compared with EUR 1,050 million aid as grant within the same period. As it would be seen in the discussion of 2007-2013 financial assistance perspectives, the amount of credits began to increase; however, this rate of increase in the credits could not be seen in grants in financial assistance provided to Turkey.

It would be useful to discuss the differences related to financial assistance over some critical values such as the population, the area, the agricultural lands, gross national product, the rates of import and export, the share of import and export rates in EU of the countries. In the Table 22, the population, the area, the agricultural

lands, gross national product, the rates of import and export, the share of import and export rates in EU of the ten CEECs are seen.

Table 22

Some Critical Values of CEECs and Turkey in 2000 *

	Popul ation (milli on)	The Area (million hectare s)	Agricultu ral Area (million hectares)	GNP Per Capit a (EUR)	The EU share in Expor t (%)	The EU share in Impor t (%)	Trade Balance **
Poland	38.6	313	18.4	9.200	69.9	61.2	10.530
Romania	22.4	238	14.8	5.900	63.8	56.6	1.061
Bulgaria	8.2	111	6.2	6.500	51.2	44.1	146
Hungary	10	93	5.8	11.900	75.1	58.4	1.085
Czech Republic	10.3	79	4.2	13.300	68.6	61.9	2.330
Lithuania	3.7	65	3.4	8.700	47.9	43.3	403
Latvia	2.4	65	2.4	7.700	64.6	52.4	118
Slovakia	5.4	49	2.4	11.100	59.1	48.9	- 434
Estonia	1.4	45	1.4	9.800	76.5	62.6	94
Slovenia	2	20	0.518	16.000	63.8	67.8	1.818
Turkey	65.3	78	39.050	6.400	52.3	48.8	12.266

Source: Gençkol, ibid, p. 193

* All values in the table 22 are approximate values.

** The trade balance (or *net exports*) is the difference between the monetary value of exports and imports in an economy over a certain period of time. A positive balance of trade is known as a trade surplus and consists of exporting more than is imported; a negative balance of trade is known as a trade deficit or, informally, a trade gap.

As is seen in the table, Turkey leaves behind the other candidate countries in the indicators such as population, area, agricultural lands. However, it comes first among the other countries in terms of trade deficit; and it is antepenultimate in income per capita. In the allocations of PHARE, ISPA and SAPARD programmes, the EU use some concrete criteria such as population, area, GDP. Within the framework of the same criteria it can be clearly set out that the EU did not use the same criteria for financial assistance provided to Turkey. Taking the table as a starting point, a clearer table can be set out based on financial assistance provided to Poland, Romania and Turkey. The closest two country to Turkey in terms of population are Poland with its population of 38.6 million and Romania with its population of 22.4 million. Financial assistance received by both countries under the scope of merely PHARE, and total of financial assistance by countries, and comparison with Turkey is as in the Table 23.

Table 23

EU Financial Assistance to Candidate Countries and Turkey

(1990 – 2000)

	Total (Million EUR)*	Per Capita (EUR)
Poland	2.000	51
Romania	1.500	65
Turkey	427	7

Source: Data is compiled by Asa Lundgren (2006) from Poland Delegation of the European Commission to Poland, ‘EU Assistance to Poland’; European Parliament, ‘Country Profile – Romania’; Representation of the European Commission of Turkey, ‘Financial Assistance: Overview’.

*The figures refer to grants, not credits. (Population: Poland 39 million, Romania 23 million, Turkey 63 million)

As is seen in the table, Poland received EUR 2 billion for its 39 million populations; and Romania received EUR 1.5 billion for its population of 23 million

between 1990 and 2000. However, the amount of financial assistance provided to Turkey was EUR 427 million for its population of 65 million. As outlined the population size, the differences between countries are more obvious, Turkey is EUR 7 per capita, while Romania and Bulgaria are EUR 65 and 51 per capita.

A similar result is seen when the scope of the assessment based on population is expanded, going out of these data. The total population of the ten CEECs is approximately 103 million according to population data given in the Table 22. When compared to population of Turkey, this total is approximately 1.6 fold of Turkey's population. However, CEECs received the amount of financial assistance based on grant was 15 fold of Turkey; when the financial assistance provided to Turkey and CEECs between 1990 and 2006 is compared.

The research of 'The Comparison of Grants Provided to Turkey and 12 New Members' by Nurettin Bilici is rather significant as it is a comprehensive and detailed study in this subject. The Table 24 shows the results set out by Bilici comparatively.

Table 24

The Comparison of Grants Provided to Turkey and 12 New Members

(Million EUR)

Country	Period	Amount	Annual Average	Grant for Per Capita (Euro)
10 New Members * (Population: 75 Million)	1990 – 1999 (10 Years)	6.240	600	8
	2000 – 2003	10.000	2.500	33.33
	2004 – 2006	24.011**	8.003	106
	Total (17 Years)	40.251	2.367	31.56
Romania Bulgaria *** (Population: 30 million)	1990 – 1999 (10 Years)	2.500	250	8.33
	2004 – 2006	9.500	3.166	105

	Total (17 Years)	12.000	705	23.52
Turkey (Population: 72 million)	1963 – 1980	75	-	-
	1981 – 1999	384	-	-
	2000 – 2004	943	188	2,6
	2005 – 2006	800	500	7
	Total (43 Years)	2.202	51	0,7

Source: Data is compiled by Bilici (2007) Reports of European Court of Auditors; Flujos Financieros 2001; El Paris, Miercoles 8 de Septiembre de 2004; <<http://www.europa.eu.int/comm/budget/pdf/finacial/frwk/enlarg/tables>> (Accessed on 10.05.2005); Hülya Tuğrul (2004) *Avrupa Birliği Mali Yardımları Kapsamında Romanya'ya Yapılan Mali Yardımlar* (Ankara; SBE, Master Thesis).

* Financial assistance provided to Malta and Cyprus are also included the total.

** Total amount for 2004 is EUR 6.199 billion, for 2005 EUR 8.812 billion, for 2006 EUR 9.000 billion. This amount indicates net financial contributions after these countries payments the budget which is approximately EUR 5 billion for each year. (Treaty of Accession, Article 29, 30, Annexe XV).

*** Population of Romania is 22 million; population of Bulgaria is 8 million.

It is seen in the table not only the total values are related to values touched upon before, but also the amounts of financial assistance per capita are. While the amount of grant per capita provided to Turkey in pre-candidacy period was EUR 1, it became EUR 2.6 per capita first in this Candidacy Period, and it only increased to EUR 7 in the period the highest payments were provided between 2005 and 2006 with the partial increase. On the other hand, financial assistance per capita provided to 10 new member states – including Malta and Cyprus, the total population of which was EUR 75 million, was EUR 8 on average in pre-candidacy period. This rate was EUR 9 for Poland and EUR 12 for Hungary in the pre-candidacy period.²⁰⁶ The

annual grant amount per capita for the 10 new members increased fourfold and became EUR 33,33. Particularly the annual average of Romania and Bulgaria which was EUR 8,33 in pre-candidacy period increased to EUR 105 for the years 2004-2006. Turkey received EUR 2.7 per capita when only the data of 2000 is considered. In the same year, the grant per capita for Estonia, which was EUR 46, was 17 fold of Turkey; and for Czech Republic, which was EUR 17, was 6.3 fold of Turkey.²⁰⁷

Turkey received a credit of EUR 8.8 per capita when it is considered in terms of credits Turkey received in 2000. Turkey received approximately twofold of the aid Latvia and Lithuania received. However, the grant received by these countries was 15-20 fold of Turkey. The average of CEECs per capita was more than 3 folds of Turkey.²⁰⁸

It should be reminded that the differences between commitments and payments are rather significant in terms of demonstrating the realization rate of the aid, while the aid is being assessed in terms of its quantity. As has been stated earlier, when this comparison is carried out pre-candidacy periods both of Turkey and of CEECs should be considered; as there has been no serious differences between commitments and payments after achieving the candidacy status. The realization rate of PHARE aids for CEECs is like in the Table 25.

²⁰⁶ Yıldız and Yardımcıoğlu, *ibid*, p.101

²⁰⁷ Gençkol, *ibid*, p. 196

²⁰⁸ *İbid*

Table 25

The Realization Rate of PHARE Aids for CEECs (1990 – 1999)

Commitment / Payment Ratio

Country	Commitment / Payment Ratio (percentage)
Poland	64,4
Romania	54,5
Bulgaria	60,3
Hungary	68,0
Czech Republic	61,6
Lithuania	54,1
Latvia	63,4
Slovakia	47,4
Estonia	68,6
Slovenia	54,5

Source: Gençkol, ibid, p.135

As is seen in the table the realization rate of the aid for CEECs is 59.68 % when the average of all countries is taken. An average of 60 % is rather good in terms of general progress of the realization rates of financial assistance provided from the external aid item in pre-candidacy period. For example, the payment/ commitment rate of the aid provided in the scope of MEDA from external aid item was 32.5% on average between 1995 and 2001.

Table 26

The Realization Rate of Financial Assistance for Turkey

Prior to Customs Union (1964 - 1996)	17%
After Customs Union (1996 - 1999)	7%

Source: Turkey – EU Financial Cooperation’ - Undersecretariat of The Prime Ministry for Foreign Trade Official Website < www.dtm.gov.tr > (Accessed on 27.11.2007)

As is seen in the Table 26, when the realization rates of financial assistance provided to Turkey before the candidacy status is considered the realization rate of the grants was 17% in the period of ‘Prior to the Customs Union’ and 7 % in ‘the Period of after the Customs Union’. This difference is another element which is rather significant.

Table 27

The Comparison of the Given Amounts to Turkey in the Last 42 Years with the Other Countries

	Period	Net Donation (million Euro)	Per Year (Million Euro)	Population (million)	Per Capita (Euro)
Turkey	1964-2006 (42 years)	2.202	51	72	0.7
Greece	1981-2006 (26 years)	87.500	3.365	10,5	320
Spain	1986-2006 (21 years)	118.750	5.654	40	141

Source: Bilici, 2007, p.127

It is seen that more than half of the total aid amount as grant provided to Turkey between 1964 and 2006 was allocated after the candidacy status granted in the Helsinki Summit. In addition to this, as it has been stated, it was allocated EUR 237 million for the year 2004, EUR 300 million for 2005, and EUR 500 million for 2006 to Turkey. It was envisaged that EUR 9.360 million would be transferred from the EU to Romania and Bulgaria for the same period, between 2004 and 2006. However, it is rather significant to interpret properly this difference; because the membership of these countries as of 1 January 2007 became certain, and the aid amount to be provided was increased to accelerate integration. However, the difference is striking. The amount of aid provided to Turkey is thought-provoking, particularly when the envisaged aid amount to be provided to Turkey as grants for 7 years, which is EUR 3,5 billion, for the period of 2007-2013 is considered. In addition to this, the total population of both countries is only the half of the population of Turkey according to data of 2000; and the amounts of aid received previous years should also be considered. Actually, this difference and assessment make us reach to the conclusion automatically that the expectation of the membership of Turkey to the EU at the end of 2013 is not much realistic.

Another striking value, which is seen in the Table 26 the aid received by Greece and Spain in the period of their membership, within the scope of funds provided to Member States. Although it is not related to the main problematic of this study, the values in the Table 27 is curious in terms of showing the financial assistance capacity of the EU. As is seen, the total amount of aid received by Turkey during 42 years is under the annual average of the aid provided to Greece. According to Nurettin Bilici, while the amounts of financial assistance provided to Turkey is being assessed it should not be forgotten that Turkey is the first country with Greece which made an agreement aiming at the full membership to EU from the first years of the foundation of the EU, and the single country which realized the customs union with the EU without being a member.

Although Turkey is the single country which realized the customs union with the EU before its membership, the insufficiency of the financial assistance amount provided to Turkey after 1996 is set out by Bilici. One of the reasons of the financial assistance is to support the countries with a weak economy and foreign trade deficit; and to enhance the competitive power of these countries. Turkey had a foreign trade deficit of 76 billion dollar approximately, between 1996 and 2005. Only 2,5 % of this loss was met with EU grants. However, 83,2 % of the trade deficit stemming from Customs Union of Spain, 46,6 % of Greece, and 59,3 % of Portugal was met by EU grants.²⁰⁹

Therefore, it is seen that the financial assistance provided to Turkey is insufficient when it is only compared with CEECs. However, it is also seen that EU financial assistance is insufficient for the other countries which undertook the commitment to the customs union.

4.2 Qualitative Analysis of Financial Assistance

Quantitative comparison of financial assistance provided to CEECs and Turkey as well as qualitative comparison is of utmost importance. As stated in previous chapter PHARE, SAPARD and ISPA were designed in order to help the CEECs comply with the aquis in all relevant areas. This included the strengthening of public administrations and institutions in order to make them function more effectively inside the Union; promoting convergence with the Community's legislation; supporting agricultural reforms; rural development; and large – scale infrastructure projects in the fields of transport and environment. Another dimension of the pre – accession was the participation in Community programmes and agencies.

Turkey was not included in these programmes and strategies. It was not until December 1999 that the country was recognized as an EU candidate on an equal

²⁰⁹ Bilici, 2007. p.129

footing with other candidates, and only in 2001 a pre-accession strategy was prepared. Financial assistance to Turkey has not come from PHARE or such a programme but from Euro – Mediterranean programme (MEDA I – MEDA II) and even though financial assistance in the scope of pre-accession strategy were increased financial assistance to Turkey was considerably less generous.

Harun Arıkan analyses qualitative differences between financial assistance provided to Turkey and CEECs in detail, and highlights some interesting points. According to him, first of all the objective of the EU's financial support for the CEECs has been explicitly linked to their accession process to the EU. PHARE, SAPARD and ISPA were to assist the CEECs in their preparations for joining the EU and they were closely oriented to accession. As stated in previous chapter the quality and utilization aims of PHARE, SAPARD and ISPA were rather significant, as well. The idea behind it was to enable accession countries to get familiar with the procedures and rules of the funds – structural and cohesion funds - they could access after joining the EU. On the other hand, the EU's financial support for Turkey has been principally related in general to the development of the Turkish economy and harmonious expansion of trade and the strengthening of Turkey's economic structure to cope with the customs union.²¹⁰

Secondly, the EU's financial support to CEECs is more comprehensive and wide-ranging than its support for Turkey. By the time the PHARE's scope has been extended and covered other projects in restructuring agriculture, public administration, education, health, environment and nuclear security. 30 % of PHARE assistance has been allocated for institution building. The rest of total assistance has been allocated to the investment programmes to support compliance with the Community norms in environment, agriculture, transport, telecommunications and to adapt infrastructure, agricultural restructuring and regional development, human and intellectual capital. Besides all these, there have been the two new pre-accession

²¹⁰ Arıkan, *ibid*, p.96

financial instruments, the SAPARD and ISPA. Nevertheless, the EU's commitment to financial support to Turkey did not seem to have been as comprehensive or wide-ranging. The EU has not offered financial and technical support for numerous areas that constitute a barrier to Turkey's membership prospects, such as agricultural development and structural adjustment.²¹¹

Lastly, according to Arıkan, Turkey has been treated unfavorably as well. The indicator of it was the EU's attitude against Greece veto. The most critical example of this attitude is the Fourth Financial Protocol process. The implementation of the Fourth Financial Protocol had already been frozen since 1980 because of Greece blockage.²¹² As stated in previously issued in the EIB and financial assistance provided to Turkey, in order to be enacted the Fourth Financial Protocol, the EU's aid requires Council decisions, and the EIB's aid requires the decision of Board of Governors of EIB. Council and Board of Governors come together with one minister from every member country; and in order to take a decision of the Community external aid the condition of unanimity is required in these meetings. And this condition was sufficient for Greece to block the aid which would be provided to Turkey.²¹³ Later although at the time of the establishment of the customs union, the EU made a commitment to Turkey, EUR 750 billion which included budgetary aid and a package of EIB credits. The European Council has been unable to attain the required unanimity to adopt the framework regulations for the special customs union budgetary aid, owing to Greek objections. Similarly, the EIB has been unable to act on the invitation made by the EU on financial cooperation. In accordance with the request of the European Council Summit in Luxembourg in 1997, the Commission adopted the European Strategy for Turkey in which the implementation of financial

²¹¹ Ibid

²¹² Ibid

²¹³ Bilici, 1997, p. 131

cooperation was one of the main elements. The Commission underlined the urgent need for the adoption by the Council of financial regulation regarding Turkey. However, Greece blocked the approval of the proposed financial cooperation with Turkey on the grounds of Turkey's failure to maintain good relation with Greece. Therefore, the Commission adopted a new proposal to resume financial assistance to Turkey, totaling EUR 135 million. The Cardiff Summit of the EU received it in 1998 and unanimity was not required for it. Because it was a development aid based on Article 235. Greece reacted to this Commission initiative. According to Arıkan, this indicated that the EU could find ways to dismiss the Greek objection so long as the member states are determined to carry on. The EU's financial commitment to Turkey is part of the Agreement and thus the EU should have found ways to disregard Greek objections for financial cooperation with Turkey. The point indicated by Arıkan and also Bilici is the EU's condition on the implementation of financial cooperation with Turkey. It seems to be applied more strictly than its policy towards CEECs. The EU's insistence on the rule of unanimity for the financial regulations relating to Turkey can be regarded as an indication. Because, as regards the CEECs the PHARE financial regulations at the council are taken by majority decisions, not unanimity.²¹⁴

In addition to all mentioned above, it should be noted that although the EU has made the implementation of all instruments of European Agreements, including financial assistance, conditional upon compliance with the requirements in respect for democratic principles and human rights, this conditionality has not been applied any country in the CEECs as strictly as it has been applied to Turkey. While the EU has always highlighted a number of problems related with the treatment of minority rights and the functioning of institutional democracy in the CEECs, it has continued to provide financial support. According to Arıkan, all this indicates that financial cooperation between the EU and Turkey is politicized.²¹⁵

²¹⁴ Arıkan, p.96-99 - See also Bilici, 2007.

Another element of qualitative comparison is, as it has been stated in PHARE, SAPARD and ISPA programmes, the use of concrete criteria such as the population, GDP per capita, and the area of the country which is the subject of the aid, while the EU financial assistance is being determined. In detail; the criteria of population, area, the farmer population and agricultural lands are included into the model as positive variants in the calculation of the aid amount. In other words, for example the more the population of any member country, the more aid it receives. The criterion of GDP per capita (according to purchasing power parity) presents a negative relation in aid model. A country will be able to receive more aid, if it has low GDP per capita; as a candidate country which is relatively poor needs more resource in order to reach economic and social cohesion.²¹⁶ Bilici, who takes this as a starting point, argues that if these criteria were also used for Turkey, committed amount of grant aid to Turkey with its population of 72 million should have been EUR 7.488 million rather than EUR 300 million in 2005. Moreover, although these criteria were used in balanced and just distribution of financial assistance to CEECs, the quantitative comparison between Turkey and CEECs shows that EU does not have the same balanced and just approach to Turkey.

4.3 Financial Perspective 2007 – 2013: Looking Ahead

The Financial Perspectives of the EU is rather important in that it is shaped by short and medium-term policies of the EU, and so it is a concrete indicator of EU's political discourse. Based on this, in this part of the study first of all critical points constituting financial perspective of the EU will be demonstrated. Then, an attempt will be made to demonstrate in which aspects 2007-2013 financial perspective and financial assistance, forming a part of the perspective, differ from 2000-2006

²¹⁵ Ibid

²¹⁶ Gençkol, *ibid*, p. 152

financial perspective and financial assistance process within the framework of enlargement and deepening debates in the EU. The aim of showing the difference is to seek the answer to the question of ‘Does 2007-2013 financial assistance process really target Turkey’s membership?’ by demonstrating clearly how to interpret financial assistance planned to be granted to Turkey under the framework of 2007-2013 financial perspective.

The EU's 'financial perspective' defines the framework for the Community's budget priorities over a period of several years. It describes over different budget headings the maximum amounts (ceilings) of commitment appropriations (financial commitments) for each year.²¹⁷ Financial perspective does certainly put forth a financial plan. However, financial perspectives are separated from financial plans, and they are defined as an upper heading since they are based on EU’s policies, and prepared within this framework. Moreover, financial perspectives differ from financial planning as ceiling amount defined for each sub-heading is binding. Financial perspective, aiming at auditing budget expenditures, rendering EU expenditures foreseeable in the medium term, and facilitating inter-institutional decision-making process concerning annual budget, is drawn up with joint decision as a result of the decision-making process that involves European Parliament, EU Commission, and the European Council.

There have been four financial perspectives up to now. In the course of time, financial size of financial perspectives has increased. The Table 28 shows period and financial size of each financial perspective.

²¹⁷ ‘Financial Perspective 2007 – 2013’ - EurActiv News Website
<<http://www.euractiv.com/en/future-eu/financial-perspective-2007-2013/article-130497>> (Accessed on 30.11.2007)

Table 28

The Size of the EU Financial Plans

Title	Period	Total Size (Billion EUR)
1. Financial Plan	5 years in the period of 1988-1992	264
2. Financial Plan	7 years in the period of 1993-1999	505
3. Financial Plan	7 years in the period of 2000-2006	640
4. Financial Plan	7 years in the period of 2007-2013	862

Source: 'Towards a New Financial Framework' - European Communities Official Website <<http://europa.eu/scadplus/leg/en/lvb/l34004.htm>> (Accessed on 30.11.2007)

As is seen in the Table 28, it is noted that EU's budget has increased by circa 3,5 times within 15 years when amount of the budget is analyzed. However, the biggest increases are seen in the 2nd and 4th Financial Plans. Change of priorities that are defined in each financial perspective, growing global economy and difficulty faced in implementing developing EU policies (such as agriculture) have had an impact on these increases occurring in the course of time.

Different priorities, set out in every financial perspective, have changed in the last financial perspective too. Three priorities are set down for the Union over the period 2007–2013: sustainable development, citizenship and Europe as a global partner. According to the Commission, this new financial perspective is a simplification of previous such perspectives, with fewer headings and initiatives, overall creating greater transparency.²¹⁸ The number of headings in the financial

²¹⁸ 'Review of Financial Perspective 2007 – 2013' – European Anti Poverty Network - <http://www.eapn.org/module/module_page/images/pdf/pdf_publication/EAPN%20Publications/position/ReviewFinPersp_en.pdf> (Accessed on 29.11.2007)

perspective (i.e. major categories of expenditure) has been reduced from eight to five. This should make the system less rigid and allow resources to be used more efficiently. These headings, for which EUR 1 025 billion will be provided in commitment appropriations between 2007 and 2013, are as follows:²¹⁹

- Sustainable Development: This is divided into two components:
 - competitiveness for growth and employment;
 - cohesion for growth and employment;
- Sustainable management and protection of natural resources;
- Citizenship, freedom, security and justice;
- The European Union as a global partner: This heading covers all external action, including the pre-accession instruments, the incorporation of the European Development Fund (EDF) in the EU budget, and the current reserves earmarked for emergency aid and credit guarantees;
- Administration: This covers the expenditure of institutions other than the Commission, pensions and the European Schools. A new feature is that the Commission's administrative expenditure is included directly under the corresponding operational headings and not under this one.

Budget headings changed with 2007 – 2013 financial perspective become less rigid and more useful. The EU has developed a broad spectrum of external aid programmes, which resulted in a complex set of more than 30 different legal instruments. The need to facilitate coherence and improve consistency of the Union's action, and achieve better results and a higher impact with the resources available, led the Commission to propose a simplified framework for the period covered by the next Financial Perspective (2007–2013).²²⁰ Although this new structure does not

²¹⁹ 'Towards a New Financial Framework' - European Communities Official Website
<<http://europa.eu/scadplus/leg/en/lvb/l34004.htm>>(Accessed on 30.11.2007)

significantly change the Financial Framework, it does show the political priorities which the Commission sees for the medium-term.²²¹ As is seen, priorities of 2007-2013 financial perspective are quite different from that of previous financial perspective. In 2000 – 2006 financial perspective two priorities were stated. One of them was ‘adopting a financial framework for the period 2000-2006 in order to enable the Union to meet the main challenges of the beginning of the 21st century, in particular enlargement’. The other one was ‘strengthening the pre-accession strategy for applicant countries by setting up financial mechanisms.’²²² However, 2007–2013 financial perspective has by no means defined any priority concerning candidate countries, or further enlargement. This is a rather critical issue.

The EU policy towards third countries defined in financial perspectives is important as much as priorities of financial perspectives. The European policy dedicated to third countries has been significantly simplified and rationalized for the 2007–2013 programming period. In fact, the Commission defines three geographic areas that correspond to three new external assistance instruments for third countries:

- The Instrument for Pre-Accession Assistance (IPA) for candidate countries or potential candidate countries;
- The European Neighborhood and Partnership Instrument (ENPI) for countries sharing land borders or facing a common sea basin;

²²⁰ ‘Instrument for Pre-Accession Assistance: IPA’ - European Commission Official Website
<http://ec.europa.eu/enlargement/financial_assistance/ipa/index_en.htm> (Accessed on 29.11.2007)

²²¹ Alan Mayhew, ‘The Financial Framework of the European Union, 2007-2013: New Policies? New Money?’ - Working Paper published by The Sussex European Institute, 2004.
<www.sussex.ac.uk/sei/documents/wp78_corrected.pdf> (Accessed on 30.11.2007)

²²² ‘Agenda 2000’ - European Commission Official Website -
<http://ec.europa.eu/agenda2000/index_en.htm> (Accessed on 30.11.2007)

- The financing instrument for development co-operation and economic cooperation for any other third countries not eligible for the two previous instruments.

These different instruments will offer opportunities to enterprises wishing to develop their activity in the EU partner countries.²²³ Within the framework of this study, only IPA programme, also covering Turkey, and financial assistance envisaged to be provided to Turkey under the scope of IPA programme will be addressed. What granted financial assistance amounts mean will be discussed setting from previous experiences, and within the framework of 2000–2006, and 2007–2013 financial perspective. Thanks to this, the question of ‘what will be attitude of the EU towards enlargement and Turkey in the future?’ will be discussed.

4.3.1 Objectives and Scope of the Instrument for Pre-Accession Assistance (IPA)

The Instrument for Pre-Accession Assistance (IPA) is the Community's financial instrument for the pre-accession process for the period 2007–2013. IPA offers rationalized assistance to countries aspiring to join the EU for the period 2007–2013 on the basis of the lessons learnt from previous external assistance and pre-accession instruments. Therefore the aim of the IPA is to enhance the efficiency and coherence of aid by means of a single framework. This framework incorporates the previous pre-accession and stabilization and association assistance to candidate countries and potential candidate countries while respecting their specific features and the processes in which they are engaged. IPA supersedes the five previously existing pre-accession instruments, PHARE, ISPA, SAPARD, Turkey instrument and CARDS. In other words it is uniting under a single legal basis all pre accession assistance. IPA has also been designed to better adapt to the different objectives and

²²³ Daniel Gassmann and Hervé Parcineau, ‘European Financing: Towards 2007 – 2013 Programming Period’ – Euro Info Center de Paris Official Website, 2006. Available at: <http://www.eic.ccip.fr/pdf/EuropeanFinancing-ProgrammingPeriod2007-2013.pdf> (Accessed on 29.11.2007)

progresses of each beneficiary concerned, so as to provide a targeted and effective support according to their needs and evolution.²²⁴

In particular, IPA will help strengthen democratic institutions and the rule of law, reform public administration, carry out economic reforms, promote respect for human as well as minority rights and gender equality, support the development of civil society and advance regional co-operation, and contribute to sustainable development and poverty reduction. For candidate countries, the additional objective is the adoption and implementation of the full requirements for membership, whereas only approximation to these requirements will be requested from potential candidate countries.²²⁵

The beneficiary countries are divided into two categories, depending on their status as either candidate countries under the accession process or potential candidate countries under the stabilization and association process , namely:

- candidate countries (Annex I to the Regulation): the former Yugoslav Republic of Macedonia, Croatia, Turkey;
- potential candidate countries as defined at the Santa Maria da Feira European Council of 20 June 2000 (Annex II to the Regulation): Albania, Bosnia and Herzegovina, Montenegro, Serbia including Kosovo as defined by the United Nations Security Council Resolution 1244.

The IPA is made up of five components, each covering priorities defined according to the needs of the beneficiary countries: (IPA-I) the Transition Assistance and Institution Building component; (IPA-II) the Cross-Border Cooperation component which applies to border regions between beneficiaries from member states, candidate countries and countries in pre-accession status; (IPA III, IV and V)

²²⁴Instrument for Pre-Accession Assistance: IPA' – European Commission Official Website
<http://ec.europa.eu/enlargement/financial_assistance/ipa/index_en.htm> (Accessed on 29.11.2007)

²²⁵ Ibid

the Regional, Human Resources and Rural Development components. As a candidate country, Turkey is eligible for all five of these components.

The implementation of assistance under IPA is ensured through annual or multi-annual programmes, as specified in the Commission regulation on Implementation of IPA. All programmes are designed following multi-annual indicative planning documents, a three-year strategy document for each country, where the major areas of intervention and the main priorities are presented by the Commission.²²⁶ Thus, the document will create the link between political framework and budget process related to enlargement.

As regards financial allocations, IPA will provide a total amount of EUR 11,468 Billion (2007 prices) over the 2007–2013 period. Regarding financial assistance instrument in question, amount and fields of financial assistance to be allocated to countries in question for the period of 2007-2009 have been defined in the Strategic Planning Document, announced by the European Commission to general public on 20 June 2007, and it has been stated that a total of circa EUR 3,961 billion would be provided during the concerned period.

In this respect, when priorities set and amount of the assistance to be provided to candidate and potential candidate countries are analyzed, it is seen that a total of EUR 1.602 million has been earmarked to Turkey for the period of 2007-2009. It has been stated that assistance in question will focus on projects aiming at ensuring stability of the existence of institutions guaranteeing democracy, rule of law, human rights and rights of minorities as well as ones encouraging ‘Turkey-EU Civil Society Dialog’. Furthermore, it has been indicated that through the assistance mentioned, it is aimed at facilitating Turkey’s integration process into EU Cohesion Policy and Rural Development. The basic policy documents setting out the priorities for programming assistance to Turkey under IPA are the Accession Partnership, the annual Enlargement Strategy Paper, which presents the Commission’s overall

²²⁶ Ibid

enlargement policy for the candidate and potential candidate countries and the annual Progress Reports on progress made on the road towards the EU. Also relevant for the definition of assistance priorities are ‘the Negotiation Framework’, ‘the Communication on the Civil Society Dialogue’, ‘the Community Strategic Guidelines 2007–2013’, as well as Turkish policy documents such as the 9th Development Plan (2007-2013) and the National Rural Development Strategy (NRDS).²²⁷

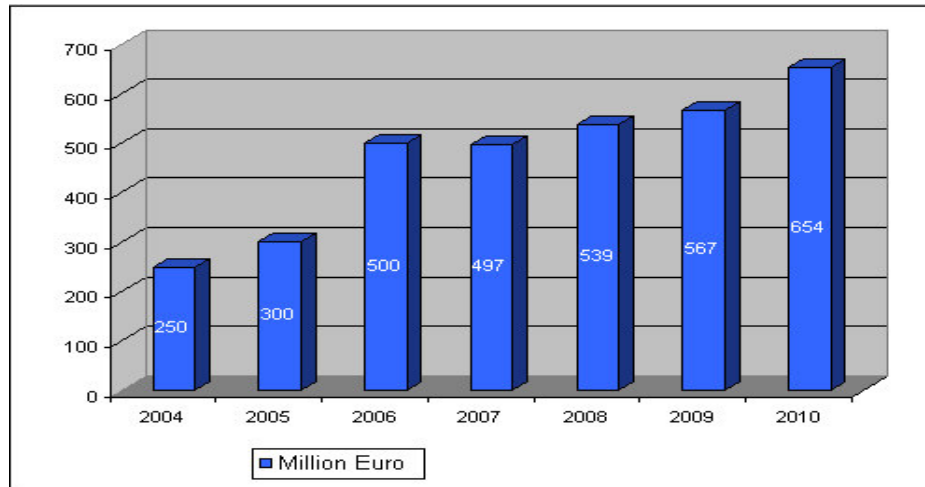
In fact, IPA is an outcome of EU’s changing strategy and budget structure. For that reason, analyses of amount of financial assistance envisaged to be allocated to Turkey and other countries under the scope of IPA, and conditions for using it are very important. Provision of EUR 438,5 million to Croatia to support projects having the priority of adaptation to EU Common Agricultural and Rural Development Policies; provision of EUR 210,4 million to Macedonia to support projects on Public Administration Reform, in a way especially to cover judiciary and security forces, improvement of infrastructure, adoption of EU legislation and standards by the country, and country’s adaptation to EU Rural Development and Cohesion Policies; and provision of EUR 212,9, 226, 97,3 and 572,4 million of financial assistance respectively to Albania, Bosnia-Herzegovina, Montenegro and Serbia, identified as potential candidate countries by the EU, is foreseen. On the other hand, it is foreseen to provide circa EUR 199,1 million of financial assistance to Kosovo with the aim of creating a country in the region which is based on a modern, stable, democratic and multi-cultural society where rule of law is well-established.

Although the amount of financial assistance to be granted to Croatia under the scope of IPA is lower than amount of assistance to be granted to Turkey, while Turkey receives EUR 1,6 billion for a population of circa 75 million, Croatia receives EUR 438,5 million for a population of circa 5 million. To put it differently, ratio of their population to each other is 1/15, however, ratio of assistance received is

²²⁷ ‘Commission Decision C(2007)1835 of 30/04/2007 on a Multi-annual Indicative Planning Document (MIPD) 2007-2009 for Turkey’ European Commission Official Website <http://ec.europa.eu/enlargement/pdf/mipd_turkey_2007_2009_en.pdf>(Accessed on 29.11.2007)

1/4. When a similar comparison is made with regard to surface areas of two countries, Turkey is 14 times bigger than Croatia. On the other hand, it should be kept in mind that Turkey has been benefiting from financial assistance for a longer period of time.

Setting from this point, analyses of assistance, started to be provided to Turkey in higher amounts with pre-accession strategy, and assistance committed for the years 2007-2009, which is the first half of 2007-2013 financial perspective, are as in the Figure 2.



Source: 'Financial Cooperation: Turkey and the European Union' - Delegation of the European Commission to Turkey Official Website <www.deltur.cec.eu.int/> (Accessed on 29.11.2007)

Figure 2

EU Financial Support for Turkey in the Period of 2004 – 2010

It is seen that there has been a significant increase size of assistance provided for 2004, when accession strategy for Turkey was announced and financial assistance were started to be provided accordingly, and total amount of assistance foreseen to be provided till 2010 are analyzed.

It is possible to talk about a similar increase in assistance in the nature of credit. EIB Vice President Matthias Kollatz-Ahnen saying that the EIB aims to provide circa EUR 2 billion credit to Turkey annually during the period of 2007-2013, stated that EUR 4,6 billion was transferred in total to Turkey between 2002-2007. In other words, it is seen that there is an increase in assistance in the nature of credit towards Turkey.²²⁸

Regarding grants, it is seen that total amount of assistance foreseen for 2004-2010 period is EUR 3.307 million. Of course, it is not possible to expect provision of all financial means, required for harmonization process, by the EU, and realization of it within a short period of time. However, it should be discussed to what extent this amount is sufficient when Turkey's population, its size, and tough infrastructure problems are considered. For example, for the harmonization with EU's costly environmental directives, it is estimated that an investment of EUR 50 billion and an investment of EUR 18 billion should be made by public sector and industry sector of Turkey respectively. The highest investment requirement is in waste water and drinking water sector with EUR 35 billion. When investment costs are concerned, water sector is followed by waste sector and industry sector respectively. To put it differently, harmonization with the EU only in the environmental sector costs circa EUR 70,5 billion to Turkey.²²⁹

The fact that financial assistance are not adequate has not changed with amounts to be provided within the framework of IPA programme. For example according to estimates by the Dresdner Bank, after Turkey was granted full membership and to alleviate merely the worst shortcomings in agriculture and infrastructure, Brussels would have to transfer almost EUR 14 billion per year to

²²⁸ Matthias Kollatz-Ahnen' Press Release - 05/11/2007 <<http://www.eib.org/infocentre/>> (Accessed on 27.11.2007)

²²⁹ 'Babacan Çevre için 70 Milyar Euro Yatırım Gerekliyor – 14 Şubat 2007' - Milliyet - <www.milliyet.com.tr> (Accessed on 29.11.2007)

Ankara. In the following years, based on the past financial assistance system, this amount could rise to EUR 22 - 28 billion annually. By comparison, the 2004-to-2006 budget only designates assistance totaling EUR 40 billion to the 10 new EU members in CEECs. And the EU budget for 2007 - 2013 is already being fiercely opposed.²³⁰ Figures released by Dresdner Bank show inadequacy of financial assistance more openly. However, there is another issue which is as striking as low amount of financial assistance earmarked to Turkey from budget of 2007-2013 period. As indicated earlier in the Table 24, between 2004-2006, circa EUR 9.5 billion grant was transferred to Romania and Bulgaria, accession of which was declared as of 1 January 2007, and it was aimed to accelerate their harmonization process.

In addition to a comparison to be made between Turkey and Romania and Bulgaria, another issue to be considered is that the prospect of Turkey's being a member to the EU by the end of 2013 is not reasonable at all because when amount of money required for Turkey's integration is considered, it is pointless to expect from EU to provide big amounts of additional assistance in the last moment since EU's budget is a closed budget structured on income-expenditure balance. Thus, changes resulting in increase of expenditures are avoided, and foreseen expenditures are kept as much as possible. It should be kept in mind that Turkey was not included in PHARE programme on the grounds of same justification.

Member States' contributions to the budget and procedure of drawing up the budget are points to be considered. When we look at the contributions made to the EU budget in the country level, it can be seen that it corresponds to almost 40 % of the total budget is contributed by two countries. These countries are Germany which covers the 21.11% of the budget and France covering the 16.44%. Italy makes contributions in proportion of 13.64% and England of 13.05%. (According to

²³⁰ 'Budget discipline undermined by enlargement?' - EurActiv News Website - <http://www.euractiv.com/> (Accessed on 26.11.2007)

estimates of EU budget 2006).²³¹ Thus nearly ½ of the budget is covered by these four countries. It is obvious that there is parallelism between these rates and EU's changing enlargement and integration process. It is not possible to say that Germany, France, England and Italy, making highest contribution to the budget, are not determinants in setting out priorities of the financial perspectives. In other words, 2000-2006 and 2007-2013 financial perspectives and their priorities partially reflect political approaches of the countries making the biggest contribution. Besides, the procedure followed in drawing up the budget reflects that. The Commission is in favor of compiling the tasks to be performed and subsequently computing the amount of financial resources most likely necessary to meet these requirements ('bottom up'). Quite in contrast, the group of net contributors to the EU budget prefers the opposite approach, i.e. defining the upper limit of fiscal obligations first and then setting priorities within this framework ('top down'). In a way, this methodological dispute is beside the point because, as a rule, any limitation of resources vis-à-vis competing targets calls for political decision.²³²

The necessary measures for the fifth enlargement of the EU are examined in Agenda 2000 which is a basis of 2000 – 2006 financial perspective. The report sheds light on the future financial framework a new agricultural programme, a new structural policy and institutional reform measures necessary for enlarged Europe.²³³ It is seen that 2007-2013 financial perspective shows with its priorities as well as amount of financial assistance to be provided under the scope of IPA that a decisive attitude does not exist towards Turkey's membership in the near future.

²³¹ 'EU budget 2006 - Financial Report' – European Commission Official Website
<http://ec.europa.eu/budget/publications/fin_reports_en.htm> (Accessed on 26.11.2007)

²³² Siegfried Schultz , 'The EU's Medium-term Financial Perspective and Turkey's Potential Slice of the Cake' *Intereconomics*, Vol. 40, Issue.6, 2005. p.348

²³³ Gülsüm Yazganarıkın, 'The Economic Impact of The Fifth Enlargement on CEECs and Turkey' *Hazine Dergisi*, Sayı 16, 2003. p.4

4.4 Conclusion

The aim of this chapter was to answer the question of whether the EU has treated CEECs and Turkey differently with regard to financial assistance based on the financial assistance system outlined in the previous chapter. To this end, financial assistance provided to Turkey and CEECs have been compared both quantitatively and qualitatively.

The quantity of financial assistance and its comparison was rather significant in terms of understanding the differences between the financial assistance in a concrete way. As a result of this comparison, it was concluded that Turkey has been treated unfavorably. Because when the financial assistance provided to Turkey was assessed as outlined in the previous chapter, approximately the total aid provided to Turkey as grant for 42 years has been EUR 2.202 million. On the other hand, the total financial assistance provided to CEECs between 1990 and 2006 was EUR 29,3 billion. While the annual average of the total aid allocated to CEECs between 1990 and 2006 was EUR 1,8 billion, the approximate total of financial assistance received by Turkey since 1964 was a little more than EUR 2,2 billion. The amount of credit allocated to Turkey between 1990 and 2002 was EUR 1.592 million. A similar difference was found in credits allocated to CEECs and Turkey. The amount of credit allocated to Turkey between 1990 and 2002 was EUR 1.592 million. It was provided that the facility to use credits to Poland was allocated credits amounting to EUR 4.908 million and it was EUR 3.006 million to Romania and to Czech Republic EUR 2.927 million for the period between 1990 and 2002.

Same conclusion is reached as a result of quantitative comparison made in respect to population, the area, the agricultural lands, gross national product, the rates of import and export, the share of import and export rates. In other words even though Turkey leaves behind the other candidate countries in the indicators such as population, area, agricultural lands, the amount of financial assistance provided to Turkey has been considerably less generous.

Qualitative comparison of financial assistance provided to CEECs and Turkey is of utmost importance, as well. As a result of qualitative comparison, it is seen that as PHARE, SAPARD and ISPA were designed in order to help the CEECs comply with the aquis in all relevant areas; Turkey was not included in these programmes and strategies. Moreover the EU's financial support to CEECs is more comprehensive and wide-ranging than its support for Turkey. Besides, even though the EU has made the implementation of all instruments of European Agreements, including financial assistance, conditional upon compliance with the requirements in respect for democratic principles and human rights, this conditionality has not been applied any country in the CEECs as strictly as it has been applied to Turkey.

At the end of the chapter, it was attempted to demonstrate which aspects of 2007 – 2013 financial perspective and financial assistance process differ from 2000 – 2006 financial perspective and financial assistance process. The aims of demonstrating the difference were to show how to interpret financial assistance planned to be granted to Turkey under financial perspective and to ensure better interpretation of the results from financial assistance provided in the period of 1963 – 2006. For that reason, analyses of the amount of financial assistance envisaged to be allocated to Turkey and other countries under the scope of IPA, and conditions for using it were very important. It is concluded at the end of this part financial assistance allocated to Turkey are not adequate and has not changed with amounts to be provided within the framework of IPA programme.

CHAPTER 5

CONCLUSION

Since its foundation, the EU has been a subject for various studies with its unique structure as well as with its decisions that influence not only regional but also global agenda. Thus, in our times a rather comprehensive literature studying merely the EU has come into existence. In particular recently its enlargement towards Central and Eastern Europe, one of the most important decisions in the process of self-identification of the EU, and its impacts are discussed intensively in the literature. The bulk of discussions consist of the ones that perceive enlargement process as a sign of with what kind of a vision the EU will keep the track in the future and evaluate Turkey under this scope. However, none of these discussions can be considered independent from EU integration theories and theoretical framework set out by it.

The role of integration theories, having a substantial weight in the literature, in the conduct of logical discussions concerning the vision of the EU for the future is indisputable. Therefore, it is necessary to discuss policies of the EU from a theoretical perspective considering the importance of relationship of theory with practice. Setting from this point, in this study primarily EU integration theories and discussions going on were addressed and especially arguments of constructivist approach were considered. As it is clearly set out in Chapter 2, constructivism claims that ideational factors have a decisive impact on the enlargement perspective of the EU. Actually according to Sjursen, this impact is even greater than considered because according to Sjursen the EU has given priority to CEECs in the latest enlargement process of the EU due to ideational factors although Turkey has been waiting for candidacy for a longer period of time. Furthermore, Sjursen claims that the EU has treated Turkey

differently from CEECs because of the very same reason. This claim of Sjurzen is significant because if there is indeed a different treatment towards Turkey as claimed by Sjurzen, the place of Turkey within enlargement vision of the EU becomes a matter of discussion.

Setting from the claims of Sjurzen, financial assistance provided to Turkey has been compared with the financial assistance granted to CEE countries. In Chapter 3, financial assistance system of the EU has been explained in broad terms before making an analysis of financial assistance on the basis of various criteria. Therefore, an attempt is made to display importance of financial assistance for the EU and for beneficiary country. In this chapter, it has been indicated how Turkey and CEECs benefit from financial assistance by pointing out their places within this system.

Actually, Chapter 3 forms a basis for Chapter 4, which makes a qualitative and quantitative discussion of financial assistance because the information given in Chapter 3 has been re-addressed and discussed in Chapter 4. On the other hand, Chapter 4 is the chapter in which a more in-depth analysis has been made on quantitative and qualitative aspects of financial assistance. In this chapter it is seen that Turkey has benefited from financial assistance rather less. Turkey has received since 1964 is circa EUR 2,2 billion aids in the form of grant. This amount has been circa EUR 28,6 million for CEECs between 1990-2006. When additional aids allocated for Romania and Bulgaria after 2004 (circa EUR 9,5 billion) included the total, it is seen that almost EUR 40 billion in the form of grant was allocated for CEECs. The EU has allocated EUR 40 billion in the form of credit for CEECs in the period of 1990 - 2006. In other words, the amount of the aid provided to CEECs is approximately EUR 80 billion between 1990 and 2006. However, it should be considered that this total indicates only commitments of the EU and the EIB, not payments made by the EU and the EIB. The realization rate of the grants for CEECs is circa 60% when the average of all countries is taken in the period of 1990 – 1999. Within the framework of pre-accession strategy after 2000, the ratios of payments and commitments became closer; and no serious deviation occurred in the allocated

ratios. On the other hand, financial assistance provided to Turkey in the form of grant, EUR 2,2 billion, for 42 years, is the total of payments.

Considering that the difference put forward in terms of total amount will not be sufficient, the scope of comparison has been broadened. When a comparison is made on the basis of countries, Poland and Romania have been selected as they are the most similar countries as regards size of population and total area. The total annual average of Poland including its minimum receipt of ISPA reached to EUR 878 million after 2000. Romania is the second country which received the largest amount of the aid from PHARE programme with its annual average of EUR 242 million after Poland. The total annual average of Romania, including its minimum receipt of ISPA, reached to EUR 600 million after 2000. As seen the annual averages of financial assistance received by Poland and Romania were much more than the average of the period when Turkey achieved the status of candidacy, which was EUR 250 million. Besides the situation about grants, there is a clear difference in received credits between Turkey and CEECs. the amount of credit allocated to Turkey between 1990 and 2002 was EUR 1.592 million. Even if the amount of credit, which was EUR 2.344 million, provided within the framework of financial protocols and complementary protocols before 1990, is considered, the total credit amount Turkey received until 2002 was EUR 2.344 million. However, it was provided that the facility to use credits to Poland was provided a facility to credits amounting to EUR 4.908 million and it was EUR 3.006 million to Romania and to Czech Republic EUR 2.927 million for the period between 1990 and 2002.

Differences between financial assistance have been discussed over some critical values so as to broaden the scope of quantitative analysis. As already explained in Chapter 3, the EU grants financial assistance, provided under PHARE, ISPA and SAPARD programmes, over critical values such as population, the area, the agricultural lands, GDP, the rates of import and export. In this way, it has opted to distribute financial assistance among CEECs not equally but on the basis of equity. Setting from this point, results that are to the disadvantage of Turkey have been

reached in the comparison made between Turkey and CEECs. Even though Turkey leaves behind the other candidate countries in the indicators such as population, area, agricultural lands, it clearly set out that EU did not use the same criteria for the financial assistance provided to Turkey. For example Poland received EUR 2 billion for its 39 million population; and Romania received EUR 1.5 billion for its population of 23 million between 1990 and 2000. However, the amount of financial assistance provided to Turkey was EUR 427 million for its population of 65 million.

In addition, it has been questioned whether there has been any difference in implementation by conducting a qualitative comparison. As a result, it has been revealed that while the EU has kept implementation scope of financial assistance instruments towards CEECs as large as possible, utilization fields of assistance towards Turkey have been more limited. Moreover, the EU has not taken a decisive stance in the face of veto imposed by Greece with regard to assistance towards Turkey and it has not made enough efforts for the provision of assistance. Furthermore, it has suspended or slowed down utilization of financial assistance in the face of criticism related to shortcomings of Turkey in the field of human rights. However, it has not taken such an approach towards CEECs.

At the end of Chapter 4, an attempt is made to determine the differences in the financial assistance policy of the EU towards Turkey for the future by addressing 2007-2013 financial perspective. It has been observed that even if there has been an increase in the amount of financial assistance to be provided to Turkey under 2007-2013 financial perspective, financial assistance are still inadequate in amount.

The claim that ideational factors have an impact on the enlargement perspective of the EU, as claimed by Sjursen, and thus candidate countries have been treated differently, the main subject of this thesis, has been tested through comparison on financial assistance. As a result, it has been seen that Turkey has been treated differently indeed as claimed by Sjursen through quantitative and qualitative comparisons made on financial assistance. In other words, Turkey whose relations

concerning candidacy process dates far back has not been given priority over CEECs in the enlargement process. In fact Turkey has also been treated rather differently in relation to financial assistance, considered to be an important tool of EU integration policy. Therefore, it has been seen that as claimed by Sjursen, ideational factors have an impact on selection and use of policy tools towards Turkey in the enlargement process of the EU when EU enlargement process is discussed within constructivist theory, which is the major question of this thesis.

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