

THE OLD CARROT AND STICK GAME: THE IMPACT OF THE EUROZONE
CRISIS ON TURKEY'S DEMOCRATIC REFORM EFFORTS FROM 2010 TO
2015

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ABSTRACT

THE OLD CARROT AND STICK GAME: THE IMPACT OF THE EUROZONE CRISIS ON TURKEY'S DEMOCRATIC REFORM EFFORTS FROM 2010 TO 2015

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This thesis examines the relations between Turkey and the European Union in the period from 2010 to 2015. It argues that the economic difficulties caused by the 2010 Eurozone crisis has made the European Union to have less credibility and influence in furthering reform efforts of acceding countries, especially in the case of Turkey. This argument is based on an examination of Turkey's political, economic, and social developments during the specified period as well as responses coming from the European Commission. Upon the examination of these dimensions, it becomes clear that Turkey has pursued its own agenda and the influence of the European Union has become minimal compared to the period from 1999 until 2010 where the accession process had significantly transformed Turkey's democracy. This thesis also shows the divergence of Turkey's foreign policy where it is no longer dependent on European countries but also has begun to increase its economic and diplomatic relations with other regions. Through showing how economic and technical assistance coming from the European Union has been significantly decreased since 2010, this research highlights the importance of economic assistance and aids in supporting reform efforts in acceding countries.

Keywords: Turkey, Democratization, European Union, Eurozone Crisis, Reform Efforts

ÖZ

YILLANMIŞ HAVUÇ VE SOPA YÖNTEMİ: EURO BÖLGESİ KRİZİNİN TÜRKİYE'NİN DEMOKRATİK REFORM ÇABALARINA ETKİSİ

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Bu çalışma, 2010-2015 yılları arasında Türkiye ve Avrupa Birliği arasındaki ilişkilerini incelemektedir. Çalışman 2010 Euro bölgesi krizinin Avrupa Birliği'nin üyelik sürecindeki ülkelerin, Türkiye örneğinde olduğu gibi, reform çabalarını ilerletme yönündeki itibarının ve etkisinin azaldığını iddia etmektedir. Çalışma, belirtilen zaman diliminde Türkiye'nin siyasi, iktisadi ve sosyal gelişmelerine ve ayrıca Avrupa Komisyonu'ndan gelen ilerleme raporlarına bakılarak yapılmıştır. Türkiye'nin bahsi geçen ölçütlerini tahlil ederek, Türkiye'nin demokrasi alanında önemli değişiklikler yaptığı 1999-2010 tarihlerine kıyasla, bu zaman diliminde Avrupa Birliği etkisinin minimum seviyeye indiğini ve Türkiye'nin kendi ajandasını izlediğini açıkça görmekteyiz. Bu çalışma ayrıca Türkiye'nin Avrupa ülkelerine bağımlı olmadan başka bölgelerle ekonomik ve diplomatik dış ilişkiler geliştirdiğini göstermektedir. Avrupa Birliği'nden gelen ekonomik ve teknik yardımın 2010'dan sonra nasıl azaldığını göstererek bu çalışma, üyelik sürecindeki ülkelerin reform çabalarına ekonomik yardımın önemini vurgulamaktadır.

Anahtar Kelimeler: Türkiye, Demokratikleşme, Avrupa Birliği, Euro Bölgesi Krizi, Reform Çabaları

PREFACE

Relations between Turkey and the EU have always been and will continue to be one of the most interesting topics with regard to the world politics, not only in the context of Turkey's foreign policy, but also in the democratization discussions. The complexity of the EU structures combined with Turkey's highly dynamic political, economic, and social development, providing wide array of areas that needs to be explored and discussed even further. This thesis is the fruit of my great interest on this subject since I started my bachelor degree study in Indonesia several years ago. It argues that the economic difficulty brought by the Eurozone crisis is one of the most reliable explanations on why Turkey's reform progress has been stagnant since the end of 2010. It also captures the diversified Turkey's foreign policy agendas following the European crisis.

This thesis is the result of persistent support and help that come from many great people. First, I would like to convey utmost gratitude towards my supervisor, Assist. Prof. Hüseyin Alptekin for without his enormous support, guidance, and bright ideas during more than ten months of work, this thesis would be impossible to be finished. I greatly appreciate Inst. Muzaffer Şenel for his valuable comments and insights particularly on Turkey's accession process towards the EU. I would like to thank to the members of my thesiscommittee, Assist. Prof. Vügar İmanbeyli and Assoc. Prof. Ali Balcı for their constructive criticism. Also, my academic advisor, Prof. Berdal Aral and The Graduate School of Social Sciences of Istanbul Şehir University have made my two years of graduate study delightful and exciting.

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İstanbul, June 2016,

Audry Maulana

TABLE OF CONTENTS

| | |
|--|-----|
| ABSTRACT | iv |
| ÖZ | v |
| PREFACE | vi |
| TABLE OF CONTENTS | vii |
| LIST OF TABLES | ix |
| LIST OF FIGURES | x |
| LIST OF ABBREVIATIONS | xi |
| CHAPTERS | |
| 1. INTRODUCTION | 1 |
| 1.1. Background of the Problem | 2 |
| 1.2. Statement of the Problem | 4 |
| 1.3. Significance of the Study | 5 |
| 1.4. Primary Research Question | 6 |
| 1.5. Research Design | 7 |
| 1.6. Theoretical Framework | 8 |
| 1.7. Assumptions, Limitations, and Scope | 12 |
| 1.8. Thesis Outline | 13 |
| 2. INTEGRATION THEORY AND INTERNATIONAL ROLE ON DEMOCRATIZATION | 15 |
| 2.1. Regional Integration Theory | 16 |
| 2.1.1. European Integration Theory | 18 |
| 2.1.2. Neo-Functionalism | 20 |
| 2.1.3. Liberal Intergovernmentalism | 23 |
| 2.1.4. Neo-Institutionalism | 24 |
| 2.2. International Role on Democratization | 26 |
| 2.2.1. Enlargement Process and Democratization | 28 |
| 2.2.2. Eurozone Crisis and The Enlargement Process | 32 |
| 2.3. Conceptualization | 34 |
| 2.4. Theoretical Framework | 37 |
| 3. THE 2010 EUROPEAN SOVEREIGN DEBT CRISIS | 40 |
| 3.1. From Customs Union towards European Monetary Union | 41 |
| 3.1.1. Customs Union | 41 |
| 3.1.2. Economic and Monetary Union | 43 |
| 3.2. Causes of Eurozone Crisis | 45 |
| 3.2.1. GDP Deficit and Government Debt Levels | 45 |
| 3.2.2. Slow GDP Growth | 48 |
| 3.2.3. Structural Problem of Economic and Monetary Union System | 49 |
| 3.2.4. Trade Imbalances | 51 |

| | |
|---|-----|
| 3.3. The Troika Responses | 52 |
| 3.3.1. Creation of Financial institutions | 53 |
| 3.3.2. Bailout Funds | 55 |
| 3.3.3. Austerity Measures | 57 |
| 3.4. The Political Impact of the Eurozone Crisis | 59 |
| 3.4.1. Public Opinion towards the EU | 60 |
| 3.4.2. Democratic Deficit | 62 |
| 3.4.3. Instrument for Pre-Accession Assistance | 63 |
| 3.4.4. The Future of Enlargement | 66 |
| | |
| 4. TURKEY’S REFORM PROGRESS IN THE POST EUROZONE CRISIS | |
| ERA..... | 68 |
| 4.1. Turkey’s Reform Efforts 1999-2010 | 69 |
| 4.1.1. Constitutional Amendment | 70 |
| 4.1.2. Harmonization Packages | 72 |
| 4.1.3. Restoration of Civil Supremacy | 73 |
| 4.1.4. Response from the European Commission | 74 |
| 4.2. Political Dynamics of 2010-2015 | 76 |
| 4.2.1. Constitutional amendment | 77 |
| 4.2.2. Elections | 79 |
| 4.2.3. Freedom of Press and Expression | 83 |
| 4.2.4. Kurdish Peace Process | 86 |
| 4.3. Turkey’s Economic Development | 88 |
| 4.3.1. Reform Efforts | 89 |
| 4.3.2. Eurozone Crisis and Turkey’s Economy | 92 |
| 4.3.3. Market Diversification | 95 |
| 4.4. Social Development in Turkey | 98 |
| 4.4.1. Strengthening Civil Society Organization | 99 |
| 4.4.2. Educational Reform | 102 |
| 4.4.3. Religious Rights | 104 |
| 4.5. European Commission Progress Report 2011-2015 | 106 |
| 4.5.1. Relations between Turkey and the EU | 107 |
| 4.5.2. Political Criteria and Enhanced Political Dialogue | 108 |
| 4.5.3. Economic Criteria | 111 |
| 4.5.4. <i>Acquis Communautaire</i> | 112 |
| | |
| 5. CONCLUSION | 114 |
| 5.1. Findings | 115 |
| 5.2. Limitations | 116 |
| 5.3. Further Researches | 118 |
| | |
| BIBLIOGRAPHY | 119 |
| APPENDIX | 131 |

LIST OF TABLES

| | |
|--|----|
| Table 2.1 Phases of European Integration Theory | 18 |
| Table 3.1 Budget Deficit and Public Debt Ratio to GDP of select European countries | 46 |
| Table 3.2 Allocation for IPA in MFF 2007-2013 and MFF 2014-2020 in million Euros | 64 |
| Table 4.1 List of Harmonization Packages Adopted | 72 |



LIST OF FIGURES

| | |
|---|-----|
| Figure 2.1 Conceptualization of the Key Variables | 34 |
| Figure 2.2 Theoretical Framework | 37 |
| Figure 3.1 Real GDP Growth percentage of Select European Countries | 48 |
| Figure 3.2 Trade balances of Select Eurozone Countries in Million Euros | 51 |
| Figure 3.3 Unemployment Percentage of Select European Countries | 58 |
| Figure 3.4 Public Opinion of The EU's Image | 60 |
| Figure 3.5 Public Trust Towards the EU and the National Government | 61 |
| Figure 3.6 Public Role in the EU's Decision-making | 63 |
| Figure 3.7 Implementation of IPA in million Euros | 65 |
| Figure 4.1 Freedom of Press ranking of Turkey | 85 |
| Figure 4.2 Comparison of Turkey and EU GDP Growth Percentage | 92 |
| Figure 4.3 Percentage of EU and Other Countries Share in Turkey's Exports | 93 |
| Figure 4.4 Turkish Students Rank in PISA Test | 103 |

LIST OF ABBREVIATIONS

| | |
|----------|---|
| AK Party | : <i>Adalet ve Kalkınma Partisi</i> (Justice and Development Party) |
| ASEAN | : Association of Southeast Asian Nations |
| CEEC | : Central and Eastern European Countries |
| CHP | : <i>Cumhuriyet Halk Partisi</i> (Republican People's Party) |
| CSO | : Civil Society Organization |
| ECB | : European Central Bank |
| ECSC | : European Coal and Steel Community |
| EEC | : European Economic Community |
| EFSD | : European Financial Stability Facility |
| EMU | : European Monetary Union |
| ENI | : European Neighborhood Initiative |
| ESM | : European Stability Mechanism |
| EU | : European Union |
| GDP | : Gross Domestic Product |
| HDP | : <i>Halkların Demokratik Partisi</i> (People's Democratic Party) |
| IMF | : International Monetary Fund |
| IPA | : Instrument for Pre-Accession |
| MFF | : Multiannual |
| MHP | : <i>Milletçi Hareket Partisi</i> (Nationalist Movement Party) |
| NAFTA | : North American Free Trade Agreement |
| NATO | : North Atlantic Treaty Organization |
| OECD | : Organization for Economic Co-operation and Development |
| OSCE | : Organization for Security and Co-operation in Europe |
| PKK | : <i>Partiya Karkerên Kurdistanê</i> (Kurdistan Workers' Party) |
| PYD | : <i>Partiya Yekîtiya Demokrat</i> (Democratic Union Party) |
| SGP | : Stability and Growth Pact |
| VAT | : Value Added Tax |

CHAPTER 1

INTRODUCTION

“Every day that passes Europe needs Turkey more and Turkey needs Europe less”

Egemen Bağış, Turkey’s first minister of EU affairs, 2010

The European sovereign debt crisis of 2010 (commonly known as the Eurozone crisis), has been one of the most serious challenges for the advocates of European integration. Since the foundation of the European Union (EU) rooted in the economic integration between post-war countries of Europe, the degree of this economic crisis put forward the feasibility of monetary union within the Eurozone area. Not only has this crisis economically affected many European countries, but also it shows there are big gaps in the economic, political, and social structures of the EU those needs to be addressed before the EU continues its degree of integration. In other words, this crisis provides a unique opportunity to obtain a deeper analytical consideration in order to understand the future of the EU and its role within the region.

Moreover, the immediate responses created by European key players such as European Commission, European Central Bank (ECB), and International Monetary Fund (IMF) were criticized because of their negligence towards the political and social conditions of affected countries. As a staunch promoter of deliberative democracy, the one sided action of these European key players caused public distrust particularly from citizens of affected member countries towards the structure of the EU. It also created a negative impact on the EU’s external relations, particularly those who are currently in the enlargement process to become full members of the EU.

Meanwhile, the accession process of Turkey in becoming an EU’s full member has been through overwhelming and extraordinarily long process. Formally begun in 1987 with Turkey’s application to accede to the European Economic Community (EEC), Turkey has been deemed as democratically and economically unstable from the eyes of the EU’s leadership to join the European club. This situation changed with the formal candidacy status of Turkey in 1999. Since then, Turkey’s leadership

has instigated significant political, economic, and social resources in aligning its laws and regulations to better suit the EU's standards. However, beginning in late 2010, the pace of these reform efforts has been dramatically decreasing, with only two EU's negotiation chapters opened in early 2013 and late 2015, respectively.

This thesis seeks to study the relations between the European sovereign debt crisis of 2010 and its impact on the Turkey's reform progress. This explanatory thesis will look into the causal relation between the Eurozone crisis and Turkey's reform progress by looking through the progress reports as well as actual political, economic, and social conditions in Turkey from 2010 until 2015. The main arguments in this thesis is the Eurozone crisis has had severe internal and external effects that in turn affected Turkey's reform progress from 2010 until 2015. Thus, this course of study was taken to see whether candidate countries still have willingness in following the EU's laws and regulations following the economic crisis that hit the Eurozone countries. Accordingly, this thesis would argue the main proponents of the EU in its foreign policy course is mainly based on its economic conditions, rather than on its ability in setting the norms and values to be adopted by third party countries.

1.1 Background of the Problem

Since the foundation of the modern Turkish Republic, Turkey has always had the ambition to become part of Europe. This ambition to become part of Europe, perceived as synonymous with modernization and stability, are two important aspects in a post-Ottoman Turkey (Zürcher, 2001). European standards were a benchmark for the foundation of modern Turkey's political, economy, and social structures. As such, following its independence in 1923, Turkey has played an active role and involved in several multilateral organizations with other European countries, namely North Atlantic Treaty Organization (NATO), Council of Europe, Organization of Economic Cooperation and Development (OECD), and Organization for Security and Co-operation in Europe (OSCE). These moves were taken in order to close the gap between Turkey and other European states, so Turkey could modernize itself and achieve the same economy and social standards as its European counterparts.

When the EEC, the predecessor of the EU, formed in 1957, Turkey made its application to enter the EEC in 1987. However, due to the poor economic and democratic performance, turbulent political conditions, poor relations with Greece, along with its controversial situation in Cyprus, the accession application was refused (Zürcher, 2001). Nevertheless, influenced with the economic interest from both sides, Turkey and EU signed a customs union decision in 1995 that enabled Turkey and EU to have strong economic and trade ties. This move shows Europe also perceives Turkey as an important partner, but at the same time trying to keep it out of the Europe's core circle. The unstable conditions of Turkish politics that had several military coups, was seen as incompatible with the EU's regard towards democracy and human rights.

This stagnation in Turkey-EU relations subsided when in 1999 at the closing of the Helsinki Summit, Turkey was declared as an EU's candidate country. Nevertheless, the EU required that formal opening of Turkey's accession towards EU might only happened once Turkey has political, economy, and social stability satisfying the European Commission. In order to do so, the EU implies Turkey still needs to undergo serious reform progress before Turkey could join the EU. Starting from this point, Turkey's government began investing in several actions and plans that would help ease the negotiation process between Turkey's governments with the European Commission in order to gain full membership status in the EU.

Driven with its official candidacy status, Turkey engaged in serious reform efforts in order to fulfill the Copenhagen criteria set by the EU. These reform efforts mainly focused in the restoration of civilian supremacy against the military, respect for human rights, and protection towards minority ethnics (Ozbudun and Genckaya, 2009). These reform efforts conducted mainly through harmonization packages that aim in aligning Turkey's legislation with the EU's legislation listed in the *acquis communautaire*¹. It consists of several amendments to Turkey's laws and bills adopted at the same time (Secretary General of EU Affairs, 2007). Ultimately, the Turkish government also intended to create a new constitution that could uphold democracy values, protecting minority rights, and ensure peace and stability.

¹ The *Acquis Communautaire* is the accumulated body of EU law and obligations from 1958 to date and consists of 35 chapters that is binding on all the EU member states. It comes from French expression, "*acquis*" meaning "that which has been acquired" or "achieved", and "*communautaire*", meaning "of the community".

These harmonization packages touch upon significant and sensitive issues obstructing the practice of democracy and protection of human rights in Turkey. Under the *Adalet ve Kalkınma Partisi* – Justice and Development Party (hereafter will be mentioned as AK Party) government, Turkey has passed at least nine harmonization packages that touch upon many significant aspects, providing a more democratic form of governance in Turkey. Two of the most significant changes carried out within these harmonization packages were adopted in July and August 2003 that provisioned upon the use of native languages in public, including in media and schools (Usul, 2011). The adoption of these harmonization packages was welcomed by the EC, saying it has improved political and social standards in Turkey. The EC also formally opened negotiation talks in 2005 to solidify the Turkish accession into the EU.

However, in the early 2010, the EU faced one of the most severe economic crises since its foundation. The Eurozone crisis started when several members of Economic and Monetary Union (EMU), namely Greece, Ireland, Portugal, Spain, and Cyprus were not able to pay its public debt without the help from the third party (Economic and Finance Affairs Directorate General, 2009). As an attempt to save these countries from bankruptcy, the EU was forced to give some bailout funds to these countries. This action is not fully supported by citizens of the EU member states' who saw it as a way of wasting their tax money into countries that were accepted into the EU through the EU's enlargement policy. This crisis was more severe since the countries in crisis had different policies from one another in dealing with the negative effects of the crisis. Furthermore, in order to save them from penalties by the EU's officials, several countries such as Greece and Italy, created an artificial plan in reducing their budget deficits (European Commission, 2009). This act created further public distrust towards those countries.

1.2 Statement of the Problem

Based on the discussions laid out in the previous sections, this thesis intends to study further the relation between the external effect of the 2010 Eurozone crisis with the decreasing pace of Turkey's reform progress from 2010-2015. The intention to study the particular subject is based on the existing knowledge gaps related to the Eurozone

crisis and Turkey's reform progress. While economy is one of the main advantages for the EU's activity in the international context, there has been few publications and research that put forward the causal relation between the Eurozone crisis of 2010 and Turkey's reform progress. At the same time, the impact of the Eurozone crisis was so profound that it affected not only the economic aspect, but also the political and social foundations of the EU. With the basic tenets behind the foundation of the EU was the strengthening and creating stability of European economies in order to achieve lasting peace. An economic crisis with the size of Eurozone crisis created a chance to revisit the EU's role in international context and understand to what extent such economic crises are affecting the reform efforts of acceding countries, such as Turkey. This thesis intends to address this particular gap in order to have a better understanding of the nature of the EU.

Another problem this thesis wants to address is the dilemma of the EU having normative power. While scholars such as Manners (2002) and Pace (2007) have advocated for the EU's capability in shaping the norms and values in the international context, this argument can be revisited and countered by examining the effort of third party countries in following EU's laws and legislation during the Eurozone crisis of 2010. By analyzing the level of influence and credibility the EU is having during economic crisis, it can be used as a basis of justifying the conception created by Manners regarding the power of Europe in setting up rules and norms in international setting.

Using the economic crisis case will show us a deeper understanding about whether the EU's power is based on its normative ability or on the economic strength it is thought to have. It can be seen through the causal connection between the economic crisis and the EU's ability in exercising its normative power towards third party countries whether EU's role is more focused on its economic power or its ability in shaping what is thought to be the normal in the international context. This study will fill several knowledge gaps in the international relations discussions and debates related to the nature of normative power of Europe by taking Eurozone crisis and Turkey's reform efforts as its case studies and contribute even further in the development of international relations as part of political science.

1.3 Significance of the Study

The viability of the EU in influencing third countries' policies to follow the EU's legislation has been extensively studied and explained. With the promises of better access to the European market, as well as opportunities in funding, aid, and technical assistance, countries surrounding the EU has changed their internal regulations and laws in order to fulfill the EU's criteria. However, there is still considerable gap in the literature on how the economic crisis is affecting the EU's position towards third countries. Therefore, the main purpose of this study is to explain specific international politics phenomenon that concerns with how international political economic dynamics, in this sense the Eurozone crisis, is affecting Turkey's reform progress. In the interest to present a specific timeframe, Turkey's reform progress from 2011 to 2015 will be taken as the case study.

Acknowledging that European economic opportunities is one of the main benefits in following the EU's protocols, this study also aims in contributing to the discussion of EU's place in foreign policy debates. This is significant in understanding the relation between economic crisis such as Eurozone crisis with EU's ability in influencing third countries to follow the EU's laws and legislation. The basic argument of this thesis that revisits the concept of European economic power and the course of Turkey's reform progress is also useful to comprehend the place of the EU in foreign policies studies.

Lastly, with the globalization and advancement of technology, it has created more demand for multilateral relations between countries. Thus, this study is not solely useful in understanding the EU's nature, but could also become a supplement in studying other forms of regional organizations such as Association of South East Asian Nations (ASEAN), North American Free Trade Area (NAFTA), African Union, and others. Through this study, further research may also benefit from understanding how regional cooperation plays a role in foreign policy. In conclusion, this thesis is not only significant in answering its main research question, but through the course of the study, it also touches upon various aspects relevant towards contemporary discussions in international relations.

1.4 Primary Research Question

Since the purpose of this study is weighed on arguing the causal relations between the economic crisis with Turkey's reform efforts, the primary research question of this study is: *How did the European sovereign debt crisis of 2010 affect the case of Turkey's post-2010 reform progress?* In order to deepen the arguments, this thesis also seeks to answer several supporting questions such as: To what extent the Eurozone crisis has affected the political, economic, and social conditions of the EU? What are the internal and external impacts of the Eurozone crisis? Lastly, this thesis also intends to ask: How does the Turkish government perceive the Eurozone crisis in furthering the reform progress?

1.5 Research Design

The method used throughout this thesis is a qualitative method. According to Ritchie and Lewis, one of the purposes of qualitative research is to explain the social reality of a case, explain a problem, and explain what and how the variables in a problem are related to each other (Ritchie and Lewis, 2003). They also explain in a qualitative research, the presence of researchers in a study does not affect the nature of the study's object, giving researchers a more objective outcome of the study. Based on what has been delivered in the background as well as the formulation of the problem posed in this study, the qualitative research method is the most appropriate method in trying to formulate answers to the research questions submitted.

The dependent variable of this study is Turkey's reform progress. This dependent variable has three main dimensions, namely political, economic, and social. The indicators on the political dimension are progress of constitutional amendments, regular, free, and fair elections, freedom of expression and the press, as well as cultural and political rights particularly related to the Kurdish question. On the economic dimension, the keywords taken as indicators are economic reform and market diversification. Finally, on the social dimensions, strengthening Civil Society Organizations (CSOs), educational reform as well as guaranteeing religious rights are taken as indicators.

The independent variable of this study is the European sovereign debt crisis of 2010. The independent variable will have three main dimensions, namely political-institutional, economic, and socio-cultural. On the political-institutional dimension, poor governance performance, high level of corruption, and political instability are taken as its indicators. While on economic dimension, decline in Gross Domestic Product (GDP), rising rates of unemployment, increases in inflation rates as well as in interest rates are taken as its indicators. Lastly, on the socio-cultural dimension, the failed Europeanization, as well as low level of productivity are taken as its indicators.

With the aim of presenting accurate, valuable, and relevant sets of data, this research will use two main data collection techniques. The first technique is to conduct semi structured interviews with credible and relevant sources. Taking into consideration this study will look upon the Eurozone crisis and its effect towards the normative power of Europe, the interview process will mainly target practitioners who have wide experiences on this topic, and may contribute greatly to the empirical aspect of this study. These in-depth interviews will mainly be conducted with officials from both Turkish Foreign Affairs Ministry, as well as Turkish Ministry for European Union Affairs. These in-depth interviews are needed to increase the validity of the data and concepts used within the scope of this study. Furthermore, in-depth interviews can also help the researcher attain a more comprehensive view of the social reality from those who directly working in and shaping this field.

Another technique deemed as relevant with this research is through literature studies. Several written and published materials are thoroughly analyzed until they reach a certain amount of data saturation. Data gained from this analytical approach will become the basis of arguments in this study. In addition, to increase the validity of the conclusion obtained from this research, it will also use archive technique in its data gathering method. Furthermore, this research will greatly benefit from the legal sources such as official reports, policy recommendations, and other official publications from credible governmental and non-governmental institutions.

1.6 Theoretical Framework

Based on the brief description of the background as well as statement of the problem, there are two foundational theories that will be utilized in analyzing the primary research question. With the nature of the EU stemming from the ideas of integration of economic systems, as well as looking at the Eurozone crisis that is rooted in the monetary union, economic integration theory is also important in the analysis of this thesis. De Lombaerde and Van Langenhove stated regional integration theory concerns with a situation in which the increasing interaction between state components create a new form of organization that exists side by side with the traditional form of state-led organization at national level (De Lombaerde and Van Langenhove, 2007). This description implies regional integration differs from federalism in the sense the integration of states resulted in supranational institution and the national government retains much of their power and influences over their citizens.

The political and economy integration theory has several perspectives, namely neo-functionalism, neo-institutionalism, and liberal intergovernance (Gilpin, 2001). Neo-functionalism in political integration theory states the advancement of technology as well as the need to enhance economic interests created a growing demand for political integration. One of the main assumptions in neo-functionalism is economic development and concern for welfare has become more important than traditional concerns such as borders, national security, and interstate rivalry (Haas, 1961). It is also important to note that neo-functionalists argue economic and monetary unification would lead to a firmer economic and political integration. This happened since neo-functionalists stressed on the positive spillover effects where “low politics” integration between states in particular area key strategic economic sectors will lead to further integration in other economic sectors as well. (Haas, 1968).

Another perspective often used in explaining the European integration theory is neo-institutionalism. This perspective emphasizes the role of international institutions in assisting states solving collective action problems, promoting cooperation between states, and link various issue areas. Neo-institutionalism itself has three different scopes that could explain better the usage of neo-institutionalists perspectives on European integration. According to Bulmer, rational choice intuitionist sees

institutions imposing constraints upon the rational actions of individuals while historical institutionalist attributes a larger degree of importance to institutions (Bulmer, 1993). Sociological institutionalism defines institutions much more broadly to include informal norms and conventions as well as formal rules, emphasizing their capacity to socialize actors, and thereby influence interests and identities (Rosamond, 2000). Moreover, Pollack argues neo-institutionalism is superior to other two perspectives since neo-institutionalism is not only focusing itself solely on European integration, but also towards the development of general theories of politics. He also suggests neo-institutionalists have the capacity to challenge the traditional distinction between international relations and comparative politics (Pollack, 2009).

Liberal intergovernmentalism, although shares the same beliefs towards the importance of international institutions, differs in its approaches towards the concentration on the role of national governments, the importance of domestic economic interests, and on bargaining with other national governments over distributive and institutional issues. According to Moravcsik, the political scientist who sets out the liberal intergovernmentalist approach, these perspectives assumes states act rationally, thus the foreign policies reflect the domestic economic interests (Moravcsik, 1993). This perspective also emphasizes intergovernmental bargaining power that comes from the intensity of economic interests (Pollack, 2001). In other words, intergovernmentalism tends to put its focus on international institutions without neglecting the importance of the dynamics of the national governments and between themselves (Gilpin, 2001).

From these perspectives, political, and economic integration is seen as an inevitable dynamic of contemporary international order. It should also be noted because of the different approaches and the complexity of integration theory, these perspectives could not stand by its own in explaining European integration process. Instead, these approaches are complementary rather than competitive (Coşkun, 2015). However, these perspectives are not without critics and shortcomings. The argument of economic integration will lead towards a firmer political integration is not always the case for several economic integration project such as the case in NAFTA. Furthermore, in the case of the EU that has a strong economic integration between its

members, the solution for common problems may lead to an intervention coming from EU towards national's interests.

Since this thesis wants to see the dynamic of democratization and reform efforts in one of EU's third party countries, another important set of theories useful in the explanation and argument for this thesis is democratization. In its most basic understanding, democratization can be interpreted as a transition process from a non or semi democratic government towards a fully democratic one. According to Stradiotto and Guo, democratization defined as a political process that focuses on promoting the values and goals of democracy, creating political space for opposition, enabling bargain, and compromises between different political factions in order to create a resolution out of social conflict. In order to do so, institutionalizing a structure that enables competition between different political groups, a regular transfer of power, and a transformation in a political structure is a great importance for a democratization process to be developed (Stradiotto and Guo, 2010).

From this understanding, it implies there are two understanding of democratization, in electoral and in comprehensive term. In the electoral terms, democratization aims at creating a system that enables competition in gaining political power as a means of ensuring that regular transfer of power is the norm in a democratic country. While in the comprehensive term, in order for democracy to exists in any country, channels that enable people to convey their dissenting opinions that differs from what the authorities have is essential. This channel can be materialized in the form of strengthening the civil society organizations that can monitor government actions, making them more accountable and work on people's interests.

In his famous work, Huntington explains there are at least five causes for transition of authoritarian government towards a more democratic. One of these causes is the changes in external actors' policies. Political conditionality that imposed by donor countries have created an incentive for countries to reform its political and economic structure in order to follow guidelines set by these donor countries (Huntington, 1991). Moreover, important international politic actors such as the United States and the EU have set democracy values as one of their main foreign policy goals, and thus created a widespread democratization process to the countries that it influenced. This explanation tells us democratization is a series of processes that can also be induced

from external actors with its influence, especially in economic aid and technical assistance.

However, according to Georg Sorensen, externally induced democratization is a contradictory concept, since the basis of democracy is the government for the people by the people, then there is a conceptual flaw in guaranteeing democratization that is brought on by external actors is what the people really want (Sorensen, 2008). Nevertheless, this flaw can be avoided by targeting of opening spaces for the people to convey their thoughts on current political situation. Thus, rather than directly reforming the country's political structure, external actors can give grants and aids focusing on the strengthening civil society in that particular country.

1.7 Assumptions, Limitations, and Scope

Based on the preliminary literature review that has been taken as part of the writing of this thesis, the assumption of this study is that the external impact of 2010 Eurozone crisis became an impediment for Turkey to foster its reform progress. This study also will show because of the internal political and economy problems caused by the Eurozone crisis, the EU is more focused in resolving it rather than overseeing the reform progress of its acceding countries. Moreover, the Eurozone crisis is also downgrading the EU's image as an economic power and in turn is shifting Turkey's foreign policy goals.

Another assumption taken in this study is considering Turkey, as a country with longest efforts in joining the EU. Several reform efforts undertaken since its nomination as an EU candidate in 1999, have become stalled primarily following the Eurozone crisis in 2010. This study will assume since 2010, there has been few efforts from Turkey in following EU's norms and values contained in its *acquis communautaire*, due to lack of the EU's ability in influencing Turkey's government to follow its protocols and instructions.

With that being stated, there are also several limitations in this study. First, in discussing the reform efforts in Turkey as one of EU's vital third party countries, it may be possible the current condition of Turkey's reform efforts did not solely happen because of external factors, (e.g., the Eurozone crisis). The stagnation of

Turkey's reform efforts and its implementation caused by both political factors from inside the EU (e.g., blockade on several chapters on *acquis communautaire*) as well as internal political, economic, and social factors coming from Turkish society itself. On the other hand, this thesis will put more emphasis on the Turkish reform progress in order to have a more comprehensive understanding of its nature.

Finally, in the interest to make this study more objective and focused, the scope of this study is defined related to its main research question this thesis pursues to answer. The extent of this study is pertinent towards the concepts related towards the Eurozone crisis as its independent variable as well as with the pace of Turkey's reform progress as its dependent variable. In other words, this study will emphasize more the EU's institutions, decision makers, as well as its academics. In regards with this study also aims at understanding third party reactions towards the Eurozone crisis, official statements, and documents from Turkey's government will also become the scope of this research.

1.8 Thesis Outline

From the description of the problem this thesis seeks to answer, several conclusions could be taken from this chapter. Firstly, it is clear the main problem this study wants to address is the knowledge gap on the relationship between economic crisis and the EU's foreign policy goals. A closer look at the causal relation between Eurozone crises with Europe's ability in influencing third party countries is important in contributing the debate of the nature of the EU's power in international context whether it is based on the EU's normative power or more focused on its economic role. This thesis takes Turkey's reform process from 2010 to 2015 as its primary case in determining the degree of normative power of Europe and its relation with the Eurozone crisis.

In the next chapter, this thesis will have a deeper emphasis on both European integration, along with its perspectives such as neo-functionalism, liberal intergovernmentalism, and neo-institutionalism. This chapter will also touch upon the concept of external promotion of democracy that may explain Turkey's reform efforts enacted since 1999. Moreover, it will also discuss more critical approaches

towards the concepts other scholars and researchers use in understanding external influences towards Turkey's reform efforts.

The third chapter will discuss the contextual approach of the Eurozone crisis of 2010. It will highlight the causes, the effects, and measures taken by the EU in overcoming the crisis. This chapter would also put emphasis on the significance of the crisis and will shed light upon how Eurozone crisis affected the foreign policy perspectives of the EU especially in its relations with third party countries. Finally, this chapter will discuss the effect of Eurozone crisis on the EU's ability to persuade other countries to follow its norms and values.

The fourth chapter will act as the empirical chapter and start with a brief explanation of Turkey's reform efforts conducted from 1999 until 2010. In order to understand the trend and current pace of Turkey's reform efforts, it will analyze steps taken by Turkish government in fulfilling EU candidacy criteria in the post Eurozone crisis era, including with both of its opportunities and obstacles. By doing so, this chapter will lay the arguments used in testing the assumption taken in this study and thus provided a holistic answer towards its research questions.

Finally, the conclusion chapter will outline the findings throughout this thesis as well as answering the research questions asked in the introduction chapter. It will summarize the key points and main findings that has been explained in the previous chapters. It will also highlight the limitation of the research done in this thesis. Lastly, to ensure the continuation of the study in this particular subject, further possible research course will also be introduced in this chapter.

CHAPTER 2

INTEGRATION THEORY AND INTERNATIONAL ROLE ON DEMOCRATIZATION

With the signing of the 1992 Treaty of European Union by twelve members of the European Community in Maastricht, the contemporary format of the EU was hailed as one of the most successful, yet complex forms of regional integration in the modern age. The complexity of this integration is based on the fact that the EU is not only integrated in its economic structure, but also includes political, social, and to some extent, security and foreign policy. With the adoption of Euro as a single currency for 19 of its member countries, the economic policies of European countries have been profoundly integrated. Even though the member states' national governments are still having the main role in deciding policies and ratified European treaties and laws, this form of integration has made European states interdependent towards each other.

Nevertheless, this degree of integration is not always equal to prosperity of its members. The Eurozone crisis started from one member state, but quickly affecting other states as well, gave an example of how regional integration have a potential threat in destabilizing economy and political situation of the whole region. This happened due to the interconnectedness between European countries creating a situation in which if one country is caught in a crisis, the other countries inside the Eurozone area will also be significantly threatened by it. Moreover, the degree of the EU's integration also requires member countries to give up part of its sovereignty and political power towards a supranational body overseeing the political and economic policies of its members.

From these descriptions, it is crucial to understand the basic tenets and principal arguments of regional integration theory that has become the base of the foundation of the EU. This is important in order to understand how regional integration came to be and how its application influence the development of the EU, including the reasoning of actions taken by European leaders in mitigating Eurozone crisis. In addition, understanding regional integration theory is important to see how policies undertaken by EU leaders could also influence not only the policies in member

countries, but also towards the country in the surrounding region. Furthermore, in times where states tend to act multilaterally in fulfilling its economic, political, and security interests, the importance of regional cooperation has been one of the key features in understanding the contemporary issues in international relations studies.

Thus, in order to have a base for analytical review of Eurozone crisis, we need to evaluate the regional integration theory along with its different perspectives and variants. This chapter will start with the literature review that observes, explains, and criticizes the different approaches in this subject. First, it will touch upon the regional integration theory as a purposeful analytical tool in evaluating the political, economic, and social aspects of European integration. Then it will discuss the approaches in understanding the international influence on democratization. By addressing the theoretical and empirical contribution of this thesis, it will next conceptualize the variable use in this thesis. Finally, this chapter will discuss theoretical framework formulated in order to explain the arguments throughout this thesis.

2.1 Regional Integration Theory

In 2012, the EU received a Nobel Peace Prize “for over six decades contributed to the advancement of peace and reconciliation, democracy and human rights in Europe”. The conferment of this prize is highly significant considering the EU has successfully kept the peace and stability in the once war-torn states of Europe. The foundation of European Coal and Steel Community (ECSC) in 1952 marked the reconciliation between Germany and France, two European great powers who have fought for three major wars within 80 years. This achievement is essentially the fruit of decades of complex regional integration tying political, social, economy, and security policies of European countries, the practice made the EU distinct compared to other regional integration projects.

The dynamic and transformative process of regional integration in Europe attracts many international relations scholars to study it even further. Ernst Haas, one of the most eminent neo-functional theorists defined integration as the process, “whereby political actors in several, distinct national settings are persuaded to shift their loyalties, expectations and political activities toward a new centre, whose institution

process or demand jurisdiction over the pre-existing national states” (Haas, 1968, p. 16). The notion of pooling sovereignty to a higher institution further highlighted by his statement says regional integration theory could be defined as a process where nation-states “voluntarily mingle, merge, and mix with their neighbors so as to lose the factual attributes of sovereignty while acquiring new techniques for resolving conflicts among themselves” (Haas, 1971, p.16). From these definitions, we can see Haas mainly considers states to be rational actors in international setting that works for eradicating conflict among themselves. Integrating states believe the deeper level of integration, the less likely they will go into war with each other.

Another prominent integration theorist, Leon Lindberg took a more cautious step in defining integration. According to him, “political integration is (1) the process whereby nations forgo the desire and ability to conduct foreign and key domestic policies independently of each other, seeking instead to make joint decisions or to delegate the decision-making process to new central organ. (2) The process whereby political actors in several distinct settings are persuaded to shift their expectations and political activities to a new center” (Lindberg, 1963, p.3). Lindberg put more attention on the process of creating member states’ collective decisions by means other than autonomous action of the national government.

In short, regional integration is the joining of individual states within a region into a larger whole. The degree of integration depends upon the willingness and commitment of independent sovereign states to share their sovereignty. This voluntary act of nation states in pooling some of their independence taken considering that the political and economic benefits gained from integration process outweighs the complex process. In addition, the creation of a higher institution that tasked with overseeing the process of integration is also central in the regional integration theory to ensure that every member in the integration process attaining the same level of benefits as well as sharing the same burden.

However, the European experience deeply influences the theorizing of regional integration process, as many the conceptualization of the theory drawn using the ECSC case studies. As we can see, the attention towards regional integration in 1950s through 1960s is coincided with the foundation and development of the ECSC. The definition and explanation of integration process discussed in this section reflects more on the European process. Through this perspective, many of integration

theory, especially the older one, are generally Eurocentric and may be best suited to explain the integration process within European context.

Furthermore, regional integration theory, especially in the European context, also gained criticism. One of the main critics is how integration theorists lacking in explaining disintegration possibility of the EU. Taylor argues that one of the failure in theorizing regional integration is that there is no attention of the potential for system reversal that could result from the weakness of democratic arrangement of the EU (Taylor, 2008). He further argues many regional integration theorists simply have little sensitivity of the possibility of a breaking down of the EU or to the kinds of action of member states might take in detaching itself from the European system. This kind of criticism based on a number of crises the EU faced and how member states responded to it. For instance, in the case of the Eurozone crisis, in order to save their economy, there were many conversations about Greece leaving the common currency area so they could create monetary policies by themselves. Although European leaders rejected this idea, the emergence of this kind of idea could endanger the integration process. The lack of theoretical attention to this issue shows the regional integration theory is lacking in ability to predict the possibility of disintegration.

2.1.1 European Integration Theory

Table 2.1 Phases of European Integration Theory (Wiener and Diez, 2004)

| Phase | Time frame | Themes | Theoretical Reference Points |
|-----------------------------|---------------|---|--|
| Explaining integration | 1960s-1980s | <ul style="list-style-type: none"> - The outcomes of integration - Reasons for European integrations | Liberalism, realism, neo-liberalism |
| Analyzing the EU government | 1980s-1990s | <ul style="list-style-type: none"> - The political system and process of the EU - EU's regulatory policies | Governance, comparative politics, policy analysis |
| Constructing the EU | 1990s onwards | <ul style="list-style-type: none"> - Social and political consequences of integration - The conceptualization of integration and governance | Social constructivism, post-structuralism, normative political theory, international political economy |

Since this study tackles issues within European context, specific variants of the European integration theory need to have more attention. Wiener and Diez explain this theory by dividing it into three phases correlated with the development of EU and its main theoretical reference points. The first phase of European integration theory challenges the core of realists' assumptions of territorial state system. This challenge came from the integration theory that sought to explain the process of the institution building above the state and break realists' explanations of international relations that highlight the importance of states in anarchical nature of world politics. (Wiener and Diez, 2004).

In explaining the early form of European integration, neo-functionalists took functionalist ideas and explained the shift away from anarchic state system and towards supranational institution building. They did this by highlight the societal and market patterns and how it pushed the elites in advocating supranational institutions within their policy areas. In this first phase, through opposing the arguments put forward by neo-functionalists, intergovernmentalist also rises to become one of important perspectives in explaining European integration. It explains supranational institution building is the result of a bargaining process of nation states that have specific geopolitical interests resulting in the pooling of sovereignty. This understanding utilized neoliberal approaches more than the realist camp in international relations, thus exhibiting the shift of realists' dominance in international relations studies.

The second phase in European integration theory broadened the scope regarding European integration's empirical studies and theoretical reflection. While doing so, it also promoted greater degree of interdisciplinary approach in explaining how Europe integrates itself. In this phase, the theory gains much comparative and institutionalist approaches by providing explanation of EU's form of entity and how does it operate (Wiener and Diez, 2004). Important questions regarding how the EU works, its institutional adaptation along with its good governance including legitimacy, democracy, and transparency began to gain importance. This shows how the shifting agendas of international relations and comparative politics call into attention of how governance structures could no longer solely inspected within the nation state, but also demands an analysis that integrated both fields.

The third phase of European integration theory brings back international relations theory characterized by variety of critical and constructivist approaches. These approaches gained their importance by questioning the ontological and epistemological assumptions on traditional approaches that built previously (Wiener and Diez, 2004). With the European integration development moving towards political unity with the 1991 Maastricht Treaty and 1996 Amsterdam treaties, as well as the enlargement process, the third phase of European integration theory faced the challenge in theorizing the widening and deepening process of the EU (Wiener and Diez, 2004). Contrary with the first two phases that dealt with institutional building and institutional changes, the third phase of integration theory is tasked more with answering the goal of European integration, competing perspectives of European governance, as well as the normative implication of EU policies. Thus, this phase in theory deals more with discussion on building and limiting European integration. This is where critical and constructivist approaches in international relations prove to be more useful in answering these questions.

From these perspectives, European integration theory cannot be understood solely by analyzing its definition or by understanding the dynamic in which international actors behave. It is best understood as a theory consisting of many perspectives and variants, interconnected and able to expand the level of understanding of international actors. In the next section, the explanation will move towards the different array of perspectives in regional integration theory along with its strengths and weaknesses. It is also important to note these perspectives cannot stand by themselves, rather should be taken as complimenting one another.

2.1.2 Neo-Functionalism

The first of the three main perspectives of regional integration theory is neo-functionalism. It is one of the most popular perspectives of integration theory developed mainly in the 1950s through the 1970s, when Europe began to recover from the devastation of World War II and finding solutions for ensuring peace in the region. According to Haas, the main premise of neo-functionalist perspective is emphasized in the reinstatement of political agency into the integration process, the integration process seen as sponsored and enacted by purposeful actors pursuing their own self-interests. Neo-functionalism also emphasizes the mechanism of technocratic decision making, incremental change, and learning process, while

considering the importance of the autonomous influence of supranational institutions and the emerging role of organized interest (Niemann and Schmitter, 2004).

One of the most important aspects in neo-functionalism perspectives is the spillover concept. The concept of spillover in neo-functionalism understanding is used as two fold: a shorthand for describing the occurrence of further integration and to identify the driving force and logic of integration via increased functional economic interdependence (Haas, 1968). Spillover, in neo-functionalism understanding refers to the way in which the creation of integrative body in one economic sector, will create pressure that eventually leads to integration both in other economic sector as well as creating a greater authoritative capacity at the European level (Haas, 1968).

If we look into the process of the integration of European states, it can be seen the deep and complex political integration the EU has currently, was started from economic integration of coal and steel, one of the most important commodity in the pursue of re-building Europe following the World War. Through the creation of European Coal and Steel Community in 1952, Europe has managed to integrate its region to not only concern with economic policies, but also with its political, social, and security aspects. With its enlargement process and neighborhood policies, the EU also promoted the political and economy stability while spreading its ideas and values beyond European borders. In other words, economic benefits are essentially the most important factor in the course of European integration.

However, Haas also stated this spillover effect in economic sector needs political activism as well. The need of political activism was based on the necessity in diplomacy and negotiations, harmonizing legislations, as well as cutting down tariffs and barriers. In addition, the creation of higher authority in overseeing the economic integration should also have taken into account that the central institutions should be able to secure enough autonomy in order to prevent its dissolution once the preferences had been met or the policy context has changed (Haas, 1961). This creation of higher institution is essentially leads states in the region to pursue political integration in order to maintain the benefit and stability of economic integration. The core claim of spillover in integration process meant it is a self-sustaining process, where once integration in one sector has already started, it will lead to other sectors integrating as well.

From this explanation, neo-functionalism argues for the stability of the economy condition in order to sustain and further promotes for political integration. If we put this into the EU context and its Eurozone crisis, it would be sufficient to say economic crises are a detrimental factor in the integration process of the EU. Even though the EU has transformed itself to integrate political, social, and security aspects, the economy is still the main determinant factor in the integration process of EU. With the Eurozone crisis severely affected, many of the EU member states, the integration focus shifted in order to rectify and solve the economic crisis. In terms of enlargement process, the disruption in the economic stability of Europe also lead to negative impact on the EU's relations with third party countries.

However, due to internal crisis of the then European Economic Community in the late 1960s, known as "Empty Chair Crisis", the neo-functionalist perspective has been deemed inadequate in explaining internal dynamics of the European integration process. Ernest Haas himself has said neo-functionalism has become "obsolete" in explaining European integration (Haas, 1975). This lack of attention to domestic political processes and structures, has made neo-functionalist perspective underestimated the continued impact of sovereignty consciousness as barriers to integration process (Caporaso, 1998). Caporaso based his argument on the EC structure that stopped to have deep transformation ability and turned into a collection of countries pursuing separate goals within an interdependent setting.

He further stated the reason why neo-functionalism failed is that it did not provide an adequate and theoretically productive means in organizing societal interests (Caporaso, 1998). This is based on the neo-functionalist's failure in creating a typology of social groups since they blended criteria that were different in terms of theoretical implications. In addition, neo-functional perspective cannot provide a general theory of regional integration in all settings. Neo-functionalism presumes member countries are relatively developed and diversified in their productive systems as well as having false assumption member states are democratic entities (Caporaso, 1998). Since neo-functionalist approach drew much of its assumption in the early European case, it fails to consider other region in the world that has different conditions compared to European countries.

2.1.3 Liberal Intergovernmentalism

The second perspective in regional integration theory is liberal intergovernmentalism. Developed in the 1990s by Andrew Moravcsik, liberal intergovernmentalism emphasizes the role of society in creating national preferences that transforms into a bargaining ability and leads into a systemic outcome. As the name suggests, in explaining this perspectives, Moravcsik uses a two-stage model combining institutional with liberal approaches. He claims government preferences are shaped domestically because of aggregation of competing demands of internal groups. In other words, Moravcsik based his assumption that states act rationally and as such the foreign policy action of governments reflects the domestic economic interests (Moravcsik, 1993).

Three levels are useful in explaining liberal intergovernmentalism perspectives on integration theory. The first one is the formation of national preferences. The nature of liberal intergovernmentalism is considering the state is a unitary actor with its assumption that domestic political bargaining, representation, and diplomacy generate a consistent preference function (Moravcsik and Schimmelfennig, 2004). As such, in this level, he explains domestic actors have interests and are able in shaping the state's policy-making process shape national preferences. These actors could come from social interest groups, as well as both legislative and executive group. Moravcsik also emphasizes on the dominance of economic interests rather than political interests in this level.

The second level is interstate bargaining. This level explains that in order to achieve mutual benefit, states must overcome collectively suboptimal outcomes while at the same time decides on how the mutual gains of cooperation are distributed among the states. (Moravcsik and Schimmelfennig, 2004). In the EU context, liberal intergovernmentalism posits asymmetrical interdependence, a condition of uneven distribution of the benefits of a specific agreement. Moreover, according to Pollack, bargaining power of states in integration context does not stem from their economic or political powers, but instead from the intensity of their economic interests (Pollack, 2001).

The third level is the supranational institutions. Liberal intergovernmentalism argues international institutions are emerged as a mechanism to cope with unintended,

unforeseen, and unwanted consequences once the integration between states agreed (Moravcsik and Schimmelfennig, 2004). These institutions are crucial in ensuring states reach a collectively superior outcome through lessening the costs on further negotiations, while at the same time providing necessary information to reduce member states' uncertainty about each other (Schimmelfennig, 2015).

The liberal intergovernmentalist approach criticized for having a narrow focus and more emphasizes on high profile policy changing cases. Critics also suggest Moravcsik's conception of the state is too narrow and simplistic as it focuses too much on economic concerns. Nugent states "Moravcsik's portrayal of the Commission as exercising a role of little more than a facilitator in respect of significant decision making has attracted particular criticism, with numerous empirically based studies claiming to show the Commission does exercise an independent and influential decision making role" (Nugent, 1999, p.434). Whereas higher authoritative institution such as European Commission have a substantial role in furthering the European integration progress, liberal-intergovernmentalist approach fails to give more acknowledge in its role and only focusing it as the outcomes of integration.

2.1.4 Neo-Institutionalism

The progress of European integration during the 1990s that saw extensive development of institutions, created the basis for neo-institutionalism perspective to flourish. This perspective developed as a way to criticize the old approach in understanding European integration theory through both neo-functionalism and liberal intergovernmentalism. Pollack criticizes both of the perspectives solely beneficial in imploring European case of integration but did little to the development of international relations studies as a whole (Pollack, 2009). He claims by using perspective grown outside of the EU studies, neo-institutionalism could give a better explanation in gradual and diverse reintroduction of institutions into a large body of theory. In other words, neo-institutionalism was born to reintroduce the international relations perspectives in the integration studies.

There are four main features to explain neo-institutionalism approach towards European integration. The first one is rational-choice institutionalism that assumes the significant actors have a definitive set of desires and behave actively in order to

maximize the achievement of these preferences. Rosamond stated rational-choice institutionalism defines institutions as official narrow bodies and sets of judgments exploiting duties upon self-interested political players (Rosamond, 2000). Arose from the study of U.S. congressional behavior in the 1970s, this feature stresses on how actors choose or design institutions in securing mutual gains and how those institutions persist over time (Pollack, 2009). Another distinctive aspect of this feature is how it deliberately designs political institutions to minimize the transaction cost associated in making public policy.

Another variety of neo-institutionalism is sociological institutionalism. According to Pollack, this variety is defining institution in a broader sense to include informal norms and conventions as well as formal rule to include actors in it. He argues the main differences between sociological institutionalism with rational-choice model is in the centrality of the actor thought “to have a logic of appropriateness and taking suggestion from institutional environment while at the same time building their preferences and selecting the appropriate behavior to the institutional environment” (Pollack, 2009, p.3). According to Lowndes, sociological institutionalism refers to “the way in which institutions create meaning for individuals, providing important theoretical building blocks for normative institutionalism within political science” (Lowndes, 2010, p.65).

Finally, historical intuitionism refers to a variety that tries to taking up position in between the two levels. It focuses on the effects of institutions over time and generally rejects functionalist approach for institutional design (Pollack, 2009). Historical institutionalists argue institutional choices taken in the past can persist and thereby shaping and constraining actors later in time. Rosamond states historical institutionalism grew out of critiques of conventional group theories of politics, while rational choice institutionalism reflects the successful import of the axioms of microeconomics into political science. Sociologists also became interested in the capacity of cultural and organizational practices within institutions to mold the preferences, interests and identities of actors in the social world, hence the word “sociological institutionalism” (Rosamond, 2000).

2.2 International Role on Democratization

Discussing and analyzing the international role in the democratization process is not an easy task. Sorensen has stated democratic transition initiated by external actors is a contradiction in terms. This contradiction is based on his argument the essence of democracy is the people elected government, then there is no way to ensure externally influenced democracy is not an artificial one (Sorensen, 2008). Nevertheless, the contemporary international relations dynamic shows international dimensions always influence a government in one way or another. There is no regime or a government not affecting or getting affected by the situation and development of its counterparts. Huntington stated the policies of external actors have a significant impact in influencing other countries to democratize itself and changed the course of its policies (Huntington, 1991). The case in example is political and economic conditionality proposed by donor agencies are able to create a case where an authoritarian government obliged to reform its structure and put effort in the democratization of its country. In addition, other states have a significant importance in a country's interests could also give influence in the encouragement of a government to democratize itself.

Whitehead proposes three main concepts in explaining the role of international actors in democratization. Firstly, he draws from the democratization experiences of several countries within the same region. France-Belgium-the Netherlands-Denmark-Norway-Germany-Austria-Italy for Western Europe; Jamaica-Trinidad-Barbados-the Bahamas-Dominica-St Lucia-St Vincent-Antigua-St Kitts in the Caribbean; Peru-Ecuador-Argentina-Bolivia-Uruguay-Brazil in the Southern America, and finally Poland-Czechoslovakia-East Germany Hungary-Romania-Bulgaria in Central and Eastern Europe. Through these empirical analytics he came up with the concept of "contagion through proximity" indicating the significance of geographical and territorial proximity as the source of democratization (Whitehead, 2001). He argues geographical location plays important role in spreading the idea of democracy and in turn influenced the neighboring countries to democratize as well. The contemporary example of Whitehead's concept is the Arab Upheavals of late 2010 that saw spread of struggle for democratization across Middle East and North African countries. In arguing for this concept, Whitehead emphasizes the role of media in circulating the domestic impact of the external development.

However, he also underlines contagion is a neutral transmission mechanism, meaning the result of regime change in a country replicate the political institution of its neighbors. In other words, the outcome of the contagion process could be a pro-democratic regime if it is bordering with other democratic countries, and vice versa, if the neighboring countries are non-democratic one, the result of this contagion process will reflect it.

The second concept of international role in democratization took the experiences of the U.S involvement of democratization process of countries following the end of World War II. Whitehead observed the U.S. role during the Cold War in some South American states, such as the Dominican Republic, Grenada, Panama, Nicaragua, El Salvador, and Guatemala, as well as in Greece and Turkey in Europe. He argues “approaching two-thirds of the democracies in 1990 owed their origins, at least in part, to deliberate acts of imposition” (Whitehead, 2001, p.10). This argument based on how Whitehead perceives that during the Cold War, U.S. implemented democratic regimes in order to balance the power coming from the USSR. This was also the case of British government towards its former colonies, which saw many of them becoming a Westminster type of democratic regime. In other words, the concept of control in democratization understanding refers to the democratic governments installed by a foreign power and foreign actors play important roles in the establishment of democratic governments.

The last concept offered by Whitehead entails the complicated interactions between international environment, system, actors, and domestic ones, engendering norms or hegemony. He suggests “a comprehensive account would need to incorporate the actions and the intentions of relevant domestic groupings, and interactions” (Whitehead, 2001, p.15). The concept of consent is the most complicated and comprehensive compared to the previous. Through his concept of wave of democratization, Huntington defines consent as “a group of transitions from nondemocratic to democratic regimes that occur within a specified period of time and that significantly outnumber transitions in the opposite direction during that period of time” (Huntington, 1991).

Whitehead also put emphasizes on the effect of international demonstration effects that “serve to generate the consistent and broad-based support needed to bolster fragile new democracies” (Whitehead, 2001). In other words, the concept of consent

tries to link the international support for democracy with the internal democratic actors' dynamics within that could serve for an explanation of how democratization is started and carried through.

According to Usul, another concept useful in understanding the international role in democratization is conditionality. This concept refers to the foreign policy instruments that promote core values and norms such as democracy, respect for human rights, and liberal market by putting these ideals into economic relations in forms of aid or sanctions (Usul, 2011). He bases his arguments by taking not only state but also international organization such as UN, the IMF, the EU, the Organization of American States (OAS), and the British Commonwealth that have utilized this mechanism of conditionality in supporting democracy and human rights in the authoritarian and the newly democratizing countries. Usul further underlines the role of the EU that has played a great influence on the process of democratization in Turkey, and Eastern and Central European as well as Western Balkan countries.

2.2.1 Enlargement Process and Democratization

The enlargement process of the EU has been widely hailed as its most successful foreign policy able to bring liberal democracy to the Post-Soviet region of Central and Eastern European Countries (CEEC). This success is created through the EU's conditionality focusing on political and economic aspect of acceding countries. The political conditionality requires the candidate country to have "stability of institutions guaranteeing democracy, the rule of law, human rights, and respect for and protection of minorities" (European Commission, 2012). In terms of economic conditionality, the EU states candidate countries need to have "a functioning market economy and the capacity to cope with competition and market forces" (European Commission, 2012). Additionally, the EU also requires candidate countries to have administrative and institutional capacity to implement series of laws and regulations listed on the *acquis* and the ability to take the obligations of memberships. All of this conditionality has become the bases of for reform progress taken place especially in the CEEC in the context of EU's enlargement.

Drawing on the empirical studies in the CEEC region during the enlargement process, Schimmelfennig and Sedelmeier explains there are three models of external role of EU governance are useful in explaining EU's enlargement process. The first

one is the external incentives model, a rational bargaining model. “The actors involved are assumed to be strategic utility-maximizers interested in the maximization of their own power and welfare. In a bargaining process, they exchange information, threats, and promises; its outcome depends on their relative bargaining power” (Schimmelfennig and Sedelmeier, 2004, p.671). According to this model, the CEEC region follows rules and conditions sets by the EU in order to gain reward ranging from technical assistances, institutional ties, trade and co-operation agreements, and finally full membership. Through this model, conditionality affected third party countries either directly through bargaining or indirectly through empowerment of domestic actors (Schimmelfennig and Sedelmeier, 2004).

The second one is the social learning model that assumes a logic of appropriateness, stating actors involved in this model follow their internalized identities, values, and norms. Through this understanding, actors are influenced with this model put emphasizes more on the legitimacy of rules and the appropriateness of behavior, persuasion, and complex learning during the process of transfer and rule adoption. (Schimmelfennig and Sedelmeier, 2004). Schmmmfennig states “whether a non-member state adopts EU rules depends on the degree to which it regards EU rules and its demands for rule adoption as appropriate in light of these collective identity, values, and norms” (Schimmelfennig and Sedelmeier, 2004). In short, according to this model, the condition whether third party countries will adopt EU’s rules and norms is depending on the persuasion of the appropriateness of EU rules.

Lastly, according to the lesson-drawing model, third party countries could also embrace EU norms and values without any incentives of persuasion coming from the EU. This could happen as a response towards internal dissatisfaction with the status quo and policy makers look for policies and rules enacted outside their borders and create an evaluation of its transferability. According to Schimmelfennig and Sedelmeier, “The most general proposition of the lesson-drawing model is: a state adopts EU rules, if it expects these rules to solve domestic policy problems effectively” (Schimmelfennig and Sedelmeier, 2004, p.676).

To summarize, Schimmelfennig and Sedelmeier have devised three model upon which EU’s external incentives have been useful in explaining the democratization of the acceding countries in the enlargement process. The centrality of the cost-benefit balance in turn depends on the determinacy of international organization conditions,

the size and speed of rewards, the credibility of threats and promises, and the size of adoption costs. In the relations between the EU and its candidates for membership, credible EU membership incentives and low domestic adaptation costs are individually necessary and jointly sufficient conditions of compliance (Schimmelfennig, *et al.*, 2003). In other words, EU's effectivity in influencing other countries to democratize depends on clear membership promise for third party countries. This might well explain previous studies that find the lack of the same democratizing pace for the European Neighborhood Policy (ENP) that is lacking in clear process of accession. (Sasse, 2013), (Feyburg, *et al.*, 2011), (Börzel and van Hüllen, 2014), (Gawrich, *et al.*, 2010).

Another explanation in how enlargement process related with the democratic condition in the neighboring region of the EU is the normative power of the Europe discussion. Normative power deals a lot with the construction of values, ideals, and norms that can be considered as normal, and diffused it to other actors. In his work, Manners come up with the term of "normative power" referring to the ability to shape conceptions of what is considered as normal, and at the same time promoting those ideas to other states (Manners, 2002). Normative power is also often seen as a more benign form of power, as it does not have the necessary coercive power in order to spread its influence towards another country (Fiott, 2011). Therefore, unlike military power that has the capabilities to introduce conflicts, normative power is seen as a more peaceful form of power that has the capability to change the political order of other international politics entities to have the same norms and values promoted by the holder of normative power.

Enlargement process and the intricate criteria that follow within it can be viewed as a way for the EU to assert its normative power. As one of its most successful foreign policy, enlargement process has the ability to impose political and economy criteria into other countries that are aspiring to become an EU member. Enlargement process has made the EU emerge from an economy and trade organization into an international politics phenomenon where it can exercise a state-of-the-art form of power never before seen in the international politics realms.

One of the outstanding characters of its enlargement process is known as the Copenhagen Criteria. This criteria states that in order to become a member of EU, candidate members have to satisfy the requirements stated in it. Those criteria are

achievement of stability in the institutions guaranteeing democracy, the existent of functioning market economy, respect for human rights and protection of minority, and the ability to take on membership's obligations (European Council, 1993). The notion of political and market-based economy stability as well as the protection of human right and minorities are some the values and ideals that has been successfully been spread by the EU towards other countries in the region. Therefore, in order to enjoy the membership status along with its privileges, every aspiring EU member country has the obligation to reform its political and economy system to have the compatibility with what has been regulated by EU.

Nevertheless, according to Edward Keene, there have been some flaws in using the concept of normative power, especially when it is embedded with the EU. Keene argues there is lack of clarity regarding the resource of normative power itself (Keene, 2012). Unlike military or civilian power that comes from a real and tangible form of power, normative power comes from any entity that exercise certain ideas or values and have the ability to impose it on another international actor. In other words, who decides which ideas or values that have more influential power in imposing other states to adopt those ideas remain unclear. Moreover, the imbalance of power distribution is also one of the criticisms directed towards this concept. There also exists a misconception stated that normative power as a more benign form of power compared to military or civilian power. Thus, it can be seen that although it can be used in explaining EU's influence over its candidate member, but the use of the concept has to be done in a careful manner.

This thesis then sought to challenge Manner's conception of normative power of Europe by proving that economic related incentives are one of the main influential powers that the EU has in order to influence democratization in other countries. The EU has been able to influence other countries to reform their political and economic system not only because the EU has the ability to set the values and norms in the international context, but more importantly, the EU has economic capabilities by providing aids and grants towards countries in its periphery so that they will follow EU's guidelines. This will be shown with how the Eurozone crisis that affected the core aspect of European integration process has created less credibility and influence for the EU to influence other countries' reform pace by taking Turkey as the case study. This is sought since the effectiveness of the political and economic

conditionality towards acceding countries is one of the major issues that the literature have minimally addressed. Thus, the filling of this knowledge gap will become the main theoretical contribution of this thesis.

2.2.2 Eurozone Crisis and The Enlargement Process

The EU enlargement process has a deep impact for Turkish democratization process as conveyed by Kalaycıoğlu (2011). Through analyzing the legal changes and constitutional amendments from 1983 until 2010, Kalaycıoğlu concludes that the EU plays a pivotal role in furthering reform efforts in Turkey. This argument based on the 84 law amendments that have been made since the conferment of EU candidacy in 1999 until the 2010 constitutional amendment referendum. He argues that there has been significant support coming from Turkish political elites from almost all ideological background for the deepening of relations between Turkey and the EU (Kalaycıoğlu, 2011). Influenced by the economic potential of integrating Turkey into European system, Turkish divided members of parliament able to approve law changes that are required in order to fulfill the EU accession criteria. Therefore, Kalaycıoğlu notes, “full membership in the EU is a project that transcends partisan politics and carries multi-party consensus” (Kalaycıoğlu, 2011, p. 272).

The significant achievement of the EU enlargement process that has turned post-soviet countries of Central and Eastern Europe into stable democracies and liberal economies seemed to have encountered its greatest challenge with the coming of the Eurozone crisis. The economic, political, and social difficulties brought by the Eurozone crisis not only exposed the vulnerabilities of the European economic integration project, but also created further debate on the continuation of democratic promotion through enlargement process. The Eurozone crisis highlighted the deep question regarding the values and merit of EU project both in political and economic terms. Questions regarding to what extent the EU could incorporate smaller countries with negligible economic prospective inside the integration project began to be revisited. This is in line with argument put up by Öniş who states that the economic crisis created a situation in which the EU leaders are preoccupied in the domestic affairs and the necessity of restoring economic order and prosperity “need more energy and commitment to break the impasse and to restore a new momentum to Turkey-EU relations” (Öniş, 2013, p. 111). This shows that the EU diverted some of

its attention towards the recovery of its economic system and put aside its foreign policy role in influencing other countries to democratize themselves. In doing so, the EU has lesser credibility to become an impetus for reform efforts in its surrounding countries.

The argument that Turkish democratization process has been halted related to the Eurozone crisis is stated by Öniş who analyzed the AK Party government from 2002 until 2015 and divided it into three phases. The first phase from 2002 to 2007 saw a number of significant reforms on democratization front as well as high and inclusive economic growth. The second phase in 2007 until 2011 represented a period of relative stagnation in which the reform efforts began to lose momentum. Lastly, in the period beginning in 2011 until present, Öniş argues that there has been significant decrease with “multiple manifestation of rising authoritarianism” (Öniş, 2015, p. 32). He connects the significant decrease of democratization process with the issue of EU membership that has lost its credibility both in Europe and in Turkey.

[A] distinct factor in this context concerns the decline in the appeal of the EU following the euro area crisis with its severely negative consequences in countries in the European periphery, which were previously seen as singularly successful examples of EU-driven economic and democratic transformation. ... Turkish policymakers felt more confident as Turkey continued to experience economic expansion and emerged from the global financial crisis in a relatively robust fashion at a time when its neighbor Greece found itself in a dramatic crisis, with its negative economic and social consequences (Öniş, 2015, p. 32).

This argument shows the closely intertwined aspect of the Eurozone crisis and the democratic journey of countries in the European periphery, particularly in Turkey’s context. The economic prosperity brought by the economic integration project of the Eurozone has lead countries to reform its laws and legislations in order to be able to gain benefit from integrating with other European countries. However, with the core aspect of European integration project is in dire situation it gave less credibility for European leaders to advance the democratization projects of its acceding countries.

At the same time, Turkey’s economy that has performed better compared with affected Eurozone crisis countries such as Greece or Portugal fuelled its confidence to begin set out its own foreign policy agendas and lessen its dependence on the EU and its accession progress. However, without the EU as the main pulling factor of

reform process, the pace of democratization in Turkey has also slowed down with some aspect of it showed signs of reversal to the pre-2002 period.

2.3 Conceptualization

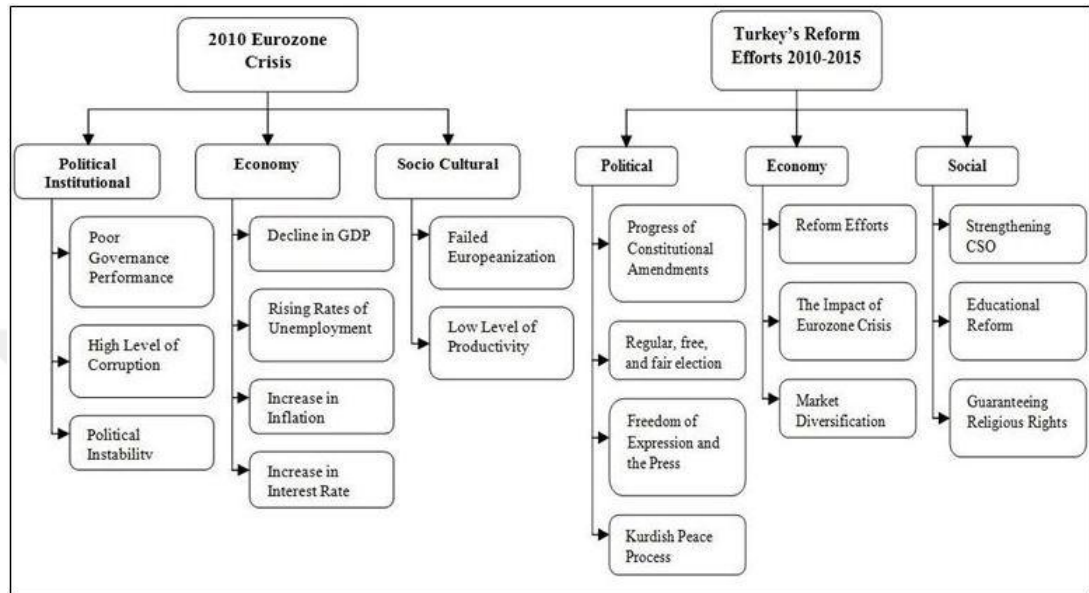


Figure 2.1 Conceptualization of the Key Variables

The Eurozone crisis was a multidimensional crisis and created significant impact towards not only the internal sphere of EU and its member countries, but through the emerging foreign policy importance of EU, the crisis also created impacts to third party countries, especially those under the enlargement process. This conceptualization shows us the Eurozone crisis was not solely caused by poor economic performance of Eurozone member countries, but there are also the political-institutional and socio cultural aspects.

The political-institutional dimension of the Eurozone crisis shows although all of the affected Eurozone crisis countries such as Greece, Ireland, Portugal, Spain, and Cyprus are all EU's member states, they are still having difficulties in the internal day-to-day political dynamics. In spite of having been through strict screening process in order to become EU member states, poor governance performance, high level of corruption, as well as political instability all leading to the Eurozone crisis, are still experienced by these countries. Through this illustration, it can be understood in order to ensure the political stability in the future, the EU needs to

adjust its criteria in the enlargement process to be stricter towards acceding countries. The political-institutional criteria for the third party countries who aspire to become members of the EU need to be tightened in order to ensure the stability of economic condition of acceding countries.

On the other side, the poor level of political and democracy situation in the EU's member states made the acceding countries lose their momentum in reforming their political and institutional systems. In the context of Turkey, the strengthening democracy process under the guidance of the EU has successfully restored the civil supremacy against the military regime. This is crucial with the Turkish political condition that has underwent military coups at least three times throughout its history. Nevertheless, several legislations focusing on government accountability are still lacking in the implementation process. Moreover, the creation of new, democratic, civilian, and inclusive constitution has also become pressing agenda in the consolidation of democracy in Turkey.

With the decreasing effort by the EU in giving assistance and supervising Turkey's political reform efforts, the progress of Turkish reform efforts has become stagnant since the Eurozone crisis. This is shown with the decreasing condition of freedom of expression and the press, particularly during the 2013 Gezi Park protests. There have been many laws that increase government censorship over websites and news media cited for this categorization. Although some people are cautious and see the cases of jailed journalists and censorship in Turkey as the ongoing efforts of the government in limiting false propagandist messages coming from terrorist groups, as well as curbing widespread misleading news, the Eurozone crisis has created a negative effect in furthering Turkish political reform efforts.

On the economic dimension, the decline in GDP as well as the rising amount of unemployment created a necessity for the EU to create a bailout funds in order to save the banking system of affected countries as well as to ensure the crisis would not have systemic economic effect in the long term. This forced both the EU as an institution, as well as member states governments to cut and reprioritize their spending, raising tax percentages, reducing the amount of welfare and social security system, as well as privatizing state owned companies. In turn, these austerity measures forced the EU government to recalculate the amount of economic assistance in the form of grants and aid to the third party countries that have relations

with EU both in its accession process, as well as in their treaties and cooperation. The decrease in funding allocated subsequently affected the reform progress by the acceding countries.

The declining economic capabilities of the EU created less incentive for countries to conduct reform efforts in order to match EU legislation and standards. With the crisis rooted in the creation of monetary union without fiscal union, third countries began to doubt the effectiveness of single market policy, an inseparable part of the foundation of the EU. Although European countries still the biggest trade partners for acceding countries, especially Turkey, but the crisis created a situation in which these countries tried to diversify its economic opportunities and decrease their dependence on the EU. Moreover, the crisis led to a significant decrease in terms of the implementation of grants and funds targeted for the acceding countries. Without adequate amount of economic assistances, the EU has less credibility in influencing other countries to follow European political and social values.

In the context of Turkey, the economic reform efforts since 2003 have made Turkey have better economic outlook during the Eurozone crisis. The dire economic crisis of 2001 has made Turkey advance many of economic reform efforts that intended to increase its tax revenue as well as creating fiscal and budgetary discipline. This has become the reason for why Turkey has been minimally affected from the Eurozone crisis unlike its European partners. According to the World Bank data, within the period of 2009-2011, Turkey's GDP saw an average growth of 4.4 percent, compared to the EU average on the same period that contracted negative 0.5 percent (World Bank, 2015). Moreover, the opening of new frontiers for Turkish exports towards the Middle East lessened the dependence of Turkey towards the EU, creating positive economic growth during the crisis.

Finally, the socio-cultural aspect of the Eurozone crisis illustrates the different social values, especially related with the productivity of affected countries influenced by the Eurozone crisis. In this dimension, the failed Europeanization affected the crisis, especially in the Greek case, and led to a worsening of the crisis. This failed Europeanization refers to how the Greek society has overall different social values and cultures compared to other European countries, especially Germany. The different culture especially highlighted in the low work ethic of the Greeks, created a lower level of productivity.

In Turkey, the social aspect in its reform efforts mainly focused in the strengthening of CSOs, educational reform, and guaranteeing religious rights. With the advancement of harmonization packages during the period of 1999 until 2007, Turkey has created better access in ensuring the freedom of CSOs. These organizations have played vital role both in advancing social and in community initiatives as well as tighten the relation between Turkey and the EU through several cultural and social activities held. In terms of religious rights, Turkey has also paved the way for guaranteeing religious rights now only for the majority religious groups, but most importantly towards minority religious groups. Since freedom to worship is an essential part of human rights, it can be seen that Turkey has implement one of the most vital European norms. However, in terms of education, Turkey still needs to further and strengthen its reform to increase the quality of its students.

2.4 Theoretical Framework

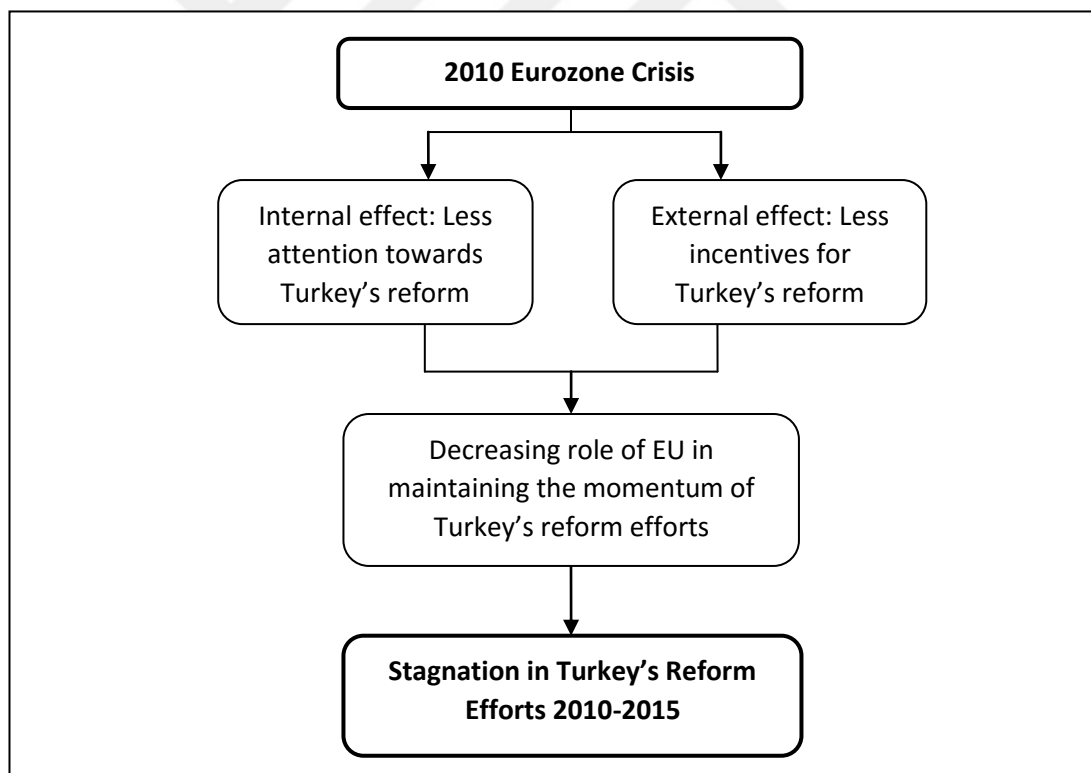


Figure 2.2 Theoretical Framework

This theoretical framework presents how the 2010 Eurozone crisis affected the pace of Turkish reform progress from 2010 to 2015. The political, economic, and social dimensions of Eurozone crisis created internal and external effects. Internal effects

are defined as outcomes that affecting both the EU governance and member states' perception towards the EU. This internal effect includes the democratic deficit, rejection of Troika's austerity measures, as well as a more inward looking Europe. On the external effect, it is defined as outcomes of the crisis that affecting countries and institutions outside of the EU. This external effects can be seen from the downgrading the image of Europe as one of the world's economic power that have stable policies as well as decrease in aids and grants towards third party countries.

Since the EU is presumably having foreign policy significance, the external effect of Eurozone crisis in turn affecting the two main channels from which the EU is asserting its foreign policy orientation; the neighborhood policy agenda, and the enlargement process. External effect towards enlargement process directly affected Turkey as one of the acceding countries towards the EU. Since 2002, Turkey has undergone serious reform progress that saw many of its legislations amended in order to match the European legislations standards. Nevertheless, this pace of reform efforts has become significantly slower following the 2010 Eurozone crisis. Constitutional amendment process, which approved in late 2010 through a referendum and supported by popular vote, stalled until today. From the EU side, negotiation blockage concerning the Cyprus issue that came from key countries of Europe created a challenge for Turkey in reforming its legislations in order to adhere to the *Acquis*.

Both internal and external political and security conditions in Turkey influences the slow pace of reform efforts in post 2010 Turkey. On the internal side, the weak and much divided opposition parties could not provide a strenuous check and balances system in the parliament. Faced by the economic hardship of EU, Turkey also began to shift its political and economic priorities. Once pivoted towards EU and European countries, Turkey began to give more importance towards other regions especially in the Middle Eastern, Caucasus, and African nations. This shift is a way for Turkey to reduce the negative impact of the European crisis and lessen the degree of dependency towards the EU.

Moreover, beginning in the late of 2014 and escalated throughout 2015, the Kurdish insurgencies led by terrorist group of *Partiya Karkerên Kurdistan* (PKK), created a huge concern for Turkish government. The peace process and ceasefire that started since 2012 was broke down and open hostilities once again started between PKK and

Turkish military, resulting in many victims including civilians from both side. On the external factors, the ongoing opposition rebellion against the autocratic Syrian government of Bashar Al Assad that began in 2011 created an immense security threat for Turkish government. This threat intensifies with the influx of refugees coming from Syria. Currently, Turkey held more than two million Syrian refugees that crossed the border in order to escape from the political and security uncertainty in Syria. Moreover, the emergence of self-proclaimed Islamic State of Iraq and the Levant (ISIL) also put more burdens on the external security threats.

On the other side, The Eurozone crisis has made EU have a decreasing role to foster the momentum of Turkey's reform efforts. The severity of Eurozone crisis made EU to shift their focus in order to contain and solve the economic crisis and put Turkish enlargement process on hold. Moreover, this situation is exacerbated with the decrease in the realization of EU's budget to strengthen the reform process in Turkey. Thus from this explanations, it can be seen that the 2010 Eurozone crisis provides a causal explanation to why the pace of Turkey's reform efforts is decreasing in 2011-2015.

CHAPTER 3

THE 2010 EUROPEAN SOVEREIGN DEBT CRISIS

The European Sovereign Debt Crisis was the result of some countries' inability to gain control of their growing public debt that in turn created pressure on the stability and the future of the European integration process. With the economic integration stance at the core of the integration process, the Eurozone crisis showed the single currency institutions still contain flaws and weaknesses. Additionally, before the EU could further its enlargement process as one of its foreign policy goals, the fundamentals of the economic institutions also needed to be strengthened. Moreover, the crisis adversely damaged not only the European economic structure, but also had a significant impact on the discourse of the EU's foreign policies. Caused by this crisis, almost half of the Eurozone member countries have had unscheduled elections showing how this crisis is related with political and social changes in European society.

Eurozone crisis is not only affecting Europeans, but also the surrounding areas as well. Considering since the post-Cold War era Europe has been increasing its engagement in political, economic, and social aspects with third party countries through its enlargement process and neighborhood policies, the crisis also created negative impacts towards countries engaged with European foreign policies. In the global context, the importance of Europe in global trade and markets created a strong interdependency between Europe and other countries. As such, a failure in monetary policies in the region would have an extensive negative impact beyond European Monetary Union's member countries. The question of the future of enlargement process, especially towards Turkey as one of the most problematic countries in the process, arises with this negative economic development.

On the other side, this crisis is also providing an opportunity for the EU to re-evaluate the common currency policies as well as strengthening its monetary and financial institutions. The EU also faced with both possibilities of the breaking up the Eurozone with Greece's return to its previous currency, or towards a deeper integration, regulating fiscal policies across member states. The creation of European

Stability Mechanism (ESM) as well as European Financial Stability Facility (EFSF) proved the EU has the ability to curb the crisis and may come up with a stronger integration as a conclusion to the crisis.

In order to analyze the 2010 Eurozone Crisis more effectively, this chapter will be divided into four sections. The first sections deals with the contextualization of Eurozone crisis. This includes the development of European integration in economic terms, the formation of European Monetary Union (EMU), and the roots of the crisis itself. The second section will analyze the Eurozone crisis, its main causes, and the development of the crisis. Next, this chapter will deal with the response coming from the Troika and the state governments in handling the crisis. Lastly, this chapter also will focus on the impact of the Eurozone crisis, especially towards the enlargement process of the EU.

3.1. From Customs Union towards European Monetary Union

As the core of its integration process, the EU with its entire predecessor has conducted significant amount of economic integration. The EU has put much effort in making sure trade, investments, and other economic activities across the European countries could take place with as few barriers as possible. In its development, the EU also created trade agreements with other countries and regions to ensure the sustainability of not only the production of goods and services, but also the availability of its market. In addition, through these trade agreements and multilateral cooperation, the EU also plays a bigger role in influencing other and especially candidate countries' economic policies. Since member states of EU comprise 17 percent of global GDP, the possibility of having closer and stronger trade relations with the EU is an opportunity not be neglected.

3.1.1 Customs Union

The oldest form of European economic integration started with the signing of customs union between the six founder member states, Belgium, France, Germany, Italy, Luxembourg, and the Netherlands in 1 July 1968. This customs union provisions the entire removal of customs duties between EU member states, as well as adoption of common rules and duties on imports and products from outside the

EU, and a common definition of customs value (European Commission, 2014). This Union differs from free trade area where all trade barriers are reduced to a minimum, in a customs union, goods imported from outside of the customs union are still charged with tariffs determined by the EU's central institution instead of the member states' customs authority. In addition, since 1993, the custom control at internal borders was also abolished, creating a further stimulation for growth of trading between European countries.

The increase of trade between EU member countries also helped to create a sense of European identities, since it has become easier and more efficient to conduct business in form of trading goods and services between European countries. With the abolition of customs between internal EU member states, it furthers the free movement of goods, services, labor, and capital as one of the main economic benefits for becoming an EU member country. In addition, the enactment of the customs union also helps Europeans to be protected. According to the European Commission, the customs union provides protection touching from environmental and health safety, people and drugs trafficking, money laundering practices, into the protection of European cultural heritage (European Commission, 2014). Thus, the establishment of customs union has become one of the most significant events in the course of the European economic integration until today.

The development of the EU's customs union also incorporates other countries that are not yet a part of the EU. The involvement of Turkey in the EU's economic integration process started in August 1959, when Turkey applied for an association agreement with the European Economic Community (EEC). Both parties approved this agreement in September 1963, known as Ankara Agreement. This agreement consists of three steps Turkey needs to take in order to create customs union with EEC (Secretariat General for EU Affairs, 2007). The first step was the preparation phase lasted for less than five years. In this phase, with the help from EEC, Turkey was expected to strengthen its economic condition. The second step was the transition phase demanding economic policies harmonization in order to create a more stable economic condition. This phase was assigned to occur less than 12 years. Lastly, this agreement also arranges for a closer economic policy between Turkey and EEC in order to strengthen the customs union framework between the two entities.

The Ankara Agreement along with its additional protocols was agreed to in 1970 and became a basic cooperation framework between Turkey and EEC. The establishment of the customs union required the Turkish government to eliminate all forms of customs duties, quantitative restrictions, all fees that have a similar effect to customs, and all measures having equivalent effect to a quantitative restriction (Togan, 2012). All of these trade barriers need to be carried out by Turkey before the customs union decision ratified on January 1, 1996. In addition, Turkey was also obligated to impose customs tariffs similar to those used by all member countries in trading with third parties as well as required to comply with cooperation agreements that have been or will be held between the EU and other third party countries (Togan, 2012).

From this illustration, it can be seen from the beginning, the EU has the capability of influencing other countries to amend its laws and regulations in order to gain advantage from the EU's technical assistance as well as closer relations. According to Yazıcı, the current Turkish Minister of Customs and Trade, with the decrease in trade barriers between Turkey and the EU, Turkey's exports to the EU countries as well as intra-EU trade has increased significantly (Yazıcı, 2012). The customs union has also played role in attracting more foreign direct investments, as well as technology transfer. However, he criticized several unfulfilled EU's obligations towards Turkey. In the case of free movement of labor, Yazıcı states Turkish labor should have moved freely in European countries as early as 1986. However, this did not happen citing the global financial crisis and oil shock as the reason of the diminished demand for labor in Europe (Yazıcı, 2012).

3.1.2 Economic and Monetary Union

A stronger form of European economic integration came into effect with the establishment of the Economic and Monetary Union (EMU), a recurring goal of the European integration since the late 1960s. The EMU promised to promote stability and an environment for higher growth and employment, economic benefits that are sought after by many European countries. This high expectation for the EMU is based on its goals that created a coordination of economic and fiscal policy making between member states: independent monetary policy through the ECB, single rules and supervision of financial institutions, and the replacement of national currencies with single currency across the EU. (European Commission, 2015).

From these goals, it can be seen the EU brings economic integration to a new level from bringing down the trade barriers into creating a common economic and monetary policies across all of its member countries. This signifies the deep integration and the prospect for unified European countries in the future. In addition, the creation of single currency also enhances the trade relations between member states. By using euro instead of their former national currencies, lowers the cost of doing business as European companies no longer needs to exchange currencies when trading with their European counterparts.

In order to ensure its stability and fulfilling its promises, EMU was developed through three stages that is written in the Delors report, the former European Commission President. The first stage is aimed at completing internal market from 1990 until 1994 through the introduction of free movement of capital. The second stage took place from 1994-1999 focusing on the preparation of ECB and the European System of Central Banks (ESCB) as well as achieving economic convergence. Lastly, from 1999 onwards, the launch of the euro and fixing exchange rates were prepared (European Commission, 2015).

Moreover, all EU's member countries also expected to adopt euro as its currency with exception of United Kingdom and Norway that have further agreements to not adopting euro as their currency. In order for other member countries to adopt euro, Maastricht Treaty, signed in 1992, stipulates five conditions that member countries need to fulfill:

1. an inflation rates no more than 1.5 percent above the average of the three countries with the lowest inflation rates;
2. nominal long-term interest rates not exceeding by more than 2 percent;
3. no exchange rate realignment for at least two years;
4. government budget deficit not in excess of 3 percent of each country's GDP;
5. a gross debt to GDP ratio does not exceed 60 percent.

These convergence criteria designed to ensure monetary stability through creating a fixed exchange rate among member countries as well as protecting the EU from inflation threats that may arise from member states' budget deficits (Afxentiou, 2000). These strict criteria also ensure the sustainability of the monetary union by providing conditionality that needs to be fulfilled by all of its member states. Since

the adoption of the euro that replaced 12 member states' national currency in 2002, it has become the second reserve currency in the world with a quarter of foreign exchanges reserves being in euro (IMF, 2010), proving the importance of economic influence of Europe in global scale. Thus, the stability and sustainability of Euro is not only important for its member states, but since the EU is one of the world's main economic power, it also significant for other countries as well.

3.2 Causes of Eurozone Crisis

The Eurozone crisis is simply defined as a multiyear crisis that has been happening in the Euro Area member countries since the end of 2009. This crisis is characterized with several Eurozone member countries, namely Greece, Portugal, Ireland, Spain, and Italy's inability to pay their public debt or to provide bailout funds over their indebted banks under national supervision without the help coming from the European Commission, the ECB, and the IMF. This situation was mainly caused by the uncontrolled budget deficit as well as significant amount of public debts triggered with the low-level interest rate due to the use of the single currency. Moreover, with the global financial crisis of 2008, the investment climate across European countries was deemed as unsafe. This in turn causing various institutions and banks that lend money to the governments reacted negatively, creating a default threat in Eurozone member countries. Trade imbalances as well structural problem of the EMU also adds to the complexity of the crisis, causing the Eurozone crisis to have a far-reaching implications.

3.2.1 GDP deficit and Government Debt Levels

In order to enter the Eurozone area, member states had to adhere to the Stability and Growth Pact (SGP), a set of rules "designed to ensure that countries in the European Union pursue sound public finances and coordinate their fiscal policies" (European Commission, 2015). This set of rules aimed to ensure the fiscal discipline would be maintained and enforced in the EMU. This fiscal discipline is obtained by the SGP requiring each EMU member states to implement fiscal policy aiming for the country to stay within the limits of government deficit of 3 percent of its GDP and government debt of 60% of its GDP (European Commission, 2016). This enforcement of the SGP towards member states to fulfill certain level of fiscal

regulation is required in order to achieve stability and economic growth inside EU member countries.

However, this pact has gained certain criticism regarding its effectiveness in providing working fiscal constraints towards member states. Martino writes, “The fiscal constraints introduced with the new currency must be criticized not because they are undesirable—in my view they are a necessary component of a liberal order—but because they are ineffective” (Martino, 2008, p.266). He further argues the SGP criteria can easily be rigged by using different accounting methods used by countries in order to look as if they are adhering to SGP’s protocol of deficit to GDP ratio of 3 percent.

Table 3.1 Budget Deficit and Public Debt Ratio to GDP of Select European Countries (Eurostat, 2015).

| Fiscal Data | Budget Deficit 2007 | Budget Deficit 2011 | Budget Deficit 2013 | Debt Ratio 2007 | Debt Ratio 2011 | Debt Ratio 2013 |
|-------------------------------|----------------------------|----------------------------|----------------------------|------------------------|------------------------|------------------------|
| Reference Value in SGP | 3 | 3 | 3 | Max 60 | Max 60 | Max 60 |
| Member State | | | | | | |
| Germany | 0.2 | -1 | -0.1 | 63.6 | 78.4 | 77.4 |
| France | -2.5 | -5.1 | -4.1 | 64.4 | 85.2 | 92.3 |
| Italy | -1.5 | -3.5 | -2.9 | 99.7 | 116.4 | 128.8 |
| Spain | 2 | -9.4 | -6.9 | 35.5 | 69.5 | 93.7 |
| Portugal | -3 | -7.4 | -4.8 | 68.4 | 111.4 | 129 |
| Greece | -6.7 | -10.2 | -12.4 | 103.1 | 172 | 177 |
| Cyprus | 3.2 | -5.7 | -4.9 | 53.9 | 65.8 | 102.5 |
| Ireland | 0.3 | -12.5 | -5.7 | 23.9 | 109.3 | 120 |
| Eurozone 18 | -0.6 | -4.1 | -3 | 65.1 | 86.1 | 91.3 |
| EU 27 | -0.9 | -4.5 | -3.3 | 57.9 | 81.1 | 85.5 |

This table presents the data of both budget deficit and debt ratio to GDP of select countries prior and during the Eurozone crisis. It shows with the exception of Germany, none of the countries presented in the table adhering the SGP’s reference value regarding budget deficit of maximum 3 percent. Prior to the crisis, countries in general were still able to follow the SGP’s direction on budget deficit. However, influenced by the global financial crisis of 2008, this deficit has soared leaving Germany to be the only country with deficit of under three percent. The budget

deficit is more severe in Greece and Ireland that has budget deficit of 10 to 12 percent of their GDP, quadrupled the amount set by the Eurozone's SGP.

This huge amount of budget deficit could have happened because these countries applied different accounting methods and presented reports to the European Commission showing different numbers than the real budget deficit (Nelson *et al*, 2012). This is proven in late 2009 when the newly elected Greek government revealed the previous governments had been misreporting government budget data and stated Greek's budget deficit had been higher than previously reported (Nelson *et al*, 2012). This statement began to create widespread panic amongst both loan lenders and private investment sectors since it diminished the investor confidence towards the real financial and economic condition of Greece. This loss of confidence created a situation in which the cost of borrowing money, rose to unsustainable level. Thus, the Greek government was unable to refinance its borrowing and was forced to ask for help from other European actors as well as the IMF.

In the case of government debt ratio, towards the GDP data also shows virtually none of the countries presented adhere to the SGP rules of maximum 60 percent. Prior to the crisis, only Spain, Cyprus, and Ireland was able to keep its public debt percentage to be well under 60 percent, with Germany and France following close by. However, in 2011, this public debt ratio drastically soared more than quadrupled for Ireland and doubled for Spain. This revealed the fragility of economic fundamentals of these countries. The case of Greece showed the most severe problem in terms of government debt ratio with the amount of its public debt almost three times above the SGP's regulations.

This huge amount of government debt is induced by the use of the Euro facilitating governments to borrow large amount of money from both public and private lenders. With the unification of currency between Eurozone area member states, governments deemed to have more credibility to repay their debts and thus gained significantly lower interest rates. When the global financial crisis induced panics in government lenders, they reacted by collecting the government debts. With the inability of governments to pay its debt or to refinance it and under the threat of becoming defaulted, the Eurozone crisis started.

It is important to note public debts are actually useful if it is invested in sectors that are creating economic growth. The Economist Intelligence Unit has stated the capital flow coming to poorer countries are perfectly reasonable, since investment opportunities are much wider there. However, it also notes these imbalances and growing public debts is not a sustainable way for inducing economic growth, citing the possibility of the unproductive investment of these capital may ended up. In the case of the affected Eurozone crisis countries, these government borrowing are mostly used to finance the populist policies in order to win the election and sustain their role in government. As put by Papas who states “Greece experienced the rise of irresponsible populism, unrestrained patronage politics, and a powerful culture of ethnocentrism that worked against the country’s full Europeanization” (Papas, 2010).

3.2.2 Slow GDP Growth

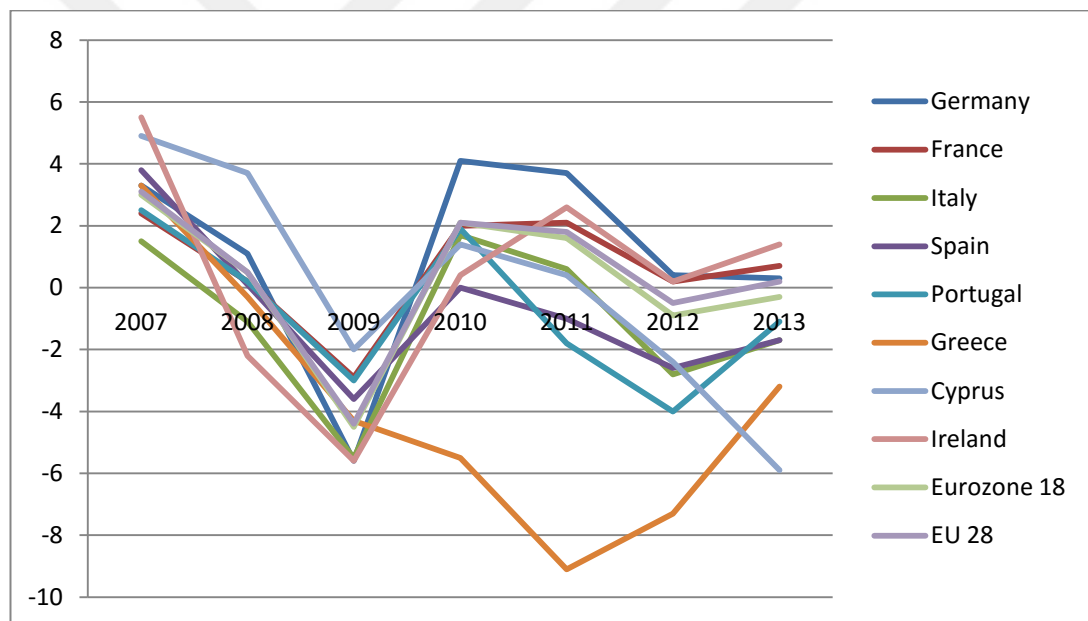


Figure 3.1 Real GDP Growth Percentages of Select European Countries (Eurostat, 2015).

Other important influential aspect affecting the Eurozone crisis was the slow GDP growth of the Eurozone member countries. Figure 3.1 shows us a general trend of real GDP growth from 2007 until 2013. The influence of the global financial crisis of 2008 created a strong decline in the GDP growth of all European countries starting in 2007 and peaked in 2009. However, the declining of GDP growth continues to happen in the following years for Greece, Portugal, and Cyprus. While other European countries shows recovery, albeit a slow one, these three countries show a

deep recession in their economies. Without the support of a strong economic fundamentals, the global financial crisis created a significant impact in terms of GDP growth of these countries.

Decline in GDP growth caused by the inability of these countries to reform their economic policies and increase the labor productivity. Sklias and Maris explained the lack of GDP growth of these countries is caused by the strong state monopolies in areas such as electricity, telecommunication, water supply, postal services, railways, and natural gas affected competitiveness and productivity (Sklias and Maris, 2013). Moreover, they argue the low GDP share in the business investment also causes the slow GDP growth of affected countries, particularly in Greece. The altering governance model, strong state role, and the model of political, economic, and institutional development were blamed in explaining the lack of GDP growth in Greece (Sklias and Maris, 2013).

This lack of investment in even more exacerbated with the negative investment grade given by investment rating in a leading up towards the Eurozone crisis. According to Gärtner and Griesbach, investment rating agencies were inconsistent in giving their review as they become more critical as the crisis built and grading countries one point lower on average in every given interest rates and other variables prior to 2009 (Gärtner and Griesbach, 2012). This became evident as of November 2013, from all Eurozone countries, only Germany, Finland, and Luxembourg who were given investment rating of AAA. This unusual downgrading of investment rate created a significant impact for countries that are in need for financial investments. With an extremely low investment rating, it has become harder for affected countries to recover from their crisis.

3.2.3 Structural Problem of Economic and Monetary Union System

Although membership in Euro area promised for a further economic growth and stability, membership in it also meant member states are losing some of its authority in economic policies. By being member of the Euro area, individual member states are losing its ability to act independently in overcoming the crisis. Whereas other countries in economic crisis could easily adjust its monetary policies, the unification of monetary policies in the Eurozone meant the whole Euro area countries needed to orchestrate their policies in coping with the crisis. Since monetary policies are

enacted by the ECB, member states could not devalue their currency in order to make exports cheaper and improve trade balance, increased GDP, and higher tax revenue. Particularly, they are not able to print more Euros in order to pay creditors and reduce their risk of default.

The compounding of national currency into a single unitary currency is not without its own problem. One of the main criticisms of the EMU is that it is solely unify the economic and monetary policies of member states while fiscal policies are still being regulated by the member states. Fiscal policy simply defined as the use of government spending and taxation to influence the economy in order promotes strong and sustainable growth and reduces poverty (Horton and El-Ganainy, 2012). If implemented correctly, government spending may stimulate economic growth through job creation and investments.

However, the government spending needed to balance the income mostly coming from taxes. If we look into the tax revenue figure in the affected Eurozone crisis, they had been lower than the average of tax revenue of other Eurozone countries (Krajewska, 2014) while at the same time allocating their national budget towards populist projects (Pappas, 2014). Although EMU through its ECB has ability to monitor government's budget and spending, this authority is not complemented with the ability to fully control fiscal policies of Eurozone countries. ECB currently does not have authority in supervising national spending and increasing tax revenue for the lack of fiscal union. As put by Acemoğlu and Robinson:

The roots of the crisis lie in the difficulty of operating a currency union without centralized fiscal authority. But that's not all. The problem was made worse by implicit guarantees to markets concerning the sovereign debt of all euro-zone countries, which enabled Greece, Italy, Portugal and Spain to borrow at sharply lower rates than before. This then enabled the dysfunctional political economy in Greece, Italy, and Portugal (and to some degree in Spain) to persist with borrowed money and transfers (Acemoğlu and Robinson, 2012).

Thus, even though there exists some regulations and agreements on monetary policies through the ECB, countries are not able to follow those regulations. As a result, it is becoming hard to control and regulate national financial institutions especially in countries on the peripheral economies such as Greece. Moreover, as stated by Anand *et al.* the Eurozone system comprising 18 member states has a difficult structure for quick response against economic and political development.

The structure of Eurozone that required unanimous agreements in its decision making process impeding institutions to react swiftly in managing crisis (Anand *et al*, 2012). Thus, this complex and slow structure may lead to a failure to prevent the spillover effect of economic crisis to other areas.

3.2.4 Trade Imbalances

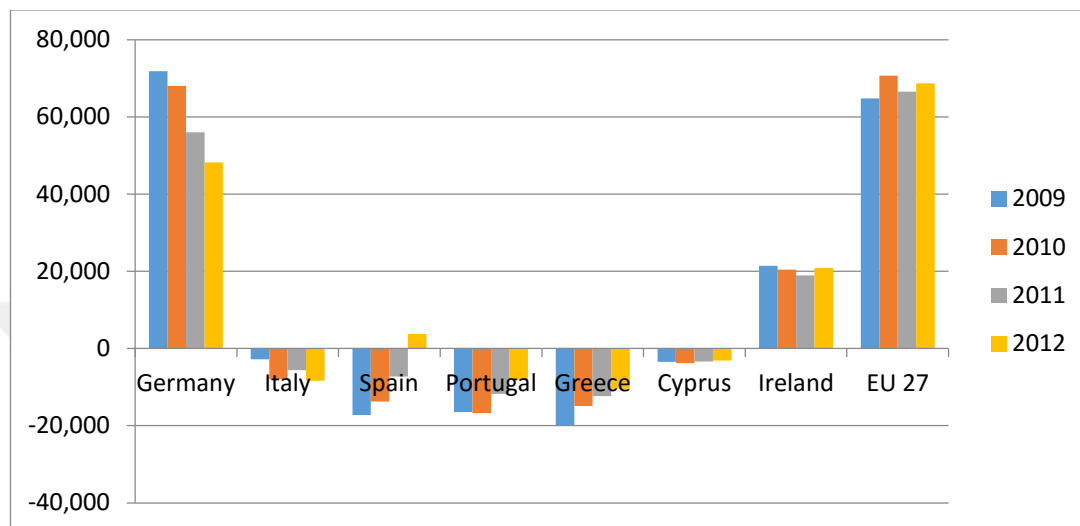


Figure 3.2 Trade balances of Select Eurozone Countries in Million Euros (Eurostat, 2015).

Another cause of the Eurozone crisis is the significant trade imbalances that happened in the affected countries. Figure 3.2 shows the trade balances of select Eurozone countries in the 2009-2012 periods. From this figure it can be seen while Germany on average manage to have positive trade balance in its intra-EU trade, other countries, except for Ireland, had difficulties in balancing their trade values. While the average of 27 EU member states trade balances stand at almost 70 billion Euros during 2009-2012, Greece and Portugal has trade deficit of more than 10 billion Euros in the same period of year. This shows although there is an ongoing effort for economic integration in the region, this integration still created an unfair trading condition between EU members itself.

The situation of this trade imbalance has been argued as one of the aspects that negatively influenced the Eurozone crisis. Krugman criticizes of how economists are more focused on the public debt instead the trade imbalances in the EU member countries. He argued, “the really strong relationship within the Eurozone countries is between interest spreads and current account deficits, which is in line with the

conclusion many of us have reached, that the euro area crisis is really a balance of payments crisis, not a debt crisis” (Krugman, 2013). This argument is strengthened by the findings of Greenlaw, *et al.* who conclude, “Countries with debt above 80 percent of GDP and persistent current-account [trade] deficits are vulnerable to a rapid fiscal deterioration” (Greenlaw, *et al.*, 2013).

According to Brancaccio, failing of trade balances in an economic integration is not something extra ordinary. He argued, “Countries characterized by a lower level of production per capita will be those in which capital is scarcer and hence better remunerated. These countries will therefore attract and accumulate capital, experience quicker growth of labor productivity and competitiveness, enjoy higher growth of income, and hence be in a better position to obtain and repay loans” (Brancaccio, 2012). Nevertheless, in order to compete and balance the trade deficits, Brancaccio also explains that countries need to reduce their unit cost of labor in the interest of increasing their competitiveness, while at the same time cutting deficit spending, increase net exports, and reduce foreign debt (Brancaccio, 2012).

However, this was not the case in the leading up to the Eurozone crisis. According to Emsden, during the period of 2001 until 2009, Italy’s unit labor costs has rose 32 percent while Greece’s has increased 34 percent relative to Germany (Dadush and Eidelman, 2010). This high cost for labor then further hindering for industrial growth in Greece and Italy and affected in these countries importing goods more than their exports. The low industrial growth is evident with the declining of total factor productivity that in the period of 1996 to 2004 has declined at an average annual rate of almost one percent in Italy (International Monetary Fund, 2009).

3.3 The Troika Responses

In responding to the severity of the crisis along with the responsibilities of Europe, three institutions play important role in creating policies to overcome the crisis. Those three main actors are the European Commission, the IMF, and the ECB, together known as the Troika. As part of the solution of the crisis, they also created new institutions that could strengthen the EMU in the future. Through these institutions, bailout funds and other assistances aids channeled while at the same time able to monitor the implementation of these assistances program. Moreover, in order

to reduce the crisis risk in the future, strict austerity measures were also implemented as part of this economic assistance program. Nevertheless, these measures reaped many criticisms towards its ineffectiveness to curb the crisis.

3.3.1 Creation of Financial Institutions

European Financial Stability Facility

One of the earliest efforts in coping with the crisis is handled through the European Financial Stability Facility (EFSF) founded in June 2010. The EFSF functioned as a temporary institution providing financial assistance to Ireland, Portugal, and Greece. This assistance was financed by the EFSF through the issuance of bonds and other debt instruments on capital markets. Formally, EFSF was mandated to “safeguard financial stability in Europe by providing financial assistance” to Eurozone member states.

This financial assistance came in form of bonds issuance and other debt instruments on the market with the support of German Finance Agency that helped the EFSF to raise the funds required to give loans to crisis affected countries, recapitalize banking system, as well as buying government’s debts (EFSF, 2011). In the interest of guaranteeing the bonds released to public, the emission of these bonds is also backed by shares given by the Euro area member states through capital pooling by the ECB. Through this mechanism, EFSF managed to raise €440 billion lending capacity. At the same time, using EU budget as its collateral, the European Commission was also able to raise €60 billion funds. The IMF also provided another €250 billion euro creating a financial safety net up to €750 billion (EFSF, 2011). In order to avoid the negative effect of member states’ inability to repay its public debt to spread to other countries across Europe, this bailout funds were needed.

However, the creation of this facility does not mean Eurozone member states could freely have gained assistances. Only when a member state became unable to borrow funds from markets with acceptable rates, it has the possibility to formally petitioned EFSF for a bailout funds. This petition needs to be accompanied with a detailed structured program that explains how it will use the support from EFSF. After a team of experts from the Troika investigated the support program, the European Commission along with IMF will negotiate the necessity of providing a bailout funds. The result to give these funds is also needs to unanimously accepted by the

Eurozone finance ministers (EFSF, 2011). This whole process would take three to five weeks to be completed and gave the sense of the emergency of the situation of the time.

European Stability Mechanism

Since the nature of the EFSF was founded as a temporary institution, the Troika realized the need of having a more permanent institution that could handle economic crisis within the Euro Area. Thus, the European Stability Mechanism (ESM) was founded in 2012. In order to guarantee its sustainability as well as to provide wider democratic mechanism, The Treaty establishing the ESM stipulated the organization would be established with the representation of 90% of its capital provided by the member states.

The member states of the ESM are able to benefit from ESM bailout funds if they are under financial difficulty or there is a growing instability in their financial sector needing recapitalization. Similar with the EFSF, in order to access financial assistance from the ESM, member states first must sign a detailed structure program consisted of the needed reforms or fiscal consolidation that would be implemented in order to restore the financial stability. Before applying for an assistance packages, member states must ratify the European Fiscal Compact that applies stricter version of SGP with the ability to force member countries to adhere to this agreement (ECB, 2012). After applying for ESM support, the Troika would analyze and evaluate all relevant stability matters before deciding what kind of support will the member states needed the most in revitalizing its financial stability.

Compared to the EFSF, the ESM has more detailed and issue-specific program offered to Eurozone member states. First program is Sovereign Bailout Loan that would be granted, “if it is no longer sustainable for the state to draw on capital markets, when seeking to cover the states’ financial needs.” Another program from the ESM is the bank recapitalization program that would be granted “if the roots of a crisis situation are primarily located in the financial sector and not directly related to fiscal or structural policies at the state level, with the government seeking to finance a recapitalization at sustainable borrowing costs.”

The third program is the precautionary financial assistance “comprise support in the form of setting up available ‘credit lines’ the ESM member state can draw on if

suddenly needed.” Next, the Primary Market Support Facility is a program used “primarily towards the end of an adjustment program to facilitate a country’s return to draw on the market, and reduce the risk of a failed bond auction.” Lastly, the Secondary Market Support Facility (SMSF) aims to “support the good functioning of the government debt markets of ESM Members in exceptional circumstances where the lack of market liquidity threatens financial stability, with a risk of pushing sovereign interest rates towards unsustainable levels and creating refinancing problems for the banking system of the ESM Member concerned” (ESM, 2012).

3.3.2 Bailout Funds

With the financial assistance structures and institutions laid out, the Troika has more ability in channeling bailout funds and assistance. The first financial assistance coming from the EFSF was under the Irish government’s request. In November 2010, the Eurozone finance ministers along with the EU’s Council of economics and finance ministers agreed to launch a financial package covered financing up to €85 billion. This package consisted of €23 billion provided by the EU and the EFSF responsible for €18 billion funds and it ran from 2011 and 2012 (EFSF, 2011). Moreover, as part of the EU and IMF financial support package for Ireland, in January 2011 the first bonds of EFSF were launched. These five-year bonds for an amount of €5 billion were dispersed through Citibank, HSBC, and Société Générale (EFSF, 2011).

Portugal was the second Eurozone country to receive assistance from the EFSF after submitting a formal request for EFSF aid in April 2011. A month later, the Eurozone finance ministers and the EU’s Council of Economics and finance ministers agreed to the terms and conditions of an assistance package for Portugal. This financial package designed to cover Portugal’s financial needs of up to €78 billion with the EU, the IMF, and the EFSF contributed €26 billion each and the money was disbursed over the period of three years (EFSF, 2011). Similar to the Irish case, the EFSF was also provided for Portuguese lending in June 2011 and issued a total of €8 billion 10-year bonds dispersed through BNP Paribas, Goldman Sachs International, and The Royal Bank of Scotland (EFSF, 2011).

The case of Greece was one of the most complex and took many European resources in the distribution of bailout funds. The first financial package intended for Greece

was launched in May 2010 when the Eurozone finance ministers agreed to provide bilateral loans pooled by the European Commission with the total amount of €80 billion dispersed in the period of May 2010 until June 2013 (European Commission, 2012). However, this amount was reduced into €77.3 billion caused by the withdrawal of Slovakia from the scheme. Following the formal request for the financial assistance, Portugal and Ireland also withdraw from this scheme for Greece.

The second bailout funds for Greece approved in March 2012 by the Euro area finance ministers providing an additional €130 billion for the years 2012 until 2014 (European Commission, 2012). Whereas the first bailout funds were made available from pooled bilateral loans, this second financial assistance was financed by the EFSF that was fully operational since August 2010. The approval for this second bailout was achieved by reviewing the progress of Greece's austerity measures and the political commitment of its political leaders. Finally, in August 2015, the European Commission signed a Memorandum of Understanding (MoU) with Greece to create the third economic adjustment program that started another financial assistance of up to €86 billion for the period of 2015 until 2018 (European Commission, 2015). This fund disbursement is specifically intended to enable the Greek economy to return to a sustainable growth path based on sound public finances and financial stability.

Responding to the request by Cyprus made in June 2012, the Troika agreed to an Economic Adjustment Program on April 2013. This financial package covered up to €10 billion and was to be disbursed in the period of 2013-2016 (European Commission, 2013). With 75 percent of financial assistance received has been repaid, Cyprus is currently under the post-program surveillance by the Troika to ensure Cyprus's capacity to repay its outstanding loans to the EMS (European Commission, 2015).

From these descriptions, it can be seen the European structure has been able to pool their resources and create effective institutions in curbing the crisis. However, since these bailout mechanisms are funded by Eurozone member states' national budget, it increases the Euro skeptic criticism advocating for national interest rather than the European one (Heinen and Hartleb, 2014). Moreover, bailout funds agreement need to be agreed unanimously by Eurozone finance ministers are also under criticism, saying it has been the cause of the slow and delayed process of resolving the Eurozone crisis (Anand, *et al*, 2012).

3.3.3 Austerity Measures

Besides creating bailout mechanisms, EU leaders also call for austerity measures in the affected member states. Austerity measures refer to a set of economic policies implemented in order to reduce government budget deficit through spending cuts, tax increases, as well as privatization of state owned enterprises (Traynor and Allen, 2010) These measures taken to demonstrate government's fiscal discipline expected to attract creditors and increase credit rating agencies. In the case of the Eurozone crisis case, affected member countries implemented these austerity measures as part of the conditionality to benefit from bailout funds and other financial assistances set by the Troika.

Since there are many Eurozone governments who borrowed large sum of money from banks and investors, austerity measures suggested by the Troika act as a gesture to ensure these governments are able and willing to pay their debt. These measures are taken in order to eschew from investors' demand of extremely high interest rates as well as to roll over the existing debts. The Troika argues the severe crisis conditions caused by mismanagement due to lack of budgetary discipline and high tendency to consume debts by high wages thus losing competitiveness. Thus, in order to overcome the crisis, they suggested states to cut the general consumptive government expenditures, i.e. pensions, the number of public staff, and public welfare (IMF, 2013). Moreover, with the austerity measures aimed at balancing governments' income and spending, it is seen as the vital aspect in ensuring large bailout funds and financial assistance provided by the Troika will be used in an effective manner as well as reducing the risk of further implication of the crisis.

One of the most comprehensive yet problematic implementations of the austerity measures in the Eurozone area is the Greece case. The Greek government has issued eleven austerity packages from February 2010 until August 2015. From these austerity packages, Greece was able to cut its public sector wage by up to 25 percent, eliminating workers' bonuses, as well as terminating temporary workers' contracts. An extensive anti corruption process was also introduced in order to suppress tax evasion and corruption cases in the tax service. A 10 percent increase on fuel, alcohol, tobacco, new property, and gambling taxes also introduced in order to bring expected €1 billion revenue. Lastly, these austerity measures also increase the

average retirement age from 61.4 to 63.5, while cutting the pension funds (Pietras, 2011).

In the case of Ireland, by 2011, the government had managed to cut the budget deficit of €6 billion by cutting five percent off public sector wages as well as a social welfare cut of €760 million. In order to increase government’s revenue, Ireland increased taxes coming from cigarette, capital gains and capital acquisitions, carbon tax, and introducing a new water tax (Pietras, 2011). Austerity measures also done by Italy who cut spending by delaying retirement age of up to six months, state salary freeze, and pay cuts for high public sector officers, and decrease funding to city and regional authorities as well as a 10 percent spending cut for all government ministries (Pietras, 2011). Lastly, Portugal has reduced its spending by cutting high public official earners, cutting military spending, privatizing 17 state enterprises, as well as increasing Value Added Tax (VAT) rates (Pietras, 2011).

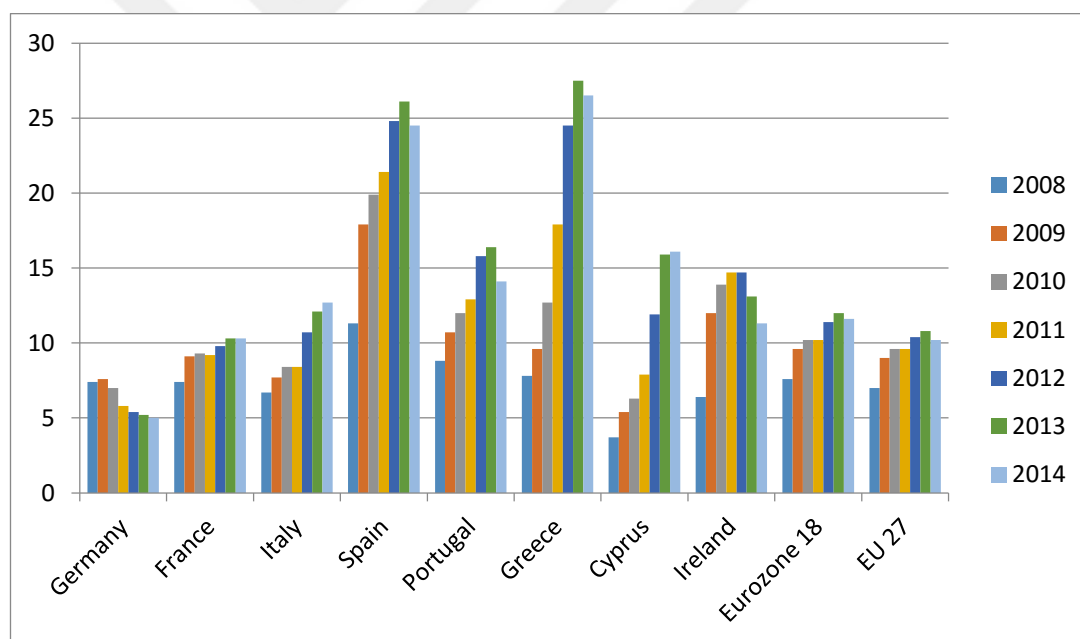


Figure 3.3 Unemployment Percentage of Select European Countries (Eurostat, 2016).

From the description of austerity measures taken by some of the affected crisis countries, it can be seen that it is more focus on cutting wages creating job losses, while increasing taxation. This has been one of the profound criticisms in how the Troika managed the crisis. One of the most negative effects of these austerity measures is the increasing of unemployment rate inside these European countries. Figure 3.3 shows since the austerity measures were enacted in the period of 2010-

2012, there has been a significant increase in unemployed workers. In the case of Greece and Spain, by 2013 more than 25 percent of the population, or one in every four Greeks and Spaniards, were unemployed. The most significant increase of unemployment is in the Cyprus case. In 2008, less than four percent of their population is outside the workforce. In less than five years, this figure had escalated four times into 16 percent of the population has become unemployed.

According to Krugman, these austerity measures instead increase unemployment as an effect of decreases in government spending reducing jobs in both public and private sector (Krugman, 2012). At the same time, tax increase reduces household disposable income affecting spending and consumption. These nationwide conditions in turn contribute to a decrease in GDP. Thus, it can be seen austerity measures were not a viable answer towards the solution of the Eurozone crisis. In the social aspect, the loss of jobs and the increase of taxes lead to series of massive public demonstrations across European countries. These public demonstrations were attended by students, public workers, even police, and firefighters demanding members of parliament to vote against the austerity measures (Kantouris and Paphitis, 2011).

The political dynamic of European countries also affected caused by these austerity measures. Smith-Spark took French and Greek elections example to illustrates the political swing giving rise to ultranationalist parties such as the National Front in France and the Golden Dawn and Syriza in Greece (Smith-Spark, 2012). She reports “brutal austerity program pushed through by the two mainstream parties have turned instead to parties on the far left and far right” creating a political change in Europe. This situation shows the unpopularity of austerity measures among the Europeans.

3.4 The Political Impact of the Eurozone Crisis

The scale of the crisis and the controversies surrounding how the Troika managed the crisis ultimately created political and social impact both on the internal and external of the EU. On the internal aspect, there is a growing negative perspective of the EU coming from the Europeans. Public discussion of the EU’s democratic deficit increases the dynamics of the political aspect of the Eurozone crisis. In the case of enlargement process, there is also hesitation from both member states’ population as

well as people coming from candidate countries. This hesitation based on the question to how far the EU could manage the size of its member countries with the Eurozone crisis, the debate between widening *vis a vis* deepening once again became a relevant subject. Lastly, budgeting in the EU, especially in regards to the *Global Europe* budget post, have been impacted by the crisis. This budget post is related closely with both European Neighborhood Initiative (ENI) and pre-accession assistances funds.

3.4.1 Public Opinion towards the EU

The political and social impact of the Eurozone crisis could be observed from the public trust towards the EU and its institutions. The Eurobarometer is part of the European Commission’s public opinion analysis sector since 1973 has been monitoring the evolution of public opinion in the Member States, thus helping the preparation of texts, decision-making, and the evaluation of its work (Eurobarometer, 2013). Eurobarometer surveys are widely used not only in academic and research papers, but also have contributed to the decision making process within both national and EU level bureaucrats.

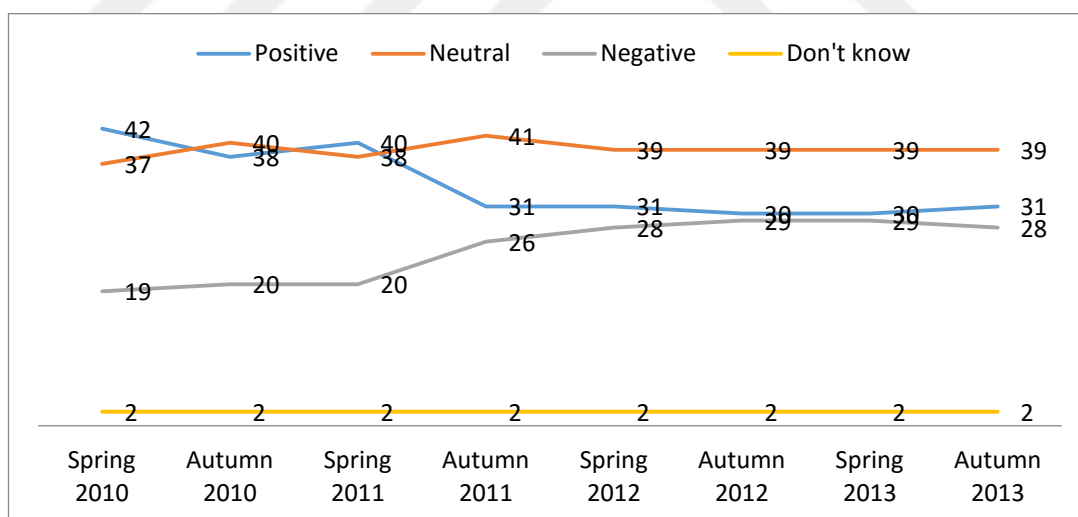


Figure 3.4 Public Opinion of The EU’s Image (Eurobarometer, 2013).

According to the autumn 2013 edition of the Eurobarometer, since 2011 there has been a growing negative image of the EU among the Europeans. The growth of negative image of the EU is accompanied by the decreasing of percentage of the sample perceiving the EU’s image as positive. In the national results of the image of the EU, 49 percent of the Greek respondents have a total negative image of the EU.

Cyprus and UK was also being the two nationalities where almost half of their respondents perceived a total negative image of the EU. How the EU is perceived to have negative image by these countries reflects the economic and political situation currently happening. With the austerity measures enforced towards their governments, the Greek and Cypriot populations have a growing resentment towards both the EU as an institution, as well as towards its officials.

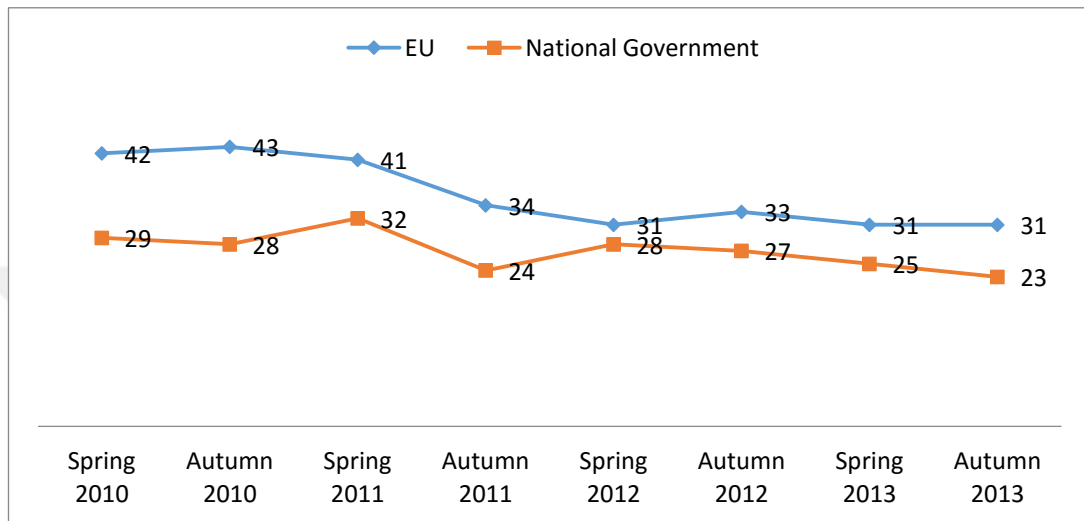


Figure 3.5 Public Trust Towards the EU and the National Government (Eurobarometer, 2013).

Moreover, public trusts towards the EU loss more than a 10 percent decrease in the same period. In the beginning of the crisis, from almost 280,000 Europeans surveyed, 42 percent of them trust the EU in its economic and political performance. However, in the autumn 2013 survey, this level of trust decreased to merely one out of three Europeans trusts the EU. This signals public dissatisfaction of how the EU manages the Eurozone crisis. The idea of the foundation of the EU that stemmed from economic prosperity and political stability has been marred with the Eurozone crisis that affected many people in form of job losses and price inflation. The complexity of the EU's structures in handling the crisis also played a role in the decreasing public trust during the crisis.

Interestingly, this trust towards the EU has always been higher than the Europeans trust towards their national governments. The differences are ranging from 13 percent in spring 2010 to 3 percent two years after. Therefore, while public trust towards the EU is declining, the respondents still think the EU institutions are more reliable than their own national governments.

From these two surveys, it can be seen the Eurozone crisis had a detrimental effect on the public trust towards the EU. First, the economic hardship and mass unemployment that happened during the crisis could be taken as the reason behind the decreased public support towards the EU. This is reflected in the same survey that revealed unemployment as the main important issue faced by almost all of the EU member states (Eurobarometer, 2013). Moreover, the controversies, especially regarding the bailout funding and the austerity measures can also be taken as the reason behind this growing resentment of Europeans towards the EU.

3.4.2 Democratic Deficit

The Eurozone crisis has added a highlight on the debate of democratic deficit happening in the EU. Coined by David Marquand in 1979, this term has been well defined in describing how the EU has lacking to practice democratic principles in its day-to-day operation. The European Commission official glossary defined democratic deficit as “a term used by people who argue that the EU institutions and their decision-making procedures suffer from a lack of democracy and seem inaccessible to the ordinary citizen due to their complexity” (EUR-Lex, 2010). Structure of the EU often overlaps each other created challenges for the common European to express their voices and contribute towards the development of the EU itself.

The democratic deficit is caused by lack of a rigid mechanism applied both in local and EU regulations ensuring the involvement of wider people in foreign policies of EU. The European election solely chooses for the members of Members of European Parliament (MEP), while European Commissions, which are the embodiment of executive power in EU are voted indirectly by the MEPs (Forgue and Kehoskie, 2007). This democratic deficit is also caused by the strong authoritative power of the EU’s Council of Ministers and how European Parliament has less power. Using the Irish’s and Greek’s economic crisis, Coppola illustrates how the Council of Ministers, a group of unelected bureaucrats and technocrats, had the main role in creating proposals and plans for mitigating the crisis (Coppola, 2015).

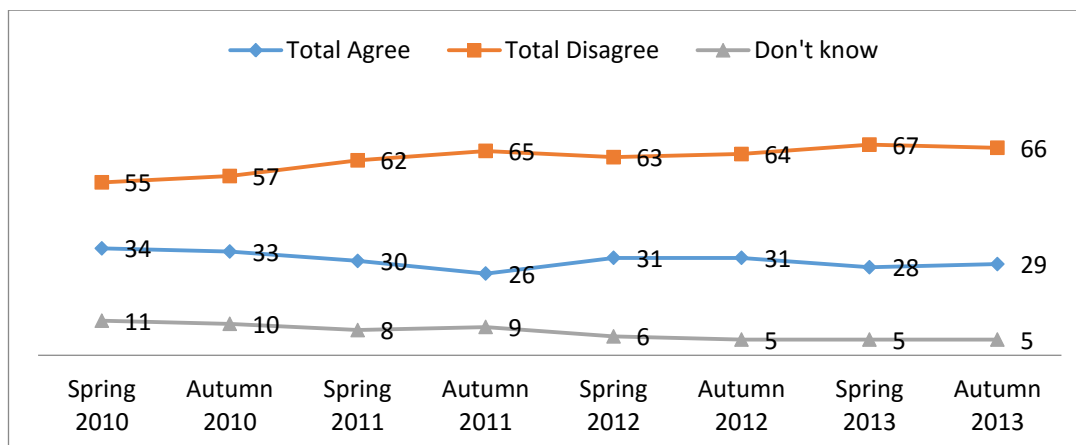


Figure 3.6 Public Role in the EU's Decision-making (Eurobarometer, 2015).

Moreover, according to the spring 2015 edition of Eurobarometer, as much as half of the EU's population felt their voice does not counts in the overall development of the EU (Eurobarometer, 2015). If we look at figure 3.6, we can see there is a clear and widening trend of people tending to believe their voice does not count in the EU. This is proven with a net score of negative 55 in spring 2010 to a net score of negative 66 in the autumn 2013. This downturn of believes towards EU institutions could be well influenced with the experience of the Troika's management of Eurozone crisis that disregard voices coming from member states' citizens and it acted singlehandedly.

While noting in the process of election of national member of parliaments democratic deficit may also happened, Terry suggested for the strengthening of member states' parliament in discussing and challenging the European rules and laws (Terry, 2012). He argues the national parliaments have the capability to hold ministers who deals with pressing issues at EU negotiations into account. The strengthening of national parliament also creates a deliberative mechanism in which every citizen has a direct access towards the proposals that is being debated at the EU level.

3.4.3 Instrument for Pre-Accession Assistance

In the interest of making sure the EU budget was spent responsibly, the EU created a multiannual financial framework (MFF) covering the maximum annual amounts of EU's spending in various political fields over a certain period. However, the MFF itself is not the EU's budget, since their budgets are debated annually within the

European Parliament. The MFF provides a financial programming important in ensuring the effectiveness of EU's budget, as well as providing long term vision for potential beneficiaries of EU funds, co-financing authorities as well as national treasuries (European Commission, 2014). One of the political aspects enlisted in the EU, the MFF is the Europe as a Global Player consisting of various aid and assistance towards third party regions. An important part of this aspect is the Instrument for Pre-Accession Assistance (IPA) consisting of an allocation for both EU's candidate and potential candidate countries.

The IPA was started in 2007 as a way to simplify and integrate different programs and financial instruments for candidate countries and potential candidate countries. It consists of five different components: institution building, cross-border cooperation, regional development, human resources, and rural development (European Commission, 2015). The IPA beneficiaries divided into two categories, EU candidate countries consisting of Turkey, Albania, Montenegro, Serbia, and the Former Yugoslav Republic of Macedonia. These candidate countries are eligible for all of five components of the IPA. While potential candidate countries consists of Bosnia and Herzegovina and Kosovo are only eligible for the institution building and cross-border cooperation assistances from the IPA (European Commission, 2015).

Table 3.2 Allocation for IPA in MFF 2007-2013 and MFF 2014-2020 in million Euros (European Commission, 2014), (European Commission, 2015).

*Croatia became EU member in 2014

**Iceland suspended its application in 2013

| | MFF 2007-2013 | Percentage | MFF 2014-2020 | Percentage |
|--------------------------------------|----------------------|-------------------|----------------------|-------------------|
| Candidate Countries | | | | |
| Albania | 595.00 | 6.00 | 649.40 | 8.43 |
| Croatia* | 998.00 | 10.00 | 0.00 | 0.00 |
| Iceland** | 30.00 | 0.30 | 0.00 | 0.00 |
| Macedonia | 615.00 | 6.20 | 664.20 | 8.62 |
| Montenegro | 236.00 | 2.40 | 270.50 | 3.51 |
| Serbia | 1,386.00 | 13.90 | 1,508.00 | 19.57 |
| Turkey | 4,795.00 | 48.20 | 4,453.90 | 57.79 |
| Potential Candidate Countries | | | | |
| Bosnia and Herzegovina | 656.00 | 6.60 | 165.80 | 2.15 |
| Kosovo | 635.00 | 6.40 | 645.00 | 8.37 |
| Total | 8,323.00 | 100 | 7,707.40 | 100 |

Table 3.2 shows the national allocation for the IPA towards both candidate and potential candidate countries of both first MFF of 2007-2013, as well as the second MFF of 2014-2020. These grants and assistances are dispersed to nine third party countries in process of acceding EU membership. From this table, it can be seen there is a decrease in the total allocation from the first MFF towards the second MFF. In the first MFF EU outlined more than 8 billion Euros while in the second MFF this amount shrink into 7.7 billion Euros. This decrease can be understood since Iceland and Croatia are no longer eligible for IPA.

Moreover, Turkey also has been the biggest allocated countries for IPA. In the first MFF, allocation for Turkey account to 48.2 percent of the entire total IPA allocated. This number rose almost 10 percent in the second MFF. The significant proportion of IPA going to Turkey is considering the size and the population of the country that is larger in comparison to all other IPA recipients. At the same time, this also sends a political message of the importance of Turkey for the EU.

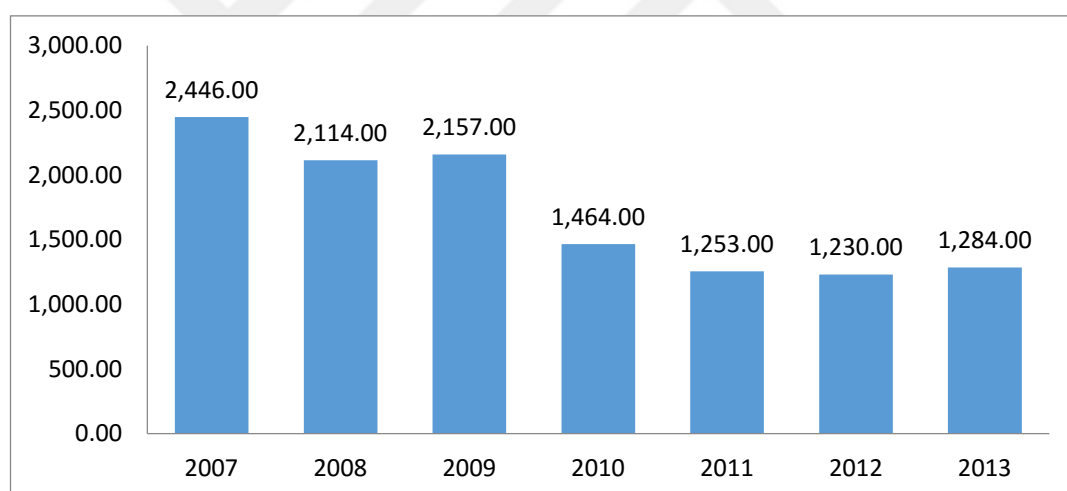


Figure 3.7 Implementation of IPA in million Euros (European Commission, 2014).

This figure shows the actual amount spent from EU budget towards the IPA in the first MFF period. Since the IPA outlined in the MFF does not include the allocation for cross-border cooperation, a program allocated for two or more candidate countries, thus the real number of implementation of the MFF might be higher. Although in total, EU spent almost 12 billion Euros, larger than the MFF stated, there is a significant decrease in the amount spent beginning in 2009. The decrease of the nominal budget spent can be seen as an indirect impact of the Eurozone crisis, since

the EU are more concerned towards the management of the crisis rather than towards the reform progress in third party countries.

Moreover, this figure also shows the decreased interest coming from the EU to fully execute and implement the budget allocation made ready for the acceding countries. With the lack of economic and technical assistances coming from the EU's budget, the progress of political and economic reform has halted. Although in formal speeches and documents, both European and candidate countries' leaders still have the optimism about the enlargement process, this decrease of budget implementation for accession shows the real situation of the process.

Thus, the Eurozone crisis that happened in the early 2010 may become a contributing factor for the decrease of accession assistance towards third party countries. The degree of emergency created by the Eurozone crisis created less attention from European bodies towards the widening of the European integration. Economic condition plays a pivotal role in determining the course of the EU integration, as such, a profound economic challenge affecting the political, economic, and social conditions, such as the Eurozone crisis, has able to decrease the degree of seriousness in influencing candidate countries to perform their reforms and democratizing their society.

3.4.4 The Future of Enlargement

Another important effect of the Eurozone crisis is the future of enlargement process. The EU's enlargement process has been widely supported both by the EU and member states officials, as it has proven to politically stabilize the continent. While presenting the annual Enlargement Package in 2013, the former European Commissioner for Enlargement and European Neighborhood Policy, Štefan Füle said, "Enlargement is a process in the making and despite the economic crisis it is a good policy – it constitutes part of the solution. Enlargement continues to be one of the most effective EU policies." (Fule, 2013).

However, according to the autumn 2013 Eurobarometer survey, European citizens continued to oppose further enlargement of the EU. From 26,000 respondents, 53 percent of them are against the enlargement policy, while only 37 percent of them agree to the enlargement process to continue. Moreover, in the national result of the prospect of the EU enlargement, Germany, France, and Finland are predominant with

more than 70 percent of their respondents opposing further enlargement (Eurobarometer, 2013).

This trend is supported by the survey conducted by the Austrian Society for European Policy unveiling Austrian public opinion. According to the survey, Iceland is the only country supported by 55 percent of the respondents, while the rest of acceding countries viewed with skepticism. This survey revealed Macedonia received the highest level of acceptance among South East European countries with 28 percent, followed by Montenegro and Bosnia-Herzegovina each approved by 26 percent, Serbia, Albania, and Kosovo received 24 percent, 20 percent, and 19 percent respectively. Turkey received the worst results, with only 15 percent of respondents being in favor of its EU membership.

Moreover, EU's accession process also has not been a popular issue in the acceding countries public opinion. According to the Transatlantic Trends survey for 2013, 60 percent of Turks have an unfavorable view of the European Union, and most Turks believe working with Asia is more important to their national interests than working with Europe (The German Marshall Fund of the United States, 2014). Besides economic reason, the same survey also revealed that 42 percent of Turks said the EU had undermined their culture. The number of Turkish support for EU membership has decreased dramatically from the same survey in 2009 that showed 48 percent of Turks in support of accession (The German Marshall Fund of the United States, 2009). This shows optimism for the EU enlargement process has also decreased following the economic crisis in the Eurozone.

From these descriptions, it can be seen the Eurozone crisis has had a profound impact not only in economic terms, but also in political and social aspects. There has been a gap between European leading figures' statements and actions with the public perception of the crisis itself. This mismatch in turn also affected the acceding countries support for the enlargement process. While EU is in deep economic recession, acceding countries, particularly in Turkey's case, are barely affected by the crisis. Thus, the next chapter will be more specifically discuss the Eurozone crisis and its impact on the course of Turkey's reform progress.

CHAPTER 4

TURKEY'S REFORM PROGRESS IN THE POST EUROZONE CRISIS ERA

At the closing of the Helsinki Summit in late 1999, Turkey was finally recognized as a candidate country for membership with the EU. The recognition of Turkey's candidate status was a pivotal point in Turkey's quest of joining the European club, a quest that has been going on from as early as 1959 when Turkey applied for the membership in the European Economic Community. As an official candidate country, Turkey began its efforts in reforming its political, economic, and social structures in order to match European standards. During the first AK Party government in 2002-2007, Turkey and the EU had immense close relations never before seen in the history of Turkey. This close relation between Turkey and the EU marked by several reform efforts from the AK Party government that aligned several of its laws and rules following the standard set by the through its Copenhagen criteria and *Acquis Communautaire*.

These reform efforts mainly focused on the restoration of civil supremacy against the military, adoption of several harmonization packages that strengthen the religious, minority, and press freedom, as well as constitutional amendments in order to democratize the political situation in Turkey. Moreover, Turkey also embarked on economic reforms to ensure the functioning of the free market and its ability to compete with other European's economies. These reform efforts have resulted in a relative improvement of Turkey's democracy. The European Commission, through its annual progress report, has also warmly welcomed these efforts.

Six years after candidacy status, Turkey opened a new chapter with the EU as it enters a negotiation stage of the membership. In this stage, Turkey needed to fulfill the membership responsibility written in the 31 chapters of *acquis communautaire* that regulates many areas from agriculture, fisheries, to energy, and trade. Nevertheless, due to Turkey's Cyprus issue as well as political blockage coming from France and Germany, several chapters of the *acquis* are frozen, leaving Turkey unable to fully reform and adhere to the EU's laws and regulations. Since 2005, there is only one

chapter that has been approved by European Commission, leaving Turkey's EU process holding at a standstill.

Since then, Turkey's reform progress has slowly begun to lose its momentum. The Global Financial Crisis of 2008, exacerbated with the 2010 Eurozone crisis, also had negative consequences in the EU's ability to influence Turkey's reform efforts. On the other hand, while Europe faced with one of its gravest economic crises, Turkey's economy performed better. Characterized with market expansion particularly in Middle East and African region, Turkey's economy has performed better and was minimally affected by the crisis. These dynamics have created an impetus for the stagnation of Turkey's reform efforts following the crisis.

Thus, this chapter will begin its discussion by illustrating the reform efforts done since the conferment of the EU's candidate status in 1999 until the constitutional amendment referendum in 2010. These efforts include the adoption of several harmonization packages, the restoration of civil supremacy, and a start of the Kurdish peace process. Next, this chapter will focus its discussions with the political dynamics that happened in 2010-2015, including elections in 2011, 2014, and 2015, the progress of constitutional amendment, and the freedom of press situation, and the continuation of Kurdish peace process. The third part of this chapter will review economic performances of Turkey under the AK party government and will put emphasize on how Turkey expanded its market to other region besides Europe. Subsequently, this chapter will also cover the social situations in Turkey revolving around strengthening CSOs, educational reform, as well as restoration of religious rights. Lastly, with the intention of evaluating the reform progress accomplished during this period, this chapter will end by analyzing the annual progress reports published by the European Commission during the period of 2010-2015.

4.1 Turkey's Reform Efforts 1999-2010

As stated in the conclusion of the 1999 Helsinki Summit, Turkey needs to have significant changes in democratizing its government as well as resolving its human rights issue with ethnic and faith groups, especially the Kurds in order to be considered as a member state. Moreover, the Copenhagen Criteria also requires the functioning of a market economy able to compete with other existing member states

of the EU. With the overwhelming support for the AK Party government as the result of 2002 general elections, Turkey began to embark in reforming its laws and regulations as well as revamping many of its institutions in order to fulfill the EU's criteria. These reform efforts mainly focuses with the constitutional amendments, aligning laws and regulations under several harmonization packages, as well as restructuring Turkey's economic system.

4.1.1 Constitutional amendment

During the second term of AK Party regime, it has proposed two constitutional amendments. The first amendment proposed in 2007, following a deadlock in the choosing of a new president of Turkey replacing Ahmed Necdet Sezer who completed his tenure in August 2007. The current Turkey's constitution of 1982 states that the appointment of the president shall be done by the parliament. As such, with the status as the ruling party, the AK Party proposed Abdullah Gül, the foreign minister at that time, to fill the office of presidency. However, this proposal was widely rejected since Gül was considered as an Islamist and not thought to represent the secular state. One of the main accusations that came from military and secularist figures was regarding the headscarf of Gül's wife Hayrunnisa Gül (Migdalovitz, 2007). With the institution of presidency in Turkey being long considered as the symbol of secularism in Turkey, and the idea of having a first lady who wears headscarf deemed as incompatible with the idea of secularism (Migdalovitz, 2007).

With the ongoing deadlock, AK Party decides to have an early election in which it managed to win the election for the second time to surpass the quorum needed for submitting the constitutional amendment proposal. According to Ozbudun and Gençkaya (2009 p.100), the 2007 constitutional amendment mainly comprise of five main clauses:

1. the presidential election shall be done by direct popular election instead of by the parliament,
2. the presidential term shall be reduced from seven years to five,
3. the president shall be allowed to be re-elected for a second term,
4. parliamentary elections shall be held once in four years instead of five years,
5. the number of quorum for parliamentary decisions shall be decreased from 67% to 34%.

Thus, it can be seen this amendment opened a wider public participation in form of directly electing their president. The institution of presidency that long seen as the protector of constitution and standing above political parties needs to be strengthened in order to emphasize the checks and balances principle in Turkish democracy. Furthermore, with the direct election of president, the political deadlocks between parliament and president can be avoided.

The second constitutional amendment was held in 2010. When the AK Party began its term in 2002, its party founder and leader, Recep Tayyip Erdoğan has clearly signaled that his administration seeks for a new constitution that is completely formulated by civilians (Ozbudun and Gençkaya, 2009). The second constitutional amendment process began in 2010 with a referendum having strategic implications. In case of approval of the people, it would give a bigger legitimizing power to the government to make changes in the constitution. Furthermore, the referendum that held in September 2010, exactly 30 years after the 1980 coup, would create the first civilian constitution in the history of Turkey.

The 2010 referendum gives more space for the practice of democracy in Turkey. Individual freedom and space for criticizing government policies through demonstrations and labor strikes gain more substantial guarantee with this referendum. There are 22 articles in the 1980 constitution that would be amended in this 2010 constitutional referendum: 10 Articles on judiciary reform, 9 articles on individual freedoms, and 3 articles on parliamentary freedoms. Therefore, it can be seen that through this amendment, Turkey had the possibility to introduce a more democratic form of government. Moreover, democratization in Turkey also carried out in the presence of restructuring the institution of judiciary, especially the constitutional court, which has great authority in politics (Ozbudun and Gençkaya, 2009).

This constitutional amendment also has its own impact in widening individual human rights which is one of the most crucial aspects in the EU enlargement process. The political and social aspects of ethnic minority groups was enlarged through this amendment, paving the way for an end towards the violent conflict that has taken many victims. With the constitution that created by and oriented towards civilian, the notion of Turkish democracy also gain further strength. Thus, this amendment is very crucial in institutionalizing liberal democracy within Turkish political dynamics.

However, further efforts in amending the constitution to become a civilian, democratic, and guaranteeing the rights of all citizens still needs to be pursued.

4.1.2 Harmonization Packages

Table 4.1 List of Harmonization Packages Adopted (Turkish Ministry for EU Affairs, 2007)

| No. | Date | Administration |
|-----|------------------|--------------------------------------|
| 1 | 19 February 2002 | Coalition government of DSP-MSP-ANAP |
| 2 | 09 April 2002 | Coalition government of DSP-MSP-ANAP |
| 3 | 09 August 2002 | Coalition government of DSP-MSP-ANAP |
| 4 | 11 January 2003 | AK Party |
| 5 | 04 February 2003 | AK Party |
| 6 | 19 July 2003 | AK Party |
| 7 | 07 August 2003 | AK Party |
| 8 | 14 July 2004 | AK Party |
| 9 | 12 April 2006 | AK Party |

Another significant achievement in fostering Turkey and EU relations is the approval of harmonization packages during the AK Party government. Under the National Program for Adoption of the *Acquis* (NPAA), harmonization packages aimed at aligning Turkish legislations with EU laws and structures. It consists of several amendments of Turkish laws and bills that were adopted at the same time. These harmonization packages touched upon significant and sensitive issues that obstructing the practice of democracy and protection of human rights in Turkey.

During the first AK Party government, it passed at least four harmonization packages that touch upon many significant aspects in providing a more democratic government in Turkey. Two of the most significant changes that carried within these harmonization packages were adopted in July and August 2003 that provisioned upon the use of native languages in public, including in media and schools (Turkish Minister of Foreign Affairs, 2007). This provision opened a way for the recognition of Kurdish language in Turkish public political sphere. The introduction of Kurdish language can be seen as an integral part on resolving armed conflicts with the Kurdish separatist group PKK that have been going on for many years. Since this endless conflict that has taken many victims was one of the consideration that delayed Turkish accession to EU, the possibility of conflict resolution provided by this legislation amendment can be seen as paving a smoother way in Turkish

negotiation to access full membership status in the EU. With these provisions, Turkey has proven itself that the respect towards human rights, which is one of the most fundamental values of the EU, is existed in Turkish society.

The adoption of these harmonization packages also paved the way for restructuring the judicial system in Turkey. The seventh harmonization package specifically introduced a series of amendments enacted to the Penal Code, Anti-terror Law, Code of Criminal Procedure, Law on the Establishment and Trial Procedures of Military Courts, Law on the Court of Accounts, Law on the Establishment, Duties and Trial Procedures of Juvenile Courts, Law on Associations, and the Civil Code (Ministry for EU Affairs, 2007). The introduction of these reforms has created a more balanced system in Turkey's judicial system based on the respect for human rights. Moreover, Turkey also began to adopt European rules in its civilian and criminal law. The third and fifth harmonization packages began to incorporate European Courts of Human Rights rulings as part of its justice system. The third harmonization package also ruled for the abolishment of the death penalty, a provision that has been long advocated by the EU as parts of its human rights promotion. Thus, it can be seen these harmonization packages had a profound impact on Turkey's political and judicial system towards a more democratic one. However, as we can see from table 4.1, the last harmonization package introduced in 2006, with virtually no further efforts in amending laws and regulations after the ninth package was introduced.

4.1.3 Restoration of Civil Supremacy

Furthermore, one of the biggest challenges in Turkish accession towards the EU is the functioning of liberal democracy. In order to ensure the stability of candidate country, the EU give much pressure on democratic values to exist within the candidate country's political system. With the frequent *coup d'états* that happened in Turkey, the respect towards democratic values have been questioned from the EU commissioner. The strong presence of the military in political system also created a dilemma for Turkey.

These situations solved with the August 2003 harmonization package regulating the National Security Council (NSC) of Turkey. NSC designed and developed as a consultative body regarding the military and security issues. Nevertheless, in its development, the NSC became an institution used by the military not only to express

ideas in the field of security and military means alone, but is also used to convey a political agenda owned by the military (Usul, 2011). According to Usul, this consultative body, consists of military generals, has grown to have a final say on any political and economic matters, thus negating the notion of civilian supremacy in Turkish democracy. (Usul, 2011).

The August 2003 stripped the NSC from having a wide amount of power, to become an institution responsible for creating only security policies. By reforming the power structure of the NSC, the role of the NSC is re-affirmed as an institution with limited authority to provide advice and guidance on the course of government. The changing role of the NSC is intended to reduce the military's role in policy-making done by the Turkish government (Usul, 2011). In addition, the power structure that once was dominated by military generals, began to submit to civilian elements such as ministers, ambassadors, and university rectors. These changes are in accordance with the contents of the seventh harmonization package stating the post of Secretary-General appointed by the President on the recommendation of the Prime Minister. Consideration of the Chairman of the General Council is only required when the candidates come from the secretary general of the military (Usul, 2011).

Finally, in its attempt to establish a professional military practically free from political influence, a number of reforms to the armed forces in Turkey were also performed. These reforms generally focus on three things, namely transparency of military budgets, the elimination of military representation in the civilian agencies, as well as changes in the structure of the military court. One of the achievements of reform of the armed forces during the rule of the AK Party is the issuance of law governing the transparency of military budgets. This is important because this is one of the things heavily criticized from the European Union, the absence of mechanisms regulating the transparency of the military budget (Dağı, 2001). Transparency in the armed forces conducted with the enactment of legislation governing the audit of all armed forces' business entities by the Turkish Courts of Account (*Sayıştay*).

4.1.4 Response from the European Commission

Report of the European Commission's Review are official documents from the European Commission that outlines the development of a candidate country applying for membership in the European Union. This report is about the development of the

country's relations with the European Union's political and economic conditions, as well as conclusions about the development process of the country's integration into the European Union (European Commission, 2015). Commission's Review can be used as a guide to the evaluation of the efforts made by a candidate country in meeting with the Copenhagen criteria.

In the field of politics and democracy, European Commission, through its yearly progress report, gave positive responses to the changes in the rules and regulations in Turkey. The Commission also stated a change of legislations provides a brighter future of democracy in Turkish politics. Nevertheless, some important records remain a particular concern of European Commission. The main issues of concern are the inability of the Turkish parliament in ensuring the implementation of the changes in law that has been approved. Effectiveness of implementation monitoring agency established by the parliament also continuously questioned.

The success of the AK Party government to conduct civilian oversight of the military also gets a positive response from European Commission. However, there are some issues raised and demanding settlement. Firstly, the Commission still deemed the figures in the Turkish armed forces considered to have indirect influence through his comments relating to the political, social, and foreign policy in public forums. In addition, the European Commission also noted the inability of parliament in overseeing the military budget. Regulations regarding audit, issued only to the documents officially issued by the military, making it difficult in conducting an investigative audit. Finally, the European Commission also takes note of the absence of changes to the Turkish Armed Forces Act and the NSC Act.

In civil rights and freedom affairs, the European Commission listed a number of approvals of the changes made by the AK Party government. However, there are a number of obstacles related to bureaucratic requirements needed in fundraising, public benefit status, as well as the lack of a simpler rule for the establishment of a CSO. Furthermore, related to the development of freedom of association, European Commission also criticized the extensive use of police forces in mass demonstrations. In addition, there remain a number of impediments in using the Kurdish language, especially in political life, and matters relating to the legal system.

Regarding Turkish economic development, the European Commission gives a positive response to the direction of the development of the Turkish economy under the AK Party government. The European Commission noted the market economy system implemented under the AK Party government can work well if the government is able to maintain its stabilization policy through a reform package issued. Since 2003, the Turkish economy is not only able to emerge from the financial crisis, but was able to record a number of milestone achievements into economic growth during the Modern Turkish Republic.

However, the Commission also takes note of some issues that can be a burden for the Turkish economy. First is an unimplemented change to regulations related to fiscal transparency. In addition, problems in the legal system to open a business are still seen to have a bureaucracy that makes it difficult for a company's licensing process. The government also assessed fixing a number of commodity prices, which has a conflict with the principles of market economy system run by the European Union. Thus, although the Commission welcomed the positive economic growth during the rule of the AK Party, but there are a number of perceived barriers to collide with the market economic system adopted by the European Union.

Thus, it can be seen democratization efforts undertaken by the AK Party government get a positive response from the European Union as they provide greater opportunity for Turkey to adopt systems used by the European Union. However, the main problem now is the implementation and oversight of the democratization efforts. The Turkish government still considered to have a less strong commitment to the implementation and monitoring of a number of reform packages issued by the parliament. This has in turn inhibited the entry of Turkey into the European Union. Without resolving these issues, it is increasingly difficult for Turkey to be able to the benefits contained in the status of full membership in the European Union.

4.2 Political Dynamics of 2010-2015

One of the most critical aspects in Turkey's reform progress following the 2010 Eurozone crisis lies in the political aspect. With the decrease in the EU's assistance and grants supporting the democratization process in Turkey, the unpopularity of further enlargement of the EU, as well as political blockade coming from the EU's

leaders, the pace of political reforms in Turkey are seen as the main challenge in furthering the process of democratization in line with the EU accession process. Moreover, in the post-2010 Eurozone crisis, Turkey seemed to increase its role in the region and is having a divergent set of foreign policy, no longer only anchored towards Europe. This new foreign policy role is summed up by the then Foreign Minister, Ahmet Davutoğlu who stated Turkey's foreign policy role will be based on a proactive role in supporting the "establishment of a more peaceful and prosperous regional order" (Davutoğlu, 2012). However, with the decrease of the EU's influence in consolidating democracy in Turkey, the progress of political reforms that has been widely celebrated could also be put on danger.

4.2.1 Constitutional Amendments

In the discussions and debates leading up to the 2010 constitutional amendments, scholars, academicians, journalists, and politicians have come to the conclusion the 1982 constitution still use until today is not democratic, civilian, and guaranteeing freedom, creating a sense Turkey is in an urgent need to construct with its own constitution. The 1982 constitution is often criticized as establishing a number of institutions designed to strengthen the position of military in the Turkey's government. Thus, it negates the proponent of civilian supremacy that is an indivisible part of democratic governance. The Constitution established a number of tutelary institutions designed to check the powers of the elected agencies and to narrow down the space for civilian politics. Foremost among such institutions was the Presidency of the Republic. The combination of the constitutional referendum with the election of the next President of the Republic gave General Kenan Evren, who was the sole candidate, the possibility of exercising tutelary powers over elected governments for a period of seven years (1982-1989) (Özbudun, 2012).

The 2010 constitutional amendment brought extensive judiciary reform in Turkey, strengthened the role of the constitutional court and introduced articles that paved the way for the expansion of minority rights (Coşkun V., 2013). When the parliamentary election campaign started six months after the referendum, political parties promised to draft a new constitution in their election manifestos. After this election, Turkey inevitably faced the question of whether the new parliament will be able to change the 1982 Constitution. The National Assembly came together on October 1, 2011 and the constitution-making process began. The head of parliament, Cemil Çiçek, held a

consultation with academics studying constitutional law and the political parties formed a commission to negotiate a new constitution (Özpek, 2012).

However, following Erdogan's election to the presidential seat, the discussion surrounding constitutional amendment shifted its focus towards changing the government system from parliamentary towards presidential. Opposition parties has seen this shift is done in order to increase the already vocal and politically active President Erdogan, while giving him more political power than what currently the presidential position in Turkey has (Kaya, 2014). Skeptics on the current constitutional amendment process state the constitution will be amended to "enshrining the presidential system. Under this system, Erdoğan is going to proceed to shape Turkey according to his own vision during his presidential term, which will last until 2019" (Kaya, 2014).

On the other end of the discussion, Emin Ekmen, one of member of parliament from the AK Party stated Turkey's need for a modern, civilian, democratic, pluralistic, and pro-freedom constitution has been marred by the debate of whether Turkey will adopt presidential system or not (Ekmen, 2015). He insists the AK Party government, who did not gain enough seats to launch the amendment alone, will prefer to seek consensus and "Erdoğan has recently opened up a debate on a partisan president and suggested he will not insist on a presidential system, but will rather give the top priority to making a new constitution" (Ekmen, 2015). This signals the inability of AK Party to single-handedly amend the constitution gave the way for a wider participation coming from both opposition parties and the society, providing the checks and balances in the process. However, with the strongly divided parliament both between the opposition and ruling parties as well as between the opposition parties itself (Erdoğan, 2016), (Bipartisan Policy Center, 2016), the debate on constitutional amendment is a heavily contested political issue without any significant progress.

In regards to the EU influence in the constitutional amendment process, a senior diplomat from the Turkish Foreign Minister, Mesut Özcan, states while in the past the constitutional amendment, reformation of state structures, and revision laws, gained much influence from the Turkey's accession process, this was no longer the case after the 2010 constitutional amendment. "This time the reason of Turkey planning to have a constitutional changing is not because of the pressure of coming

from the EU but [more] domestic” (Özcan, 2016). However, the domestic influence in the current constitutional amendment efforts still considers the EU agenda and proposal coming from the EU. He claims the policy makers still use “EU as benchmark, kind of tool to imitate, to follow, and to observe” (Özcan, 2016).

From these remarks, it can be seen that the EU is no longer the driving force for the constitutional amendment process after the Eurozone crisis. The domestic considerations are more strongly stressed for the constitutional amendment process while EU’s legislations are only put as a benchmark. There has been less eagerness in following the EU’s values and norms, and applying those values into Turkey’s constitution. This is a clear example of a stark contrast compared with the previous legislations and constitutional amendment that tried to incorporate EU’s legislations written in the *acquis communautaire* into Turkey’s legislation system. Therefore, it can be seen that the EU has less credibility in influencing Turkey’s political dynamics following the 2010 Eurozone crisis.

4.2.2 Elections

General elections are one of the most fundamental values in a democratic society. The provision of regular, free, and fair elections create a degree of government accountability as well as giving the people the political power is the most profound aspect in the functioning of democracy. In the period of 2010 until 2015, Turkey has held three parliamentary elections and one presidential election. In general, these elections were held in a peaceful manner with sufficient democratic standards. Moreover, the EU, through its international election observers, also has given generally positive feedbacks on these elections. However, there are some issues, especially in the parliamentary election of 2015 where Turkey’s president has been criticized to be involved too much during the campaign and mass rally period.

2011 General Election

In June 2011, Turkey held its general election to fill the 550 seats of the unicameral Grand National Assembly. In adherence to the 2007 constitutional referendum in 2007, this election was held after four years after the last election in 2007 instead of five. The result of this election was a third consecutive victory for the AK Party with Erdoğan being re-elected to fill the Prime Minister’s office for a third time with 49.8 percent of vote and 327 members of parliaments. Compared to the 2007 election, AK

Party has increase 3.2 percent of the vote, making the 2011 election as the largest vote share ever achieved. The main opposition, Republican People's Party (CHP) received 26 percent and 135 members in parliament, while the Nationalist Movement Party (MHP) won 13 percent with 53 members in parliament.

This election drew positive response from foreign observers, calling the 2011 election “demonstrated a broad commitment to hold democratic elections in Turkey ... The existence of a solid framework and of experience in the conduct of democratic elections is clear” (OSCE ODIHR, 2011), “a really triumphant example of democracy in action” (Peet, 2011). The European Commission and the European Council also released a joint statement saying “The results open the way to further strengthening Turkey's democratic institutions, as well as to the continued modernization of the country, in line with European values and standards” (European Commission, 2011).

These positive feedback statements illustrate the overwhelming support for Turkish democracy in line with the reform efforts that has been done for more than a decade. However, these reports also note the need for Turkey to further implement the reform efforts as well as furthering the process of its constitutional amendment. Friedrich Erbert Stiftung report also began to hesitancy in the Turkey's-EU relation stating, “Time will tell whether Turkey's interest in continuing its efforts towards a future accession to the EU amounts to nothing more than the creation of a ministry for European affairs” (Meier, 2011).

2014 Presidential Election

As an implementation of the 2007 constitutional amendment, in August 2014, Turkey held its first ever direct presidential election. There were three candidates competing in this election; Erdoğan, supported by the ruling AK Party, Ekmeleddin İhsanoğlu, jointly supported by the CHP, MHP, and other smaller parties, and Selahattin Demirtaş, supported by the pro-Kurdish voters of Peoples' Democratic Party (HDP). With 51.79 percent, Erdoğan won the election and became Turkey's 12th president with an official swearing in ceremony held in August 2014. The incumbent foreign minister, Ahmet Davutoğlu was selected to assume Erdoğan's role as the party leader and formed the 62nd Government of the Turkish Republic.

In contrast to the previous election that reaped much international support, there was some controversies in this election. The first controversy is stated by the Organization for Security and Cooperation in Europe (OSCE)'s Office for Democratic Institutions and Human Rights (ODIHR) regarding the alleged use of public funds to finance Erdoğan's campaign. The second controversy revolving this election is the unfair amount of election coverage in the state media. The Radio and Television Supreme Council (RTÜK) found that between 2 and 4 July, the state-owned media channel, TRT, has given 204 minutes covering Erdoğan's campaign compared to less than a total of 3 minutes to other candidates (Gurcanlı, 2014). However, with the majority of the council is formed by members of ruling party, there were no sanctions given.

2015 General Election

The 2015 general elections was held twice caused by the inability of any elected political parties to form a government after the first round of election. Although the AK Party won 258 seats with 40.9 percent of the vote in the June round, it could not establish its own single party government, the first time since 2002. Compared to the 2011 election, the CHP also lost a considerable amount of vote winning 132 seats with 25 percent of the vote. On the other hand, the MHP saw an increase in their vote shares, winning 80 seats with 16.3 percent of the vote. According to Konda, an independent election observer agency, this increase in MHP votes has been thought to be coming from dissatisfied AK Party supporters (Konda, 2015). The stunning overall performance in the June elections was attributed to the HDP that won 13.1 percent with 80 seats in the parliament. The HDP's decision to contest the election as a party, unlike with independent candidates, was risky as it had to garner a minimum 10 percent of votes to be represented in the parliament. However, boosted by the charismatic leader Selahattin Demirtaş, who ran as presidential candidate a year before the general election, the party performed better and managed to gain support from not only the Kurdish ethnic groups, but also the left wing side of Turkish society.

The inability of the AK Party to form a coalition government after it negotiated with CHP and MHP resulted in the second general election in November 2015. In this election, the AK Party managed to secure the needed seats to form its own government by winning with 49.5 percent of the votes equal to 317 seats. While the

opposition parties, CHP, MHP, and HDP, won 134, 40, and 59 seats respectively. However, with the constitutional amendment issue has become more important, the number of seats achieved by the AK Party government is not sufficient for single-handedly amending the constitution creating possibility for consensus creation as well as compromises with opposition parties in order to draw a new constitution. This situation guarantees a more inclusive and democratic constitution as opposition parties have a strong role in the checks and balances system during the constitutional amendment process.

Although in overall condition both elections have been done in a peaceful manner, certain aspects of the elections have gained considerable amount of criticism. The first criticism is directed to the extensive role of President Erdoğan in AK Party rallies and general meetings. Constitutionally, presidential post in Turkey is a largely ceremonial one and the president should stand above politics. However, this was not the case with Erdoğan. He was heavily involved in the elections through numerous “opening ceremonies” in which he gave political speeches in supporting certain candidates. There has been accusation that the public facilities opened by Erdoğan were actually opened to the public before (Srivastava, 2015). This shows how much the President was involved during the election rallies and public meetings. The position of President in Turkey who constitutionally should be above politics and a symbol for the unity of nation has been compromised with these actions.

In general, the EU welcomed the provision of both general elections in 2015, noting that a very high turnout where more than 80 percent of Turkish population went into ballot stations and casted their vote, signaling the strength of Turkish democracy. The involvement of HDP in both elections and able to gained seats in the parliament was a positive signal that Turkey’s parliament began to give wider representation to all ethnic groups in Turkey. Moreover, the EU also applauded the security of the repeated election despite increasing security threat coming from the east and southeast part of the country. (European Commission, 2015).

However, the OSCE Observer Mission stated that “while Turkish citizens could choose between genuine and strong political alternatives in this highly polarised election, the rapidly diminishing choice of media outlets, and restrictions on freedom of expression in general, impacted the process and remain serious concerns”. (Parliamentary Assembly of Council of Europe, 2015). Moreover, with one the

world's highest election threshold of 10 percent, it also limits the political pluralism as it restrict other political entities to be represented in the parliament.

These criticisms show that in term of democratic practices, Turkey still has deficiency in the administration of its elections. There have been wide criticisms especially in terms of freedom of expression as well as media unbalanced reporting during election rallies. The violence in the largely Kurdish populated areas in the southeastern part of country had a significant impact on the elections. HDP's ability to campaign in their voter bases has been hindered due to these violent situations. With democracy at its center of the EU's values and norms, these irregularities during election time has been one of the main challenges in Turkey's accession process towards the EU. With the decrease in supporting democratic practices coming from the EU, Turkish government has put less attention in further consolidating democracy based on the reform efforts that it has been done in the previous periods.

4.2.3 Freedom of Press and Expression

Another important aspect in the political development in the post Eurozone crisis in Turkey is regarding the freedom of press and expression. The guaranteeing of freedom of expression is important since the comprehensive understanding of democracy is not only limited on elections, but also more importantly how groups of people have the ability in influencing government's policies. The state guarantee people have freedom to assemble and express their voices is essential in a consolidated democracy. One of the most important instances showing the threat towards freedom of expression in Turkey during this period is the Gezi Park protest that occurred in the summer of 2013 in Istanbul.

With the increasing importance of environmental issues in Turkey, the Gezi Park protest began with a small group of environmentalists rejecting the municipality's plan to renovate Taksim's Gezi Park. They were concerned that the renovation of the park would cut down the remaining trees and accused the municipality of having an intention to turn the Park into an integrated shopping mall (Arango and Yeginsu, 2013). What began as a relatively peaceful protest, was answered by the deployment of excessive police forces in order to disperse the protestors.

Extensive use of water cannon, tear gas, and rubber bullets created a widespread outcry from other elements of the society, especially from those who grew weary of the incumbent government. A small scale protest focused on environmental issues quickly turned into massive unrest against the incumbent government with other protests in major cities such as Ankara, Izmir, and Adana being held in support of Istanbul protests. According to a report published by Amnesty International, the disproportionate police force used in the protests resulted in 11 fatalities with more than 8,000 injuries (Amnesty International, 2013).

Thus, from this illustration, it can be seen that there has been disproportionate use of police force towards protestors who tried to express their voices. In spite of several law amendments that provide more freedom in conducting demonstrations, these reformed laws were not fully implemented in this incident. The state's handling of the protest gained much criticism, especially from the EU. The then enlargement commissioner Stefan Fule stated, "peaceful demonstrations constitute a legitimate way for groups to express their views in a democratic society, excessive use of force by police against these demonstrations has no place in such a democracy" (Morris, 2013). However, with the lack of accession's pressure on Turkey's government, this criticism did not gain a lot of attention from Turkish leaders that continued to use excessive police force in dealing with the protestors.

On the other hand, the peaceful notion of the demonstrations is not fully truthful. Protestors throwing Molotov cocktails and stones towards the police forces are not a rare occurrence, creating casualties and injuries on the security personnel. There has been no official statement from any groups taking part in the demonstration as to who turn the demonstration into a violent one, in spite the perpetrator are caught on camera and the pictures are circulated on social media (Hurriyet Daily News, 2013).

Another important aspect is the media freedom in Turkey that has gained much criticism for the last five years. The harmonization packages and amendment of laws helped the Turkish media to gain more freedom compared to the era during the military played an active role in politics. These amended laws have made it difficult for the government to close and ban media groups, paving the way for freer media associations. However, since 2010, Freedom House, an independent organization dedicated to the expansion of freedom and democracy, has ranked Turkey as "Not Free" in terms of media freedom (Freedom House, 2015).

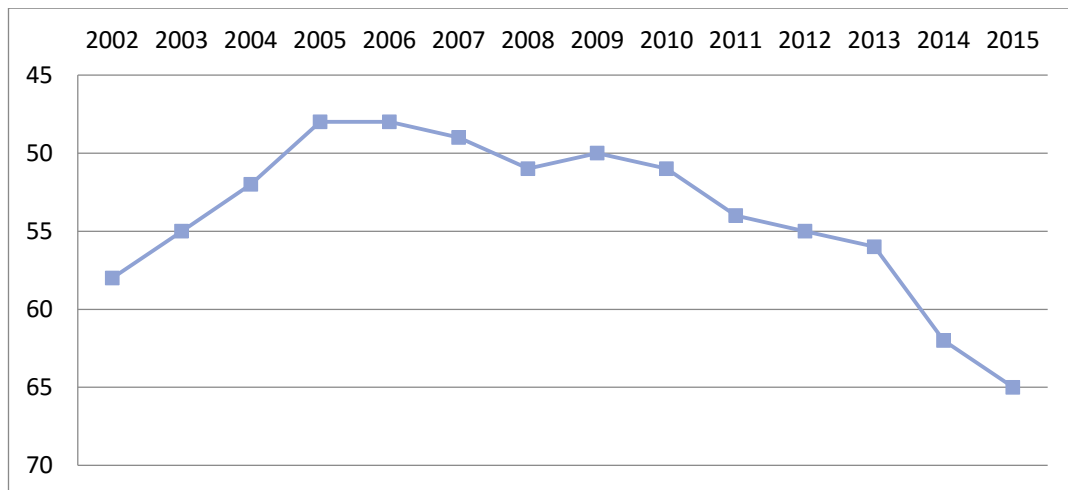


Figure 4.1 Freedom of Press ranking of Turkey (Freedom House, 2015)

They note media freedom in Turkey has deteriorated compared to the pre-2010 era. Freedom House argued the reason behind this deterioration is the new laws that expand state’s power and the surveillance capability of National Intelligence Organization (MİT), as well as unprecedented legal obstacles faced by the journalists as the base for the low status of media freedom in Turkey. Moreover, Freedom House also criticized the use of the penal code, criminal defamation laws, and the antiterrorism law in order to give pressure on journalists and media outlets (Corke, *et al.*, 2014).

The EU has long highlighted the importance of freedom expression and the media as part of the accession process. The Lisbon Treaty clearly states no country can join the EU without guaranteeing freedom of expression as a basic human right (European Union, 2012). The EU also took freedom of expression as a key indicator of a country’s readiness to become part of the EU since it enshrines commitment democracy, good governance, and political accountability. In 2015, the EU stated “after several years of progress on freedom of expression, serious backsliding was seen over the past two years” citing “Significant shortcomings affected the judiciary” and “an increased pressure on the media” as the cause of this deteriorating state of press freedom in Turkey (European Commission, 2015). Johannes Hahn, the European Commissioner in charge of enlargement negotiations, has highlighted “deteriorating media situation impacts the overall readiness of the accession country to join the European Union” (Hahn, 2015).

However, when being criticized regarding the state of freedom of the press in Turkey, President Erdoğan commented, “We have no concern about what the EU might say, whether the EU accepts us or not, we have no such concern. Please keep your wisdom to yourself,” (BBC, 2014). This shows that Turkish leaders have dismissed the influence of the EU in furthering reforms, especially regarding the media freedom. The 2010 Eurozone crisis decreased the expected utility of becoming an EU member, thus the EU has less credibility in Turkey’s domestic political discourse.

Therefore, considerable amount of reforms in laws regarding the free press and state guaranteeing of the freedom of expression should be one of the top priority in the future efforts of consolidating democracy in Turkey. The checks and balances power owned by the media signifies its importance in the democratic society. However, Turkey’s government also needs to ensure the credibility and the accuracy of the media so it will not propagate false news.

4.2.4 Kurdish Peace Process

Lastly, the Kurdish peace process is an important part in the political development of Turkey. The harmonization packages that have widened the rights for minority ethnic groups paved the way for bringing peaceful resolution, especially with the Kurdish ethnic group. The permission of the use of local dialects both in schools and in broadcasting is a significant step in restoring the social rights for the ethnic groups in Turkey. The economic development targeted for heavily populated Kurdish cities in South Eastern part of Turkey also brought the possibility of peaceful resolution to the conflict.

These peace efforts materialized in the end of 2012, with the Turkish government began to signal its intention in creating a peace project and ceasefire by negotiating with the life imprisonment sentenced PKK leader Abdullah Öcalan. This negotiation was only made possible with the increasing social and political rights that have been given to the Kurdish minority group through the reform efforts that have been done for more than a decade. These reform efforts have paved the way for a civilian and peaceful conflict resolution, a diverging path compared to the military approaches that has been taken by previous governments. The AK Party leadership has

recognized that military campaigns against the PKK were not only ineffective, but also created further conflicts.

Finally, on 21 March 2013, during the Kurdish New Year of Nevruz celebration in Diyarbakır, Öcalan's letter to the public was read. This letter called for a cease-fire that included disarmament and withdrawal from Turkish soil and calling an end to armed struggle (Matthees and Seufert, 2013). This call was welcomed by the PKK that announced that they would obey the call, and stated that they will begin to withdraw all of its forces within Turkey and move it to Northern Iraq (Matthees and Seufert, 2013). With the withdrawal of some of the PKK's armed forces from Turkish soil marked the end of more than three decades of violent conflicts. The second phase of the peace process that includes constitutional and legal changes towards the recognition of human rights of the Kurds simultaneously started.

This shows that the political and social reforms that have been influenced with the EU accession progress had the ability in ending the violent conflict between the two entities. The military approach that has been taken since the 1980s, cannot be seen as the best example of creating peace for Kurdish minority group. Instead, the recognition of political, economy, and social rights of the ethnic groups should be emphasized in creating a national identity that is inclusive and democratic. Thus, the continuation of creating a civilian constitution as well as amending discriminatory laws and regulations is substantial in fostering peaceful solution of the conflict.

However, with the increasing security tension coming from the Syrian civil war as well as the growing atrocities coming from the ISIL, the resurgence of hostilities between the Turkish government and its military forces with the PKK started again in mid 2015. The resurgence started with the siege of Kurdish city of Kobani by the ISIL in Syria after which the PKK's unilaterally decided to end the ceasefire. The PKK blamed Turkish military for bombing the PKK bases in Iraq as well as the PYD bases in Syria that caused casualties not only to military forces but also towards civilians according to Human Rights Watch (2015).

The EU recognizes the PKK as a terrorist organization and condemns its violent atrocities. Frederica Mogherini, the High Representative of the European Union for Foreign Affairs and Security Policy stated, "as you know very well, for the EU, the PKK is a terrorist organization from all perspectives. We see the PKK as a terrorist

group for its activities both in and outside the EU and we remain loyal to this” (Daily Sabah, 2016). EU leaders have strong support for the Turkish government in fighting terror attacks coming from the PKK. On the other hand, the EU also supported the Syrian-based Kurdish fighting forces known as Partiya Yekîtiya Demokrat – Democratic Union Party (PYD), as it is believed that the PYD has the capability in fighting the ISIL forces (Salih, 2015). Moreover, the PYD, unlike the PKK, is not listed as a terrorist group and received extensive military training conducted jointly by the United States and the EU. The international support for the PYD created a security dilemma for Turkey which is concerned with the revival of Kurdish separatism within the Kurdish community in Turkey. This different standpoint regarding the Syrian issue has led to more divergent foreign and security policies taken by the Turkish government.

With the importance of the Kurdish issue for the political and economic stability in Turkey, Turkish Foreign Ministry also puts a lot of attention in terms of finding clear and sustainable solution of the issue. According to Özcan, a peace agreement between Turkey’s government and the PKK could be achieved through settlement that satisfies both sides of the conflict. He also emphasized the role of the new constitution in the making, stating that the recognition of Kurds as an indivisible part of the Turkish nation should be fostered. Moreover, he highlighted the importance of economic program directed towards Kurdish population in Turkey. The newly announced plan to rebuild the war-torn city of Çizre announced by the Prime Minister in early 2016 could be taken as an example. This plan aimed at rebuilding 2,700 houses in the Çizre district of southeastern Şırnak province (Emen, 2016). Thus, with the economic development that brings prosperity and stability to Turkey, it can strengthen the national identity of Kurds as part of the bigger narrative of the modern Republic of Turkey. With respect to the main question on the relationship between the Eurozone crisis and Turkey’s reform process, this indicator shows that Turkey is less and less responsive to the EU calls on the Kurdish question. While the PKK ended the ceasefire and started to target Turkish security forces again starting from July 2015, Turkish government responded to it not only with military measures but also with political measures such as removing the parliamentary immunities, which affects the HDP politicians most. While the EU repeatedly criticized Turkey’s

removal of parliamentary immunities, Turkey paid little attention to the EU concerns (Hurriyet Daily News, 2016).

4.3 Turkey's Economic Development

In the midst of the economic downfall in almost half of the EU member states, Turkey has proven to be relatively stable compared to its European neighbors. The ongoing economic reform that has been done since the AK Party took power contributed to the robust economic development amidst the European crisis. The 2001 Turkey's economic crisis also gave invaluable experience for the Turkish model of economy that has helped it eschew from the main factor of the 2010 Eurozone crisis. Moreover, with Turkey's more active foreign policy, has also opened new markets in emerging countries, particularly in the Middle East and sub-Saharan Africa. Although the EU and its member states still come first as Turkey's export destination, the growing market created from this market diversification has lessened Turkey's dependence on European markets. Despite the fact that Turkey also experienced significant drop in its GDP growth caused by both the Global Financial and the Eurozone Crisis, Turkey's economy has managed to recover quicker than other European countries, and it is still growing to become one of the world's economic powerhouses. Thus, as Turkey transforms itself to become a regional power, there has been less interests in following EU's laws and legislations as the price of membership.

4.3.1 Reform Efforts

One of the main contributing factors in the AK Party's victory at the end of 2002 is the dire economic crisis in 2001 that happened mainly because of political instability in Turkey. The political instability happened since the mid of 1990s caused by frequent changes of power as the result of political rivalry between Motherland Party's Mesut Yılmaz and the True Path Party's Tansu Çiller who formed a coalition in 1997 (Zürcher, 2001). When this coalition government fell, the Necmettin Erbakan's Welfare Party formed a coalition with True Path Party with Erbakan filling the Prime Ministry post.

However, Erbakan's explicit Islamist political agenda gained suspicion from the military that at time held a tremendous power as the guardian of the secularism in Turkey. This resulted in a postmodern coup in which the military forced Erbakan to yield power to Demirel who yielded to Yılmaz on June 19, 1997 (Zürcher, 2001). This political instability is worsened with Turkey's high dependency towards foreign loans and high interest public bonds. By 2000, there was massive unemployment, a lack of medicine, tight credit, slow production to fight inflation, and increasing taxes. Stabilization efforts had yet to produce any meaningful effects, and the IMF loan was widely seen as insufficient (Zürcher, 2001).

This historical experience pushed the AK Party government to made several economic reforms as part of its quest in becoming an EU member state. Since its victory in late 2002, the AK Party has pursued a generally liberal economy agenda, including various privatization programs, promotion of foreign direct investment, fiscal discipline, controlled monetary policies, maintenance of both political and economic stability, as well as reforms in social areas such as creating social security system, health and education, and rural development projects (Acar, 2009).

These economic reform efforts can be seen as both to maintain the AK Party power in the government as well as increasing economic relations between Turkey and the EU. At that time, Turkey membership in the EU still considered bringing economic benefits as it not only was bringing the much needed pre-accession funds and assistance, but also increased Turkey's access towards European markets. Moreover, the technological transfer coming from European industries towards Turkish manufacturing companies was also considered as the EU's economic importance towards Turkey.

Reforms in economic structure become the main part of stabilization program implemented by the AK Party government with assistance from the IMF. This structural reform aimed at increasing Turkey's income, especially through tax revenues. This step is taken considering that "accumulated problems of structural nature and existence of financial performance criteria such as primary surplus that are important for implementation of the program" (Yılmaz, 2010). Once the revenue structure has been reformed, other fields related to fiscal policies and public spending system easier to control. The main concern in the tax revenue reform is in the Value

Added Tax including its efficiency and other expenditure taxes, while income tax and property taxes were not so much emphasized (Yılmaz, 2010).

Other than increasing its revenue, Turkey also furthered its privatization program that has begun in late 1990s but halted due to political and legal constraints. One of these privatization agenda was held in the state-owned telecommunication company, Türk Telekom that was founded in 1994. In order to increase its productivity and efficiency, in 2005 70 percent of its share was privatized through block sale and an offer to the public (Bağdadioğlu and Çetinkaya, 2010), while 30 percent of its shares still held by the Treasury.

In the case of electricity privatization, the most important component of reform has been the privatization of the public-owned generation and distribution assets. This reform divided electricity distribution into 21 regions, founded a distribution company for each region, and granted 49-year concessions to each company. However, due to political intervention stemming from the presence of high theft and loss rates particularly in the East and Southeastern Anatolia regions, this privatization was postponed (Bağdadioğlu and Çetinkaya, 2010).

Lastly, Turkey also privatized the distribution segment of natural gas. According to a report from EMRA, an important part of regulatory reform in natural gas, as in electricity, is the distribution segment of the market. Turkey has used two methods to restructure distribution, the first one is the privatization of regional distribution assets owned by state-owned natural gas companies, while the second method is enacted with auctions for private companies to establish new distribution regions (EMRA, 2010).

However, the ownership in the reform process and reforms themselves particularly in the last 15 years has been one of the fundamental problems hindering the success of reforms. Laws and other legal regulations as well as institutional modifications enforced without sufficient level of ownership by political and administrative authorities were either subject to alterations by retrospective revisions or became inapplicable before put in practice.

4.3.2 Eurozone Crisis and Turkey's Economy

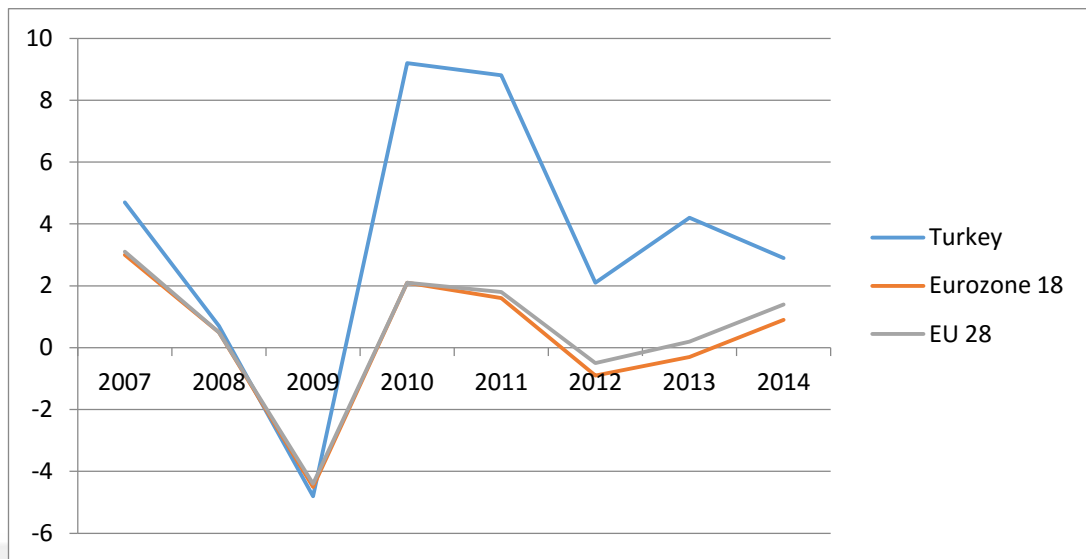


Figure 4.2 Comparison of Turkey and EU GDP Growth Percentage (World Bank, 2015).

Figure 4.2 shows the GDP growth rate comparison between Turkey with both the EU and Eurozone average. From this figure, it can be seen that the global financial crisis happened in 2008 significantly affected the GDP growth rate of both Turkey and the European countries decreasing Turkey's GDP growth into negative 4.8 percent while the EU average of plummeted into negative 4.4 percent, and the Eurozone member countries average at negative 4.5 percent. The significant decrease of the GDP growth affected with the decrease in demand from industries and manufactures from both European and US markets. This condition was exacerbated with the Eurozone crisis that curbed economic productivity due to a decrease in investments.

This figure also tells the economic condition of both Turkey and European countries following the crisis. In the post crisis, Turkey managed to regain its GDP growth rate to be even higher compared to the pre-global financial crisis condition. In 2010, Turkey record 9.2 percent GDP growth rate and stabilized on average of four percent in the period of 2011 until 2014. On the other hand, following the global crisis, European countries only managed to gain two percent GDP growth rate compared to almost four percent before the global crisis. The Eurozone crisis proved to also have deterrent effect in European economy growth when it returns to subtracted into negative one percent of GDP growth in 2012.

This shows that Turkey has an overall better economic foundation in overcoming the crisis and therefore the EU's economic attraction is no longer influential to change Turkey's political condition. With the absence in the Eurozone system, Turkey has managed to steer away from the detrimental effect of the European debt crisis and able to stabilize its economy more quickly than its European counterparts. Therefore, EU's economic attraction has become no longer influential in changing Turkey's political conditions. Whereas economic and market benefits brought by membership in the EU has been one of the driving forces behind Turkey's reform progress in the period of 1999 until 2010, the Eurozone crisis has diminished this influences.

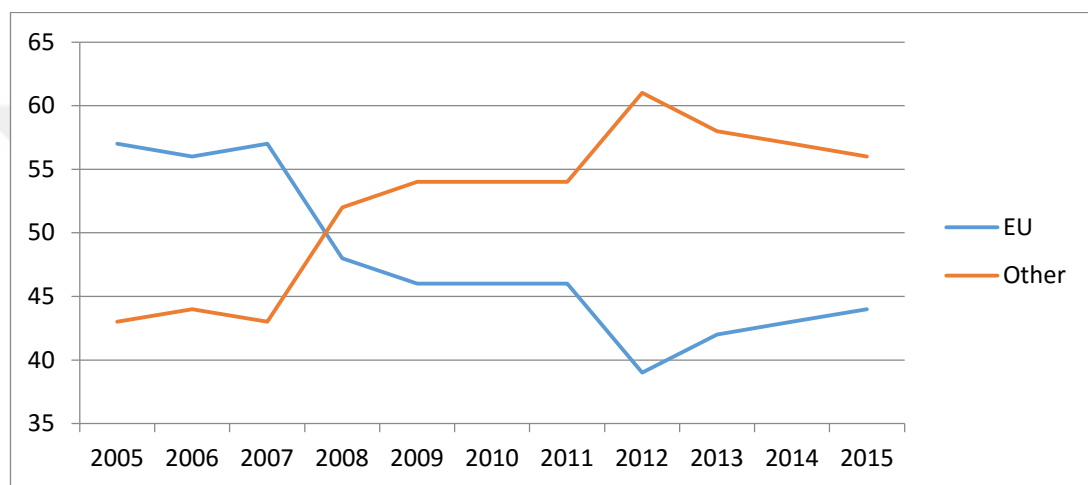


Figure 4.3 Percentage of EU and Other Countries Share in Turkey's Exports (Turkstat, 2015).

Another area that could explain Turkey's economy during the Eurozone crisis is its export activities. This importance is based on Aysan and Ermişoğlu argument says the Eurozone crisis affected Turkey through three main channels: foreign trade, and finance sector (Aysan and Ermişoğlu, 2013). With the Eurozone crisis that slowed down the pace of economic activities in Europe, Turkish exports towards the EU member states has also decreased significantly. Figure 4.3 shows that before 2007 almost half of Turkey's export was targeting European countries, this figure dropped more than 10 percent during the Global Financial Crisis. The effect of the Eurozone crisis is also clear with the decrease of more than 20 percent in 2011 and 2012 compared to the period before 2007. This shows significant influence of Eurozone crisis in Turkey's economy. Turkey managed to save its economy condition due to market diversification agenda that has decrease Turkey's dependence towards European markets.

Another aspect of the effect of Eurozone crisis in Turkey is the public finance and financial discipline sectors, particularly in the banking area. With the experiences and lessons learned from Turkish financial crisis in 2001, Turkey has enacted several reform efforts. In addition, the Central Bank of Turkey also played an important role in designing and implementing new monetary policy framework aimed at reducing the negative effects of the crisis while also securing financial stability (Aysan and Ermişoğlu, 2013). Through the Banking Regulation and Supervision Agency, the Turkish Central Bank managed to closely monitor both private and state banks while controlling the interests rate at the same time. This action ensured the stability of the financial system in Turkey while maintaining a positive climate for investment.

In addition to the banking sector, one of the strengths of Turkey's economy during the Eurozone crisis is its public finance. As the result of the measures taken in the field of budget discipline and fiscal stability as well as the decrease in public debts and the reduction of budget deficit, it has provided Turkish economy with room for maneuver during the crisis. With the experience of dire 2001 economic crisis, Turkey's public finance balances are ahead of many European countries. Moreover, in order to sustain economic growth that Turkey has experienced, Karagöl argues to reduce the dependence on imports and began increase the inputs of domestic products (Karagöl, 2012). This is important in order to increase production capacity so that Turkey's economy may still grow in spite of the economic crisis in Europe.

The government's insistent attitude along with its incentives for domestic production has made real sector made gains through exports within the country. This is not only increase production but also able to accelerate investments. Helped with the budget discipline and reinforcement in the taxation sectors, has made Turkey's economy relatively stable during the Eurozone crisis. The fundamental policies dealing with the current account deficit also include structural measures such as enabling productivity growth in domestic production, prioritizing the production of high value-added products and focusing on competitive sectors (Karagöl, 2012).

These efforts show that Turkey's economy has become the base reason on how it has minimally affected from the negative impact coming from the Eurozone crisis. With stable economic foundation as well as discipline fiscal regime brought by the economic reforms following the 2001 economic crisis, Turkey has managed its macroeconomic capacity to stay productive and increased its economic potential. The

positive economic situation has added to the decreasing importance for the EU markets for Turkish economy. As such, the EU has less such credibility in furthering reform efforts in Turkey.

4.3.3 Market Diversification

Middle East

Since the conception of the modern Turkish Republic, Middle Eastern countries were one of the countries that Turkey had neglected in its course of foreign policy. Middle East has been constantly perceived as unstable regions that possess many security threats for the existent of Turkey. Although there have been some contacts and formal relations of Turkey with the Middle Eastern countries, it mainly revolves around the security and defense issues, rather than a mutually beneficial political and economic terms. These perspectives can be understood by looking at the history of most Middle Eastern countries that are always be in conflict with one another.

Security is a still a very important aspects of Turkish foreign policy towards the Middle East, especially with the war raging in Iraq. Iraq war has very serious consequences for Turkey, since it is closely connected with the Kurdish question that Turkey still yet to resolve. The Turkish parliament decided not to join in the US-led coalition army in the Iraq war of 2003 (Amanpour, 2003). This decision could be seen as a way for Turkey to keep the integrity of Turkey's security policy. By rejecting to be involved in this war, Turkey succeeded in reducing security threats in its borders with Iraq. Furthermore, this step can also be considered as a way to keep the support that came from Muslim world. In the post-war era, Turkey-Iraq relations have shifted to a stronger and better one, signaled by Erdogan's visit to Baghdad in 2009 (Bengio, 2013). During the official visit, several agreements that focus on security and economic ties between two countries were signed. The official visit symbolizes a new approach taken in order to create a more stable region, especially taken into consideration major Kurds population in Iraq.

Moreover, the close relations with the Middle East during the AK Party government cannot be separated with Erdogan's figure that is greatly esteemed by Islamic community in the Middle East. This close relation can be seen with Turkey fully supported the Arab Spring in 2012 that ousted several dictatorial leaders and transformed the Middle East into a more democratic region. During the Arab spring

for instance, Turkey had played an active role in facilitated meetings and dialogues between opposition leaders with US and EU (Paul and Seyrek, 2011). Turkey also hailed as a model country that has successfully applied democracy in a major Muslim population country.

Therefore, support from Turkey is a signal that Turkish foreign policy has transformed into a more active one, taking more initiatives and catalyzed for changes in the region. In present time Turkey, it has both the ambition and the ability to become a leader in the region. Moreover, the democratic Middle East is also beneficial for Turkey to develop its economy even further. A democratic region promises a more secure and stable region that could be beneficial for Turkish businesses to develop trades and start up their business.

Consequently, Turkey also has enjoyed a significant trading enhancement with Middle Eastern countries. Because of new strategies, Turkey's volume of bilateral trade with Middle East countries gained considerable momentum and reached 65 billion USD by the end of 2012 reflecting a sevenfold increase compared to 9.5 billion USD in 2003 (Turkey's Ministry of Economy, 2013). This shows that Turkey has regarded Middle East as one important economic partners. Moreover, with the custom union with the EU that has been enjoyed since 1995, Turkish products have the same quality with European products, but with cheaper costs to import them from Turkey rather than from European countries. This situation is further exploited for Turkish products to reach the Middle Eastern market, creating a further economic advantage for Turkish industries.

Africa

Turkey's engagement with Africa has begun in the end of the 1990s with the adoption of Turkish "Opening to Africa Action Plan" in 1998. This plan focused on increasing political cooperation between Turkey and African countries through increasing the number of Turkish diplomatic missions in Africa as well as increasing humanitarian and development aid through African Development Bank (Bilgic and Nascimento, 2014). When the AK Party took control of the government, this relation reached its peak in started in 2008 when Turkey became African Union's strategic partner. At the same time, Turkey-Africa Cooperation Summit held in Istanbul with

the participation of 49 African countries and considered as the beginning of “a steady and sustainable cooperation process” (Bilgic and Nascimento, 2014).

This relationship intensified following the 2010 Eurozone crisis that saw a more active foreign policy goal of Turkey towards the region, especially in Africa. According to the Turkey’s Ministry of Foreign Affairs, in 2009, Turkey had only 12 embassies in Africa, this number rose to 39 at the end of 2015 with many of representative offices still planned to be opened (Ministry of Foreign Affairs, 2015). At the end of 2014, President Erdoğan headed around 200 Turkish business representatives in the second Turkey-Africa Partnership Summit that was attended by 30 African countries (Shinn, 2015), showing the increasing importance of Turkey in the region.

Not only in political and diplomatic terms, economic relations between Turkey and African countries also significantly increased. With Trade and Economic Cooperation Agreements between 38 African countries signed, Turkey has increased its bilateral trade volume to 17.5 billion USD in 2015, three times the size of the trade volume recorded in 2003 (Ministry of Foreign Affairs, 2015). Steel and iron products represented the highest commodity of Turkey’s export towards sub-Saharan Africa, while pearls, valuable stones, and jewelry are the main imports from Africa (Bilgic and Nascimento, 2014). Moreover, in order to increase economic activities, Turkey’s flag carrier airline, the Turkish Airlines, currently flies to 48 destinations across 31 countries (Ministry of Foreign Affairs, 2015).

Moreover, Turkey has also become one of the most important donor aids for African states. Through *Türk İşbirliği ve Koordinasyon Ajansı* – Turkish International Cooperation and Coordination Agency (TIKA), Turkey has increased its technical aids in terms of social development in African countries. In 2013 Africa was the largest overall beneficiary of aid from TIKA, receiving 33.7 per cent of the agency’s total disbursement (Shinn, 2015). According to TIKA’s 2013 report, from its 40 offices worldwide, 11 of those are located in Africa doing development assistance projects, especially in schools, hospitals, water and sanitation projects, as well as economic infrastructure such as airports, roads, and agricultural projects (Gür, *et al.*, 2013).

Caucasus

With its strategic location, Turkey has many opportunities in playing a bigger role in the region. The geostrategic location that connects Europe with Caucasus countries were more exploited during the AK Party government in form of transit country of gas and oil from the Middle East and Caucasus countries towards Europe. One of the main examples of how Turkey used its geostrategic benefits is the establishment of Baku Tbilisi Ceyhan (BTC) pipeline (Aras and Akpınar, 2011). This pipeline connects gas rich country of Azerbaijan, Georgia, and ends in the southern part of Turkey in Ceyhan. The pipeline is vital in transporting gas from Caucasus towards Europe who has a very high demand of gas for their electricity and heating systems. By using Turkey as transit country, European countries have less dependence on Russia, especially after EU embargoed Russian products following the annexation of Crimea.

Economic trade between Turkey and Azerbaijan also shows a significant rise. In 2000, the volume of commerce between Turkey and Azerbaijan was 326 million USD in 2000 while in 2010 this number increased to 1.059 billion USD (Aras and Akpınar, 2011). This surge in economic relation can only be achieved with strong government policies to enhance the relations in economic terms of both countries. Similar to Azerbaijan, Turkish economic relations with Georgia also grow to exceed 1.5 billion USD in 2010 (Aras and Akpınar, 2011). Currently, Turkey is Georgia's main economic partner, showing that Turkey is playing more important role in the region.

Moreover, in terms of diplomatic and political relations, Turkey also signed the "Protocol on Establishment of Diplomatic Relations" and the "Protocol on Development of Relations" with Armenia in 2009 (Aras and Akpınar, 2011). This was an important step in normalizing the bilateral relations between two countries. Although challenged with the stained historical relations between two countries, this normalization process with Armenia was crucial in creating a more stable and mutually beneficial region. The process of normalization with Armenian was very much influenced with the zero problems policy that has been taken by AK Party policy makers during the recent years (Oskanian, 2011). The resolution with Armenia signaled Turkey was ready to embark on a new foreign policy perspective with its neighbors.

Thus, from the explanation in this part, it can be seen that Turkey expanding its foreign policies to also include regions that had limited importance for Turkey before. The need to improve economic growth as well as decreasing its dependence on the EU, particularly in the aftermath of the Eurozone crisis, had successfully made Turkey attained a stronger economic and political role in the region. Furthermore, with the new foreign policy perspectives, “zero problems with neighbors” Turkey had gained significant influences over regions surrounding it. At the same time, with Turkey’s increasing role in regional terms, created a situation in which the EU has a greater interest in adding Turkey to its list of member countries.

Therefore, with Turkey has opened economic and diplomatic relations with other regions, it has become clear that Turkey has increased its presence in the formerly ignored regions. This step can be seen as related with the decrease of European economic incentive caused by the Eurozone crisis. In minimizing the detrimental effect of the crisis, Turkey needed to open new economic and trade relations in these growing regions.

4.4 Social Development in Turkey

Social areas are also another important part of the reform process done in Turkey since the AK Party took control of the government. Although the European Commission did not mention explicitly regarding the social conditionality in acquiring membership status in the EU, but social sectors such as civil society organizations, education, as well as religious rights remain a crucial part in the negotiation process of Turkey’s accession towards the EU. The progress reports published by the European Commission often highlight these agendas related to the political and economic reforms in Turkey, and has stated that further reform efforts are needed in these areas. Thus, the social development that happened in the post Eurozone crisis also has its own significance in determining the course of Turkey’s reform progress in the context of EU accession.

4.4.1 Strengthening Civil Society Organization

In a modern democratic state, civil society organization (CSO) played an important role as one of the main pillar of democracy. Through the functioning of robust,

independent, and active CSOs, people could channel their political and social concerns and thus can have indivisible part of the civic state. CSO also have the role in the political and civic education of the society so that they have a more active role in deciding the country's future. Lastly, CSO also have the capability in strengthening the checks and balances system that is vital in any democratic governance.

The vibrant and diversity of CSOs in Turkey was not always the case. According to the International Center for not-for Profit Law (ICNL), until the new Association Law enacted in 2004, Turkish CSO was fairly restricted, citing the post-military coup 1982 constitution as one of its main factor (ICNL, 2015). However, influenced with the accession process, the new Association Law has lifted some of the limitations on CSOs, particularly in the funding and auditing regulations of CSOs, and several restrictions on students and youth organizations (ICNL, 2015). With the adoption of 2008 Foundations Law, Turkey's legal environment relating to the establishment of CSO has been improved substantially. The adoption of this law is in line with the EU's *acquis* that have insistent in its promotion of civil society's role in democratizing its neighboring countries. The EU have spent a numerous amount of Euros in various projects that related with strengthening CSO in its partnership projects, particularly with Turkish CSOs.

With the accession process into the EU, Turkey has also benefitted from CSO partnership and grant disbursement coming from the EU towards CSOs in Turkey. One of these programs is the Civil Society Dialogue (*Sivil Toplum Diyalogu*), a jointly funded program by the EU and Republic of Turkey aimed in bringing CSOs from Turkey and the EU around common ideas, exchanging knowledge and experiences, as well as building conversation between organizations (Ministry for EU Affairs, 2015). Equipped with €11 million grant, this program will foster projects that are developed under nine main EU policies, namely environment, energy, consumer and health protection, justice, freedom and security, right of establishment and freedom to provide services, regional policy and coordination of structural instruments, enterprise and industrial policy, agriculture and fisheries, and education (Civil Society Dialogue, 2015). This shows the EU's commitment in fostering the role of CSO in also taking active part in the context of political, economy, and social issues in Turkey. Through these funds, EU has helped Turkey in creating dialogues

between its diverse parts of the society that in turn will develop even further both the Turkish identity as well as paved the way for discussion surrounding European identity for Turkish people.

Since the expansion of laws and regulations that increased the active role of CSOs in Turkey, they have worked at many various issues. Youth, women empowerment, and minority rights issues are among the most popular social subject in which these CSOs have been work at (ICNL, 2015). Supported by funds allocated for CSOs by the EU, these CSOs have flourished to become an important part of Turkey's reform progress. One of the prominent CSO in Turkey is the *Türkiye Üçüncü Sektör Vakfı* – Third Sector Foundation of Turkey (TÜSEV) that is one of the largest CSO in Turkey. This particular CSO is operated under the area of non-profit law reform, research on civil society and philanthropy, promoting social investment and social justice philanthropy, and facilitating partnerships across sectors, as well as across borders (Türkiye Üçüncü Sektör Vakfı, 2015).

However, since 2008, there has not been meaningful reform progress targeting the legislations and laws concerning restriction of CSOs operations. ICNL reports, “There has not been either deliberation in society or concrete steps taken for proposed reforms in 2015 that could enhance the enabling environment for civil society” (ICNL, 2015). The lack of reforms in the CSO area, especially in the last two years is tightly correlated with Turkey's internal and external security threats coming from the ongoing military conflict in Syria that has amounted to decrease in reform efforts concerning CSOs.

According to the European Economic and Social Committee (EESC), a consultative body of the EU focuses on CSOs in Europe, Turkish government still needs to effectively implement basic rights and freedoms, particularly in the freedom of expression, association, and the media (EESC, 2015). Through its 2015 report on CSO situation in Turkey, EESC also calls for the Turkish government to provide a greater access to information on government and decision making process through regular hearings and consultations, so that the interests of various CSOs may be well reflected in political and administrative decisions (EESC, 2015). Lastly, EESC also emphasizes the importance for the council of the EU in opening relevant chapter of the *acquis* to provide Turkish government necessary incentives in the reform process of its social structure that can further strengthen CSOs in Turkey.

4.4.2 Educational Reform

Education reform is also one of the most important aspects in the social development of Turkey in 2010-2015. The increasing economic opportunity brought by privatization and the increase in foreign direct investment needs a skillful workforce in order to expand Turkish manufacturing industry. Moreover, increase in education quality is also a critical value in order to evade from middle-income trap and truly become economic powerhouse in the region (Yılmaz, 2014). However, educational policies in Turkey have long been seen as the political battleground for secularists and the conservatives (Aksit, 2007). This can be seen where the military ban on any religious vocational high schools in 1997.

In March 2012, Turkish parliament enacted an education reform law that changes the school structure from compulsory eight-years education that structured as five years in primary school and three years in middle school, into 12 years of compulsory education with four years of education for primary, middle, and high school (Cameron-Moore, 2012). This reform also entails a ruling where a student who graduated from their first four-years education can enter *imam hatip* schools, a school system that specializing in religious education combined with a modern curriculum. Before this reform passed, only students who have finished their middle school may continue to *imam hatip* schools, thus decreasing the age of students in these religious schools from 15 to 11 (Dombey, 2012).

The 2015 report from Educational Reform Initiative of Sabancı University shows there has been an increase in the number of students who went to *imam hatip* schools from five percent in 2009/2010 academic year to 12.9 percent in the 2014/2015 (Educational Reform Initiative, 2015). This shows that this reform has increase the number of children who went to religious schools over the secular ones within five years, and that the education reform enacted are targeted to increased conservative part of Turkish society and is not aimed at increasing the quality of education in general. The increase in the *imam hatip* schools' admission can also be seen as a way for the AK Party government to strengthen its voter base that are mainly come from conservative-religious groups. Therefore, the reform efforts targeted on education system in Turkey were not only intended to increase the quality of education, but even more it is related directly with the ideological competition of different sectors of Turkish society.

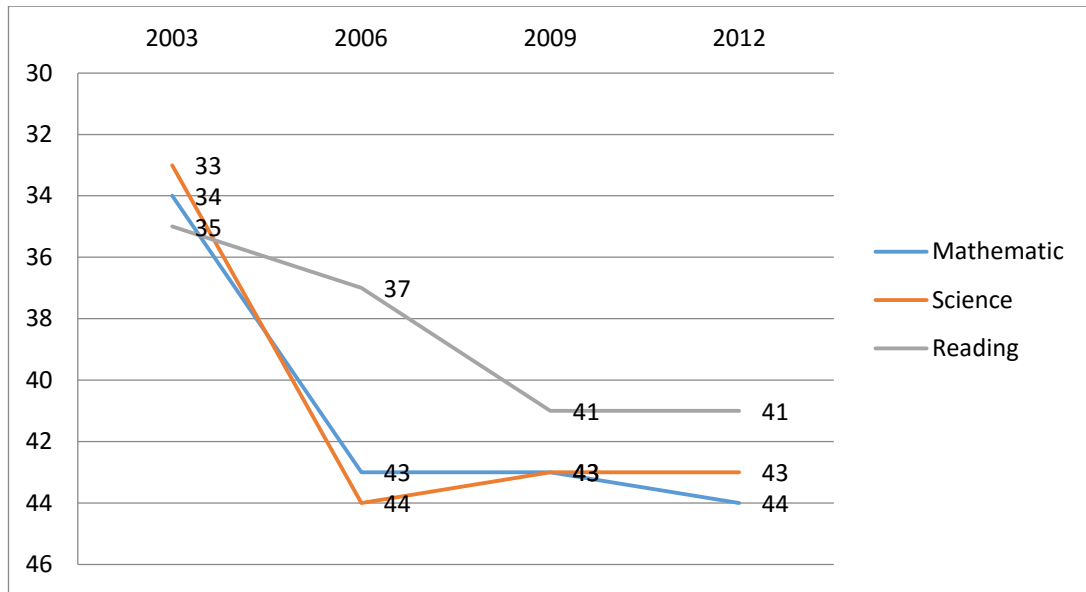


Figure 4.4 Turkish students rank in PISA test (OECD, 2004), (OECD, 2007), (OECD, 2011), (OECD, 2014).

Figure 4.4 shows the relative performance of Turkish students in Programme for International Student Assessment (PISA) organized by the OECD. Aiming at improving education policies and outcomes, more than 500,000 15-year-old students representing 65 nations take part in this survey that study scholastic performance on mathematics, science, and reading. Since the 2003 edition, among 65 OECD member countries surveyed, Turkey has been placed in the bottom 20 least performing countries in the surveys. Overall, Turkish students perform better in reading but perform slightly worst in mathematics and science compare to other European countries such as Portugal, Greece, or Italy. However, Turkish students performed significantly better compared to other emerging economy countries such as Brazil, Mexico, or Indonesia. This signals that the close relations of Turkey with other European countries from educational program introduced by the EU have a substantial influence in the educational policies in Turkey.

Another important sector in the educational system in Turkey is the higher educational institutes that correlated directly with the quality of labor. According to the official record from *Yüksek Öğretim Kurulu* – Council of Higher Education (YÖK), in 2016 there are 190 universities operating in Turkey where 114 of them are state institutions while the rest are private universities (YÖK, 2016). This high number of universities especially increased during the AK Party government that oversaw the foundation of 56 state universities and 53 private universities. In the period from 2010 until 2015 only, there has been an increase of more than 10 percent

in state universities and almost 50 percent increase in the number of private universities (YÖK, 2016). This number shows an increasing attention for educational development in order to increase Turkish labor quality that in turn will sustain and develop Turkey's economy even further.

However, this increase in quantity does not followed by increase in quality of these universities. According to the Times Higher Education, an educational ratings institution, in the 2015-2016 version, there are only four Turkish universities made to the list of 500 best universities in the world (Times Higher Education, 2016). This ranking is based on teaching, research, knowledge transfer, and international outlook. A similar result also came from another educational ranking institution, QS World University Ranking who based their ranking on academic and employer reputation, student-to-faculty ratio, citations per faculty, and international faculty and student ratio (QS World University Ranking, 2015). In their 2015-2016 report, there are only five Turkish universities placed in the top 500 universities in the world, with three of them are private institutions (QS World University Ranking, 2016).

Although these surveys do not directly indicate the quality of educational services in Turkey, it gives an illustration on how education sector is still one of the most important aspects in the Turkish reform progress. Whereas Turkey has significantly increase the presence of universities in all of its provinces, the quality of these universities still needs to be improved. Increasing cooperation European universities under the EU educational programs is one of the way in which Turkey's education quality could be improved. This international benchmarking is highly needed in order for Turkish universities to have parallel standards with its European counterparts.

4.4.3 Religious rights

As a predominantly Muslim society where more than 90 percent of its population hold Islamic beliefs, Turkey has strictly imposing secular system in its state formation and legal structure that is backed by the military. Expansion of religious rights and freedom thus has been an important aspect in the course of Turkey's reform efforts, particularly in social aspect. As an inherent part of human rights, religious freedom should be guaranteed by the state in which no citizen may discriminated because of their religious beliefs and moral values they hold.

Moreover, the issue of religious freedom is also essential part on the debate of Turkey's accession to the EU over the last two decades (Bogdani, 2011). There have been numerous attempts in reforming the headscarf ban in state institutions. However, these attempts have always been annulled by the Supreme Court citing that it violates the constitution and the secular principle on which Turkey is based.

At the end of 2010, the AK Party government took another route in easing this ban by sending instructions to YÖK stating that students wearing headscarves should not be forced to leave classes under any circumstances (Head, 2010). The council even further encouraged students across the country to file complaints to the Council about school officials that kept restrictions in place, promising that it would take the "necessary steps" (Head, 2010). Moreover, with the official gazette number 28789 published in October 2013, the AK Party government also changed the bylaws restricting public service officers from wearing headscarves.

However, these changes only enacted through series of by-laws that can be easily annulled with the political or regime change. The discriminating and restricting laws regarding headscarves is still intact even though its significance has decreased. Without a further effort in guaranteeing the religious freedom through sets of firmer law, these practices will still happen.

An important step in restoring religious freedom in Turkey is related to minority religious groups. Since 2011, there have been a number of goods and lands belonging to minority foundations returned as part of the Democratization Package announced by the then Prime Minister Erdoğan on 30 September 2013 (Directorate General of Press and Information, 2015). In 2014, 42.259 square meters that belonged to the Foundation of Yedikule Surp Pirgiç Armenian Hospital registered in the name of foundation after the decision of General Council for Foundations (Agos, 2014). A number of land covering a total area of 244 square meters that belonged to the Syriac community's Mor Gabriel Foundation was also returned back (Konuralp, 2014).

In line with the government's efforts in resolving social problems coming from citizens of different religious groups, consultations with representatives of these groups have been intensely ongoing since 2009. It gained its momentum with the meeting of Prime Minister Ahmet Davutoğlu with several religious groups' leaders

in Dolmabahçe palace on 2 January 2015. In this important milestone of Turkey's religious discourse, he stated:

the lives, minds, decency and honor of all our citizens are sacred for us in all religions. Taking a look at all the fundamental principles of the Islamic tradition; the protection of human honor, protection of generations, protection of religion are universal principles acknowledged by all traditions. The principle of equal citizenship, which has been concretized with the return of foundation assets recently, will be our basic motto from now on. (Office of Public Diplomacy, 2015).

This shows the government's strong intention in restoring the religious freedom not only for the Sunni Muslims who make more than 95 percent of Turkish population, but also towards other minority groups who have other beliefs such as the Alevis, Greek Orthodox, and Jews. The restoration of religious freedom does not mean Turkey abolished its secular structure of the state, since the rights to practice religion is an inherent part of human rights, a notion that has been advocated and supported by the EU.

Another important milestone is the restoration of Great Synagogue in Edirne opened in early 2015. Since end of 2010, the synagogue that comprised of three buildings was taken into restoration efforts under the Prime Ministry General Directorate of Foundations. This synagogue has a great importance as it is one of the most important Jewish religious building in Edirne, hosting the houses of worship of three sacred religions (Directorate General of Press and Information, 2015). Moreover, Turkey has also restored and preserved churches and cathedrals on Ani Archaeological Site, Seljuk artifacts, the Church of the Holy Cross on Akdamar Island and structures from the Byzantine era (Directorate General of Press and Information, 2015). Thus, it can be seen that on religious rights, Turkey has done considerable efforts in restoring the freedom of practicing their faith with minimal state intervention. Further efforts in ensuring the elimination of discrimination practices towards minority religious groups in the society level are still needed.

4.5 European Commission Progress Report 2011-2015

Lastly, another important aspect that can be used in determining the progress of reform and democratization in Turkey is through annual progress report published by the European commission. Following the conclusion of the Luxembourg European

Council in the late 1997, European Commission has regularly reported to both European Council and European Parliament regarding the relations between Turkey and the EU, analyzing Turkey's political and economic situation, as well as reviewing Turkey's ability to assume membership that are written in the 33 chapters of the *acquis communautaire*. These reports are important both to understand the degree of relations between Turkey and the EU, as well as in monitoring the progress of political, economic, and social reform that has been done in the government. Moreover, with the extensive nature of the report that covers not only legislations that has been enacted but also the implementation process of those legislations, these progress reports better reflect Turkey's achievement and challenges in its pursue to become an EU member state.

4.5.1 Relations between Turkey and the EU

In general, these progress reports remain optimistic in the relation between EU and Turkey, stating that accession talks and enlargement process has bringing a democratic stability in Turkey. The 2015 progress report acknowledge important role of Turkey in terms of hosting refugees and displaced people coming from Iraq and Syria. European Commission notes Turkey is currently hosting the largest refugee population in the world of which close to two million Syrians, that has cost Turkey more than €6.7 billion. The economic relation between Turkey and the EU also has been praised with highlighting the trading importance of Turkey towards the EU and *vice versa*.

However, the relation declined beginning in 2012, where Turkey froze its relation with the Presidency of the Council of the EU while did not attended to any meetings chaired by the Cyprus EU Presidency. This action was taken since Cyprus held the role of the presidency from July until December 2012. With Turkey's refusal in fully recognizing Cyprus, this issue has become highly political and sensitive. Both 2012 and 2013 progress reports criticized Turkey's step in freezing the relations and called for full respect for the role of the Presidency of the Council, which is a fundamental institutional feature of the EU provided for in the Treaty (European Commission, 2012). Related with the Cyprus issue, European Commission also criticizes Turkey for not fully implementing and violating several commitments under the Customs Union agreement with the EU. This criticism is rooted in Turkish refusal to remove

all remaining restrictions on the free movement of goods, including on means of transport regarding the Cyprus issue.

Moreover, while mentioning many EU programs in which Turkey has benefitted from, Turkey's poor administrative capacity has also been criticized to be behind the lack of implementation on pre-accession assistances provided by the EU. The 2012, 2013, and 2014 progress reports repeatedly called the need for Turkey to further strengthen its administrative capacity, to speed up the implementation process, to improve the quality of programs and projects and to avoid loss of funds (European Commission, 2014). This shows that Turkey still not able to restructure its administration system and still lacking in the bureaucratic side in order to fully benefit from the EU programs.

From these illustrations, it can be seen Turkey-EU relations have come to a standstill. Progress reports published in the 2011 until 2013 taking a stronger tone in criticizing Turkish relation with the EU. Influenced by both the Eurozone crisis and Turkey's step in freezing its relations with the Presidency of the Council of the EU, these progress reports criticized Turkey for the lack of progress in fostering the relation between Turkey and the EU. This strong note was much less, in the 2014 and 2015 progress reports, that took a positive note. The shift in this tone can be understood as the EU tries to ameliorate its relations with Turkey in the context of the ongoing European refugee crisis, in which Turkey plays a key role in solving this political and social crisis.

4.5.2 Political Criteria and Enhanced Political Dialogue

The 2011 annual report begins with the European Commission praising the election stating that it was "free and fair and was generally marked by pluralism and a vibrant civil society" (European Commission, 2011). Although it stated that, the election held under international standards, the European Commission criticizing the under-representation of women and minorities, including non-Muslim and the disabled. In terms of laws concerning political parties, the progress report also urged the government to align it with European standard in order to strengthen parliament's capacity to perform its functions of law making and overseeing the executive.

European Commission also put its concern regarding the judicial process in Turkey, especially the ongoing cases. The European Commission supported the ongoing

judicial process against the *Ergenekon* case, an alleged military coup plan, saying that it is a chance for Turkey to strengthen its civilian government and strengthen its democracy. On the issue of constitution, the 2011 progress report supports a creation of civilian constitution to replace the 1982 constitution, stating that this new constitution will pave the way for a stable institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities and address long-standing problems, including the Kurdish issue.

In the 2012 annual report, European Commission focused its attention on the Kurdish issue that remains a key challenge for Turkey's democracy. The European Commission stated that the 2009 democratic opening that aimed at recognizing the cultural rights of minority ethnic groups, particularly Kurdish, was not followed through with the lack of implementing the reformed laws. The lack of implementation also noted in the 2010 constitutional amendments, whereas the transparency and a democratic participatory process are still limited. In terms of parliament and government structure, the progress report indicate the need of strengthening the parliament's ability in overseeing the executive power as well as in fostering further reform legislations, stating that key legislation was adopted with insufficient consultation. Moreover, the European Commission also calls for the needed administrative decentralization, especially in the southeast area of Turkey in order to resolve the Kurdish issue.

With the massive anti-government demonstration in Istanbul that happened in the summer 2013, the European commission also put emphasize on the event. The 2013 progress report highlighted the excessive police force against demonstrators that resulted in six people killed and thousands injured. Investigation regarding the alleged violations of human rights launched by the Ministry of Interior has so far proven to be inconclusive. The European Commission calls for establishment of an independent supervisory body for police offences remain pending.

The European Commission also criticizes the 10 percent national threshold for a political party to represent in the parliament that remains the highest among Council of Europe member states. This high national threshold has limiting a diverse and accommodating parliament. The 2013 progress report also calls for comprehensive reform of rules and procedures of the Turkish parliament in order to strengthen the checks and balances between the executive and legislative part of the government.

Moreover, drawing on the major civil protest in Istanbul, the European Commission also noted a growing polarizing political climate reflected by a lack of dialogue and spirit of compromise.

With the serious corruption allegations aimed towards the government at the end of 2013, the 2014 progress report stated, “the government response to corruption allegations, which amounted to interfering of the executive into the independence, impartiality and efficiency of the judiciary, raised serious concerns. This led to further polarisation of political climate” (European Commission, 2014). Regarding the presidential election of 2014, based on the international observation mission, European Commission welcomed the elections that held in an orderly fashion and candidates were generally able to campaign freely. However, criticism was raised regarding the campaign period over the misuse of state resources for the benefits of the Prime Minister and insufficient impartiality in the terms of media coverage. In the term of constitutional amendment, the European Commission states that the reform process was put on hold, citing the absence of progress on laws protection of personal data, military justice, and laws promoting gender equality, since the 2010 constitutional amendments were adopted.

The 2015 progress report highlights the general election that saw a very high voter turnout, indicating a clear sign of the strength of Turkish democracy. However, it criticizes the President’s active role in the campaign, perceived as favoring the ruling party, and the increased pressure on the media. The European commission also reiterates its criticism on the 10 percent electoral threshold that seen as obstructing a more accommodating parliament. With the lack of progress, in the 2015 progress report, the European Commission has stopped its report on the constitutional reform progress in Turkey

Moreover, the European Commission also criticizes the role of President Erdoğan who remained actively engaged in key domestic and foreign policy issues, citing that the president is focusing on an adoption of a new constitution regulating for a presidential system of governance and fighting against the “parallel structure”. Moreover, on several occasions the President publicly challenged other institutions, notably the judiciary and the Central Bank that was seen as overstepping his power, in particular for not keeping to the traditional conciliatory role assigned by the Constitution (European Commission, 2015).

Thus, from these progress reports, it can be seen that the European Commission has heavily criticized the pace of progress efforts in terms of Turkey's political and democracy structure. This claim is based on the limitation and the lack of implementation of legislations and laws that aimed at reforming Turkish political structures. Moreover, with the ongoing case of armed violence with the PKK, it has also created other difficulties for Turkey to commit itself in the democratization process. This shows that there has been less influence from the EU in fostering Turkey's democratic path. Turkish foreign policies that seem to have been diverged to reduce its dependent towards the EU created further impact on the stagnation in progress efforts in terms of political and democratization.

4.5.3 Economic Criteria

In terms of economic criteria, in accordance with conclusions of the European Council in Copenhagen in June 1993, the European Commission stresses two main points: the functioning of market economy and the ability of candidate countries in coping with competitive pressure and market forces with the Union. As such, in Turkey's progress reports from 2011-2015, the European Commission generally has agreed with Turkey's functioning market economy. The 2015 progress report reiterates the advanced system of the Turkish economy and states it can be considered a functioning market economy. However, the European Commission also highlights the macroeconomic imbalances particularly the large external deficit that could make Turkish economy vulnerable to financial uncertainty and global risk sentiment. These progress reports also call for monetary and fiscal policy reform aiming at improving the functioning of the markets for goods, services, and labor.

In the criteria of Turkey's capacity to cope with competitive pressure and market forces within the Union, the European Commission generally noted Turkey has a good level of preparation in order to cope with the competitive pressure and market forces with other EU member states. With the pre-accession funds targeted towards fostering economic reform in Turkey, these progress reports have generally praised Turkey's economic forces and expect Turkey's economy to continue on growing. Economic integration between Turkey and the EU has also been deemed positive as the EU remained the largest source of Foreign Direct Investments (FDI) coming to Turkey, albeit with slight decrease from 67.9 percent to 51.8 percent (European Commission, 2014).

However, several pieces of legislation are still waiting to be introduced and fully implemented in reforming Turkish economic structures. For example, the State Aid Law that oversees the set up a comprehensive state aid inventory as well as aligning all state aid schemes, including the 2012 incentives package, supposed to be introduced in 2011, but it has been postponed twice until the end of 2014. Moreover, although European Commission has praised the increase of Turkey's workforce, the gender balances in Turkey's labor market is still being criticized. The predominant male population both in workforce and in educational activities is criticized as hampering real growth and economic equality, especially in gender relations context.

Thus, it can be seen in economic terms, Turkey has less complicated tasks compared to its political criteria. Turkish large domestic consumption, market diversification towards Middle East and African region, as well as flow of FDI coming from European countries has fostered the Turkish economy, even in the time where almost half of European countries are under severe economic crisis. The good economic condition can also be taken as the justification of Turkey's foreign policy divergence from the EU as Turkey has become a more independent actor in the regional context.

4.5.4 *Acquis Communautaire*

Lastly, in the progress reports submitted by the European Commission, it also talks about the *acquis communautaire*, the secondary legislation, and the policies of the Union, as well as Turkey's administrative capacity to implement the European laws and legislations (European Commission, 2011). Overall, in terms of the alignment of Turkish law with the *acquis*, almost all of the progress reports from this period stated there was no significant progress. With the political blockages coming from the EU Council regarding Turkey's relation with Cyprus, further steps in Turkey's negotiations regarding fulfillment of the *acquis* is rather bleak.

This stagnation in Turkey's negotiation illustrated with the relatively small number of chapters that have been opened. From 2011 until 2015, there were only two chapters open for negotiation, namely Regional Policy & Coordination of Structural Instruments chapter that was opened in early 2013 while Economic and Monetary Policy chapter opened in late 2015, making the total chapters opened to 15 out of the total 33 chapters written in the *acquis*. Moreover, the 2015 progress reports also highlight the current situation of preparation of the *acquis*. While stating Turkey has

moderately prepared on most of the chapters, but on some chapters, particularly Freedom Movement of Workers and Financial & Budgetary Provisions, Turkey are still in the early stage of preparation and needs to conduct comprehensive reforms in these areas (European Commission, 2015).

Thus, from analysis in this section, it can be seen there is a different approach taken by the European Commission in the context of Turkey's EU accession progress. As has been mentioned in the previous part of this chapter, from progress report in the period of 2002-2010, European Commission has positively welcome the reforms brought by the AK Party government, especially in terms of restoring civil supremacy and widening both religious and minority ethnic rights. However, following the 2010 Eurozone crisis, these progress reports began to take a more critical approach in reviewing Turkey's democratization process.

CHAPTER 5

CONCLUSION

The subject of Turkey and EU relations in the context of Turkish foreign policy has always been an interesting and dynamic subject to study. There has been much literature on the subject that uses different perspectives and approaches in determining the contemporary relation between Turkey and the EU. The study reached its peak point in the period of 1999 until 2010 where Turkey's accession into the EU was greeted with much enthusiasm both from policy makers, academicians, and general public. Most of these studies have shown how the EU's accession process has succeeded in bringing a more consolidated democracy into Turkey's government.

However, with the political challenges created by EU leaders towards Turkey's accession process, the rise of Eurosceptics in major European government, as well as the significant impact of the Eurozone crisis, this enthusiasm has been curbed in the last few years. With the chapter blockade on the *acquis* based on political interests, rather than objective evaluation on the current Turkey's political, economy, and social status, the Turkish government has refrained from making further reform progress. On the other hand, reform efforts that have been made during these years have also not been fully implemented by the Turkish government. The significant decrease in assistance and grants shown in the third chapter could well explain the decreasing importance of the EU towards acceding countries, particularly towards Turkey.

Therefore, in relation with the research question stated in the introduction chapter, this thesis argued the political, economic, and social impact created by the 2010 Eurozone crisis limited the scope of Turkey's reform efforts from 2010 until 2015. The decrease in funding assistance as well as the rise of skepticism of enlargement process coming from both European and Turkey's public, adds to the decrease of importance of the EU in relation to Turkey's foreign policy agenda during this period. Nevertheless, this does not mean Turkey has fully stopped its efforts in consolidating its democracy and provided a greater freedom for its society.

However, these achievements have related very little to Turkey's accession process towards the EU compared to the period following the Helsinki Summit until the Eurozone crisis. Moreover, the current security threat from its eastern neighbors also increases the slowing down of Turkish reform efforts. The economy and social issues caused by more than two million of Syrian refugees coming to Turkey drained much of the government's attention that has burdened Turkey in furthering its reform efforts and their implementation.

5.1 Findings

There are several important findings that have been laid out in this thesis. Firstly, the regional integration theory has different approaches and perspectives in explaining the integration process. However, the main criticism in the regional integration theory is that the theory tends to be Eurocentric and difficult to apply to other models of regional integration. This thesis fills in this gap in the EU integration theories by developing its arguments on a wider Europe including its peripheral areas in the case of Turkey. Moreover, in terms of international role on democratization, policy instruments promoting certain values and norms in exchange for economic relations in forms of aid or sanctions also play a pivotal role in promoting democratization in certain countries, especially related to Turkey's reform case. In the context of democracy promotion done by the EU, with its political conditionality, enlargement process has become one of the most important tools.

Second, the Eurozone crisis that happened due to exceeding government debt level and lack of fiscal discipline, has its internal and external effect. The internal effect of the crisis shows the structural problem of European Monetary Union as well as democratic deficit debate within Europe. While in the external context, through the data published by the European Commission, there has been significant decrease in the implementation of IPA before the 2010 Eurozone crisis and after the crisis. The decrease of the funds distributed towards acceding countries shows that the EU has put less interests in supporting democratization process of these countries, including Turkey. On the other hand, citizens of acceding countries, especially in Turkey, also began to convey their disagreement and pessimism regarding the benefits and positive impact of the EU accession process.

The third empirical finding is that since the 2010 constitutional amendment, there has been no major constitutional amendment as well as radical changes of law efforts in Turkey. Beginning with the presidential election in 2014, the discourse of constitutional amendment has been directed towards strengthening the presidential position and changing the government system from parliamentary towards a presidential one. Fourth, in terms of Turkey's economic performance, Turkey has been able to reduce the negative impact of both global financial crisis and the Eurozone crisis due to fiscal discipline and stern supervision of banking and financial institution as the result of dire economic crisis in 2001. With market diversification towards other important region such as Africa, Middle East, and Caucasus, Turkey's economy has performed better compared to its European counterparts. In terms of strengthening CSO, Turkey has made considerable reform in providing legislation that promotes the growth of CSOs in Turkey. Lastly, the revocation of headscarf ban in public institutions as well as restoration and property return for minority religious groups marked an important achievement in strengthening religious rights in Turkey.

Lastly, from the analytical approach through the European Commission progress reports it can be seen that during 2011-2013, the European Commission taken a strenuous criticizing role in the stagnation of Turkey's reform progress. Main critics are directed at declining freedom of press and expression, especially during the 2013 Gezi Park protests. However, in the 2014 and 2015 progress report, the European Commission can be seen as taking moderate words in highlighting Turkey's political, economy, and social developments. Although critics are still addressed towards the government, but they are not as stern as previous reports has. This change in attitude could be attributed in the attempt from the EU to rejuvenate the accession process related to the refugee crisis that has become more important and filled European political, economic, and social debate in recent years.

5.2 Limitations

Although the data obtained from the impact of 2010 Eurozone crisis has provide basic argument in explaining the stagnation of Turkey's reform efforts, there are still some limitations and shortcomings in the writing of this thesis. First, in terms of data limitations, the language barrier made it a challenge in understanding books, articles,

and reports published in Turkish. Language barrier has made this thesis heavily relied on documents that are published in English. While the data used in this thesis has been selected to illustrate the current condition, but it has limitation in presenting the local journalists and academics' perspective on the issue.

Moreover, with most of the media outlets in Turkey have certain political leaning, sources from local newspapers and online articles need to be use cautiously and taking into account the overall political stances the media have. With many of the Turkish media outlets are being used as propaganda, both for opposing and supporting the incumbent government, the objectivity of sources used throughout this thesis needed to be re assured and approached carefully. Combined with language barrier, this situation has become the reason of usage of sources from international media and organizations to ensure the objectivity of the sources used throughout this study.

Second, in the theoretical limitations, this thesis acknowledges several other factors that could influence the pace of Turkey's reform efforts in the post 2010 setting. One of the major possible explanations is the ongoing Syrian civil war that has created a major security threat for Turkey. The atrocities and usage of weapon of mass destruction in the conflict made Turkey hosts more than two million refugees, adding the security, economy, and social burden that could explain the slowing down of the reform efforts in Turkey.

However, based on the initial study of Turkey's reform progress, the causal relation made by the EU's economic crisis is more viable in explaining the stagnation of Turkey's reform progress. This claim is based on the influential role of EU's accession process, especially in the context of Turkey's reform progress from 1999 until 2010. During this period, the EU is very much involved in the laws and legislations made as part of Turkey's reform efforts. At the same time, Turkey's great economic interest in joining the EU as well as grants and technical assistances provided by the EU has made Turkey reform some of its laws and legislation in order to consolidate democracy in Turkey.

5.3 Further Researches

From the analytical approach and data found in this thesis, several further researches subjects may increase the knowledge of the current relations between Turkey and the EU. First, for scholars who are working on the field of EU's role in international context, the impact of Eurozone crisis towards the normative power sought to be held by the EU is an interesting further research. With data found in this thesis that argues for the decreasing role of the EU in pushing for reform efforts in Turkey, the question on the source of normative power of Europe could be revisited. This possibility is based on how the EU seems to place more interest in their economic agenda rather than on normative agenda that is influencing other countries to follow its rules and norms. With the decrease of grants and aids following the 2010 Eurozone crisis, the incentive of third party countries to follow the European norms are decreasing as well.

Second, with the 2016 signature of re-enhancement of Turkey-EU accession talks following refugee negotiations, Turkey and the EU entering a new dynamic where the relations is no longer based on Turkey's pursuance of becoming EU member state, but rather on the EU's interests in solving the refugee crisis that has looming Europe since at least 2013. Europe has never seen such a massive wave of refugees since the end of the World War II. Turkey's strategic geographical position where it acts as the gateway to Europe as well as has been hosting more than three million of Syrian refugees, substantially boost its significant in the eyes of European leaders. The visa free for Turkish citizen promised by the agreement signed in March 2016 added to the new dynamic relation of Turkey and the EU that will be interesting to study even further.

Last, comparative studies on this topic by comparing Turkey with other acceding countries and their reaction towards the Eurozone crisis is also another interesting topic that could be study even more in further researches. With Croatia entered the EU in 2013, provided an interesting base point in explaining the impact of the 2010 Eurozone crisis towards acceding countries. In spite of different conditions and circumstances in each of the acceding countries, this kind of research may result in useful data to understand the nature of EU's influence following the Eurozone crisis.

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APPENDIX

Interview with Mesut Özcan on his capacity as a senior diplomat in the Turkey's Ministry of Foreign Affairs. Interview took place in Istanbul Şehir University's West Campus on 4 April 2016.

Audry Maulana (AM): After the ninth harmonization packages in 2006 and the constitutional referendum in September 2010, there was no visible reformation progress in Turkish political dynamics. What do you think about the current reformation and democratization progress in Turkey especially after 2010 until 2015?

Mesut Özcan (MÖ): the EU [accession] agenda affected to the Turkish foreign and economy policy in the 2000s especially in 2002 until 2007. During this time, there was the agenda, this was affecting the legal changes, economic changes, and also thanks to these changes, there was increasing FDI coming from the European sources to Turkey. But, beginning in 2007 and 2008, we see some kind of decline. First, with the changes of government in European capitals like Germany and France [sending] signals coming from these centers, the capital, negative about Turkish membership. There was a kind of political difficulty. For example, like, Sarkozy or Merkel who criticizing Turkish position with Iran, questioning Turkish membership on cultural grounds. So it was not easy for Turkish officials to pursue a reform agenda in this respect.

On the other hand, the Cyprus issue beginning in 2007, increasing the [negative] effect on Turkish-EU relation. Blockage of several [*acquis communautaire*] chapters because of the Cyprus issue and also from Turkish point of view the continuation on embargo of Turkish Cypriots, and also using this case as a leverage against Turkey, these all negatively perceived by the Turkish people. So, there was less and less enthusiasm from Turkish society to become the member of the European Union. It was declined, on the one hand caused by the political leverage that EU used against Turkey in terms of legal changes, but also it was very much coincided with the economic crises in Europe.

What Turkey did in that era, Turkey tried to diversify its economic relation. Turkey still continue to trade with the EU but on the other hand Turkey diversified with Middle East, Africa, Latin America, and Asia, so Turkey benefitted a lot in that regard and barely escaped [from] some of the negative outcome of this financial crisis. Currently, because of the challenges we see in our vicinity, the Middle East, we see some kind of renewed interest on the side of Turkish government to develop relations. In that regard the refugee crisis is also contributed not only for Turkey's side but on the European side as well to a positive atmosphere. Because they realized that without the contribution from Turkey, they will not be able to solve this problem, so we see there is some kind of interest. On the other hand, we witness the opening of one chapter and we will open another chapter this year, so this created some kind of optimism.

But, I should say, even in today's opinion polls, the believe that Turkey will be a member of the EU is less than 50 percent, whereas ten years ago it was about 70 to 80 percent. It is pretty much related with the development in the EU but at the same time in Turkey, so there is still agenda, but this is also affected, it will not become a short term possibility. Many people began to think about another type of relationship with EU, because the EU itself is also evolving, they are in deep crisis not only economical crisis but also political and existential crisis. So we will see, but currently the level of political reformation political changes in Turkey is less.

AM: How about the constitutional amendment since 2010? There are some thought of the changing constitutional after the 2015 election mostly

MÖ: It's nothing to do with the EU, it is pretty much domestic development. I should say like in the past when we had like revision, amendment, in constitution, this were done because of the pressure coming from EU membership agenda. However, this time the reason of Turkey planning to have a new constitutional changing is not because of the pressure of coming from the EU or the EU candidate but because of Turkey's domestic factor. But this doesn't mean that the constitutional revision process will not consider the EU agenda or EU proposal, EU legislation, or *acquis communautaire*. Although the main drive is coming from the domestic needs, but I know that the policy makers take into account the EU legislation, and at the same time Turkish-EU aspect. There is still some connections, but I should say that the

main motive is coming from Turkey's own domestic needs. I should say that the main motive come from the domestic needs. But in terms of standard that Turkish made the agenda still. EU still an important reference point. EU as benchmark, kind of tool to Turkey to imitate, to follow, and to observe.

AM: How serious is the Turkey accession progress?

MÖ: The degree of seriousness is up to the European as well, if they are serious, Turkey is also serious. There is also lack of interest from the side of European countries as well. Turkey serious, but on the other hand there are some countries, some politicians who are very much against it [Turkey's EU accession] in Europe, it is a kind of conditional approaches. If you really serious to offer something to Turkey, then we have more and more leverage to transform Turkey. But, if you are not that serious, then this decrease your leverage as well. So there is less and less interests from Turkish society to transform itself. Turkey is serious but on the other hand, Turkish policy makers think that if there is no more carrot in quotation mark, why we bother to do this reform if we are not getting anything from that.

Especially when Turkey's economy is developing and connecting with all parts of the world EU is not that much economically effective anymore. And, the prospect of EU economic is less and less, although they are still in comparison with other parts of the world. But still, if we consider the current condition of 10 years ago, 15 years ago, there is a big change in terms of confident and economic prospects of the EU.

AM: When the Eurozone crisis happened and the global financial crisis very much affected Europe, how Turkey perceived this crisis, how Turkey managed it?

MÖ: From the Turkish point of view, it is seen that the bureaucratic structure of the EU prevents it to respond quicker to this crisis. The crisis are defined as short term and high rate so we witness a regional institution like EU is not capable enough to in a quick manner to respond to this challenge. So many people in Turkey believed that Turkey should be very much economically engaged with the EU but for many people, for example in 10 years or 15 years ago there were many people encouraging Turkey to adopt Euro, but today it's not the case. They will not encouraging anymore, they will not accepting Turkey to adopt the common currency. For this reason for many people the economic crisis showed the nature of the EU so for many

people they are looking for another type of relationship with EU. Engaging and linking with the EU but not much attached in the [EU's] bureaucratic structure. So Turkey should continue its dynamism, there should be some kind of connection with the EU, but at the same time we should not prevent Turkey to use its potential in other regards as well.

AM: regarding the Kurdish peace process, as we see since the 2015 the military struggle has began again. How do you think about the prospect of Kurdish peace process?

MÖ: There will be some kind of agreement in the future, but we will see how and under which conditions. The peace process will continue with some expectations on both sides to reach some kind of settlement. But the recent dynamic affected Turkish policy very much and also in my understanding the problem re-emerge because of the regional dynamic related to the Syrian repercussion. So although there is some domestic challenges as well but it is very much related to regional dynamic, especially related to the PYD and PKK in Syria. They thought that in the military and diplomatic terms they are in a much advantageous position and reap the advantageous from this position. On the other hand, from the government point of view, the government is also making big concessions but in terms of support that they got from the society, they were not also yielded what they expected. At the end both sides will not be satisfied with the outcome so they are expecting much. For this reason they ended the peace process.

But in my understanding we will come with the position where we will have some kind of settlement in that regard. According to the latest polls done in the southeast part of Turkey, the society is also very much in favor of end to the military environment. So, with a new Turkish constitution which is in the making there might be another atmosphere or ground to further this process. But still in the short time there is ups and downs in this regard. In my understanding without the solution in this conflict, it will be not easy for Turkey to go forward with economic program and kind of settlement.