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**COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT
AND THE COUNCIL**

Enlargement Strategy and Main Challenges 2012-2013

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1. INTRODUCTION

The enlargement policy of the EU has been pursued for more than four decades. Successive accessions have seen the number of members gradually increase from the original six to 27. Croatia is due to become the 28th member on 1 July 2013. Through its enlargement policy, the EU has, since its inception, responded to the legitimate aspiration of the peoples of our continent to be united in a common European endeavour. It has brought nations and cultures together, enriching and injecting the EU with diversity and dynamism. More than three quarters of the EU Member States are former ‘enlargement’ countries.

At a time when the EU faces major challenges and significant global uncertainty and gains new momentum for economic, financial and political integration, enlargement policy continues to contribute to peace, security and prosperity on our continent. Within a framework of strict but fair conditionality, the prospect of accession drives political and economic reforms, transforming societies and creating new opportunities for citizens and business. At the same time, enlargement reinforces the Union’s political and economic strengths. By exercising leadership through its enlargement policy, the EU can reap the benefits of a stronger and more united continent, also demonstrating its continued capacity as a global actor.

The most recent enlargement to include the countries of Central and Eastern Europe not only united East and West after decades of artificial separation. It provided mutual benefits of deeper trade integration, a larger internal market, economies of scale and expanded investment and job opportunities. From the start of negotiations to actual accession, exports from the EU to the acceding countries more than tripled. It is estimated that one third of the already high growth of the acceding countries in the same period was due to the effect of enlargement.

Strengthening the rule of law and democratic governance is central to the enlargement process. The lessons learnt from previous enlargements highlight the importance of an increased focus on these areas and further improving the quality of the process. This underpins and further promotes stability in a region recently scarred by conflict and supports the creation of an environment in south-east Europe conducive to growth and attracting investment, increased regional cooperation and dealing with common challenges such as the fight against organised crime and corruption. It addresses issues of direct concern to citizens in both the EU and the enlargement countries of justice, security and fundamental rights. With the Council’s endorsement in June of the Commission’s proposed new approach to judiciary and fundamental rights and justice, freedom and security as part of the negotiating framework for Montenegro, the rule of law is firmly anchored at the heart of the accession process, laying the foundation also for future negotiations.

The present difficulties in the *Eurozone* have dominated the EU political agenda over the past year. Together with the recent global financial crisis this has highlighted the interdependence of national economies both within and beyond the EU. The challenges facing the Eurozone underline the importance of further consolidating economic and financial stability and fostering reforms and growth, also in the enlargement countries. The enhanced economic, financial and political integration resulting from this within the EU will also have to be taken into account in the enlargement process. Strengthening the enlargement countries’ resilience to crisis is a matter of joint interest. The enlargement process is a powerful tool to that end. A stronger, enlarged EU

will be better placed to address these challenges. The dynamism of the Turkish economy for example, Turkey's geopolitical role, its contribution to energy security and its young population represent an opportunity for both Turkey and the EU in a context of an accession perspective.

Addressing risks of instability in the Western Balkans is manifestly in our joint interest, given the legacy of war and division which has plagued this region. The enlargement process supports the advocates of reform in the region, further entrenching its post-war democratic transition. It helps avoid the potentially far higher costs of dealing with the consequences of instability. Strengthening stability and democracy in south-east Europe is also an investment in deep and sustainable democracy in the EU's wider neighbourhood. The renewed consensus on enlargement, agreed by the European Council, remains the basis for the EU's enlargement policy. This policy is based on the principles of consolidation of commitments, fair and rigorous conditionality and good communication with the public, combined with the EU's capacity to integrate new members. The current enlargement agenda covers the Western Balkans, Turkey and Iceland. The EU has consistently proclaimed the inclusiveness of its policy towards the Western Balkans, with successive European Councils confirming that the future of the whole region lies within the EU. The Stabilisation and Association process remains the common framework for the necessary preparations.

Maintaining the credibility of the enlargement process is crucial to its success. This applies in terms of ensuring far reaching reforms are pursued in enlargement countries so that they meet the established criteria, in particular the Copenhagen criteria. It also applies in terms of ensuring the support of Member states and their citizens. It is essential to foster understanding and informed debate on the impact of enlargement policy, particularly at a time when the EU faces major challenges. In this context the principle of own merits is key. The pace at which each country advances towards membership depends on its performance in meeting the necessary conditions. Enlargement is thus by definition a gradual process, based on solid and sustainable implementation of reforms by the countries concerned. The new approach to negotiations in the rule of law area introduces the need for solid track records of reform implementation to be developed throughout the negotiations process. Reforms need to be deeply entrenched, with the aim of irreversibility.

The imminent accession of Croatia, the start of accession negotiations with Montenegro in June and candidate status for Serbia in March show that the EU delivers on its commitments once the conditions are met. These positive developments also send a strong signal of the transformative power of enlargement and what is possible in an area riven by war just half a generation ago. They act as an incentive and encouragement to all the countries of the region to step up their own preparations for eventual EU membership.

There have been a number of positive developments in the enlargement countries over the past year. In addition to those concerning Croatia, Montenegro and Serbia, positive results have been achieved in the former Yugoslav Republic of Macedonia, where the High Level Accession Dialogue has led to a sharper focus on reforms by the authorities. Dialogue between government and opposition in Albania has allowed the political stalemate to be largely overcome with the adoption of electoral and parliamentary reforms. Accession negotiations with Iceland are progressing well. Turkey has shown active support of the new positive agenda announced last year and launched by the Commission in May 2012.

At the same time, reforms are still pending in most countries. Human rights, good governance, the rule of law, including the fight against corruption and organised crime, administrative capacity, unemployment, economic reform and social inclusion remain major challenges. There is often a need to take more responsibility for reforms and to muster the necessary political will

to move forward. Strengthening freedom of expression and independence of the media remains a major challenge. The accession process remains at times negatively affected by bilateral issues.

The enlargement process is by its very nature inclusive and necessitates wide stakeholder participation. In the enlargement countries, broad political consensus and support of the population for the reforms required contributes significantly to the transformation necessary for progress on the EU path.

This Communication assesses the current state of the European Union's enlargement agenda. Based on the accompanying in-depth country analyses¹, it takes stock of what these countries have achieved preparing for membership, where they stand today, assesses their prospects for the coming years and in this regard makes a number of recommendations. As in previous years, a number of key challenges are given particular attention, as is the support provided by the EU to the enlargement countries, including through the Instrument for Pre-Accession Assistance.

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3. MAINTAINING THE ENLARGEMENT AND REFORM MOMENTUM

The enlargement countries face many challenges especially in fields such as the rule of law, corruption, organised crime, the economy and social cohesion. In addition, in a context of economic stagnation, there are risks of a lurch towards populism and resistance to essential reforms. In the Western Balkans in particular it is crucial that the countries remain firmly on the path of reform, leaving the legacy of the past behind and investing in their European future. The EU shares an interest in the successful implementation of reforms. Enlargement is a joint endeavour. Maintaining the momentum for enlargement as well as for reforms are two sides of the same coin.

The Commission is increasingly seeking innovative approaches to dealing with challenges arising in the enlargement countries and in the accession process. The criteria and conditions for membership remain the same. However, in many areas country-specific, tailor-made approaches to dealing with difficult situations, including blockages in the accession process, are necessary. This applies not only to the rule of law and public administration reform, but also as regards democratic strengthening, good governance and economic and social issues. Such initiatives are injecting momentum into reforms. They do not replace accession negotiations but form a bridge to them.

Building on the 2011 Strategy paper for Enlargement and the Council conclusions of December 2011, a positive agenda for EU-Turkey relations was launched in May 2012, with the aim of supporting the accession negotiation process, in line with the Negotiating Framework and the relevant Council conclusions. The agenda covers a broad range of areas of common interest including political reforms, foreign policy dialogue, alignment with the EU *acquis*, visas, mobility and migration, trade, energy, the fight against terrorism and participation of Turkey in EU programmes.

With the former Yugoslav Republic of Macedonia, a High Level Accession Dialogue (HLAD) was launched in March 2012 in Skopje. The HLAD put EU integration to the forefront of the domestic agenda, giving it a new boost by ensuring a structured, high level discussion on the main reform challenges and opportunities. The key issues include freedom of expression, rule of law and ethnic relations, challenges for electoral reform, public administration reform, strengthening of the market economy and good neighbourly relations. The Government is making progress addressing the ambitious reform targets included in its roadmap defining the specific measures and time frame for their delivery.

In Albania, the Commission has worked closely with the government and opposition to help this country overcome political obstacles to further electoral and parliamentary reforms and to create an environment conducive to further progress, in particular in support of the EU agenda. This allowed for a revision of the action plan addressing the Commission Opinion's key priorities in a transparent and participatory process. With the EU agenda at the forefront of Government activity, concrete results are being achieved with the deliverables set out in the plan, including in the area of parliamentary and electoral reform, the rule of law and human rights.

With Bosnia and Herzegovina, a High Level Dialogue on the Accession Process (HLDAP) was launched in Brussels in June 2012. This initiative aims to help the country to move forward in the EU accession process by explaining the requirements and the methodology of accession negotiations and, concretely, what is expected from a country in the EU accession process. It is meant to keep up the political momentum on the EU agenda despite the on-going political crisis. The June meeting resulted in joint conclusions and a Roadmap for EU integration aimed at meeting the conditions for the entry into force of the Stabilisation and Association Agreement (SAA) and for a credible EU membership application. This required a co-ordination mechanism between all competent levels of authority regarding EU matters, so that the country can speak in this respect with one voice. The Commission regrets that the results so far remain below

expectations. The Structured Dialogue on Justice launched with Bosnia and Herzegovina in 2011 has positively impacted the implementation of the Justice Sector Reform Strategy 2009-2013.

The European Commission and Kosovo launched a Structured Dialogue on the Rule of Law in May 2012. This Dialogue is designed to help Kosovo address challenges in the field of the rule of law, which is a key concern for the Western Balkans as a whole. At this stage, the Commission will focus on the judiciary, the fight against organised crime and corruption.

The Commission will continue to pursue these and other initiatives with the aim of maintaining the momentum and transformative power of the accession process, and ensuring the responsiveness of enlargement policy.

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4. PROGRESS IN THE ENLARGEMENT COUNTRIES AND THE WAY FORWARD 2012-13

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4.2. Turkey

Turkey is a key country for the EU, considering its dynamic economy, its strategic location and its important regional role which contribute to the EU's foreign policy and energy security. Turkey is already integrated to a large extent into the EU through the Customs Union and has become a valuable component of Europe's competitiveness. Conversely, the EU remains the key anchor for Turkey's economic and political modernisation. Both sides would benefit from further development of these links.

The potential of the EU-Turkey relationship can be fully tapped only within the framework of an active and credible accession process. The accession process remains the most suitable framework for promoting EU-related reforms, developing dialogue on foreign and security policy issues, strengthening economic competitiveness and increasing cooperation in the field of energy and justice and home affairs. This process must respect the EU's commitments and the established conditionality.

In this context, a positive agenda in the relations with Turkey was launched by the Commission in May 2012 to revive the accession process after a period of stagnation and bring fresh dynamism to the EU-Turkey relations. The positive agenda is not an alternative to the accession negotiations but rather a way of supporting them. It focuses efforts on areas of common interest such as legislative alignment, enhanced energy cooperation, visa, mobility and migration, Customs Union, foreign policy, political reform, counter terrorism and increased participation in people-to-people programmes. Six of the eight working groups, which have been established under the positive agenda to support alignment with the *acquis*, have come together for their first meeting. Turkey's active support to the positive agenda and its European perspective remains essential. It is in the interest of both the EU and Turkey that accession negotiations regain their momentum, not least to ensure the EU remains the benchmark for reforms in Turkey.

Moreover, the Council invited the Commission to establish a broader dialogue and cooperation framework between the EU and Turkey to address the full range of Justice and Home Affairs policy fields. The Council also invited the Commission to take steps towards visa liberalisation as a gradual and long term perspective, in parallel with the signature of the readmission agreement between Turkey and the EU. After it was initialled in June, it is now crucial that Turkey signs the readmission agreement to allow for implementation of the visa liberalisation roadmap to start.

Given Turkey's further development as potential energy hub and the common challenges it shares with the EU, the Commission and Turkey also decided to enhance their cooperation on a number of important energy issues.

The political dialogue with the EU on foreign and security policy intensified significantly. Developments in Turkey's and the EU's joint neighbourhood confirmed the important role and valuable contribution of Turkey to the EU's foreign policy and energy security. Turkey continued to play a positive role supporting reform movements in countries in North Africa and the Middle East. Cooperation on Syria is intense. Political dialogue meetings, including at Ministerial level, addressed foreign policy issues of common interest to the EU and Turkey, such as North Africa, the Middle East, Western Balkans Afghanistan/Pakistan and the Southern Caucasus.

The Turkish economy continues growing strongly but sizeable external imbalances and significant inflationary pressures remain the largest threats to macroeconomic stability. The high incidence of informal employment, segmented labour markets and the completion of the reform of trade union legislation remain a challenge. The Commission is examining ways to address Turkey's concerns under the Customs Union, including on the Free Trade Agreements concluded by the EU with third countries. At the same time it underlines the desirability to modernise the Customs Union and the need to resolve the irritants which impede trade between Turkey and the EU. The Commission has asked the World Bank to carry out an assessment of the functioning of the Customs Union – with the ultimate objective to modernise it.

The Commission will continue work to implement the positive agenda to lend new dynamism to the accession process and enable a more constructive relationship.

Concerns are growing regarding Turkey's lack of substantial progress towards fully meeting the political criteria. The situation regarding the respect of fundamental rights on the ground continues to be the source of serious preoccupation – despite recent improvements to various legal provisions in this area. There are recurring infringements of the right to liberty and security and to a fair trial, as well as of the freedom of expression, assembly and association, through the disproportionate application of the legislation on terrorism and organised crime. It is important that Turkey addresses all issues regarding the independence, impartiality and efficiency of the judiciary. Further restriction of the freedom of the media in practice and the growing number of court cases against writers and journalists remain serious issues. As a consequence, self-censorship is increasingly widespread. The Commission welcomes the commitment of the Turkish government to present swiftly the fourth judicial reform package and calls for it to address all the core issues which are presently affecting the exercise of freedom of expression in practice.

In addition, the Kurdish issue remains a key challenge for Turkey's democracy and a political solution is urgently required. Overall, Turkey still needs to devote significant further efforts to reach the highest standards of democracy and human rights. The on-going work on a new Constitution provides an important opportunity in this respect.

Terrorist attacks by the PKK, which is on the EU list of terrorist organisations, intensified significantly, in particular over the past few months. Terrorist attacks were strongly and repeatedly condemned by the EU. The EU and Turkey maintain an active counter-terrorism dialogue, and the fight against terrorism is an important aspect of the positive agenda for Turkey.

Turkey has frozen its relations with the rotating *Presidency* of the Council of the EU during the second half of 2012, including by refusing to attend any meeting chaired by the Cyprus Presidency. The Commission reiterates its serious concerns with regard to Turkish statements and threats and calls for full respect of the role of the Presidency of the Council, which is a fundamental institutional feature of the EU provided for in the Treaty.

Talks under the auspices of the UN Secretary General to find a comprehensive settlement to the Cyprus issue reached a deadlock in spring 2012. A comprehensive settlement is in the interest of all sides since it would enhance stability in the Southeast Mediterranean, offer new economic opportunities to Member States and Turkey and give a strong boost to Turkey's EU accession negotiations. Turkey is therefore called upon to engage positively with all parties in order to facilitate a successful completion of the process.

The EU has also stressed all the sovereign rights of EU Member States which include entering into bilateral agreements, and exploring and exploiting their natural resources, in accordance with the EU *acquis* and international law, including the UN Convention on the Law of the Sea.

In line with the repeated Council and Commission positions from previous years, the Commission reiterates that it is urgent that Turkey fulfils its obligation of fully implementing the Additional Protocol and makes progress towards normalisation of bilateral relations with the Republic of Cyprus. It also urges the avoidance of any kind of threat, source of friction or action that could damage good neighbourly relations and the peaceful settlement of disputes. The EU will continue to follow up and review progress made on these issues in accordance with the relevant Council decisions.

Turkey needs to step up efforts to solve open bilateral issues, including border disputes, with its neighbours. A substantial number of formal complaints about violations of territorial waters and airspace by Turkey were made by Greece and Cyprus.

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6. CONCLUSIONS AND RECOMMENDATIONS

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24. **Turkey:** Turkey is a key country for the EU, considering its dynamic economy, its strategic location and its important regional role. The Commission underlines the importance of the on-going cooperation and dialogue on foreign policy issues of common interest to the EU and Turkey, such as North Africa, and the Middle East.

The potential of the EU-Turkey relationship can be fully tapped only within the framework of an active and credible accession process which respects the EU's commitments and the established conditionality. It is in the interest of both the EU and Turkey that accession negotiations regain their momentum, not least to ensure the EU remains the benchmark for reforms in Turkey. The Commission therefore believes it is important that, in line with established procedures and relevant Council conclusions, work resumes on negotiating chapters interrupted over a number of years due to the lack of consensus amongst Member States.

To revive the accession process and bring fresh dynamism to EU-Turkey relations, the Commission will continue to implement the positive agenda in the relations with Turkey launched in May 2012 and which is already delivering its first results. Turkey's active support to the positive agenda and its European perspective remains essential.

Concerns are growing regarding Turkey's lack of substantial progress towards fully meeting the political criteria. The situation regarding the respect for fundamental rights on the ground, including freedom of expression, continues to be a source of serious preoccupation – despite recent legislative improvements. It is important that Turkey addresses all issues regarding the independence, impartiality and efficiency of the judiciary. The Commission welcomes the commitment of the Turkish government to present swiftly the fourth judicial reform package and calls for it to address all the core issues which are presently affecting the exercise of freedom of expression in practice.

Turkey has frozen its relations with the rotating *Presidency* of the Council of the EU during the second half of 2012. The Commission reiterates its serious concerns with regard to Turkish statements and threats and calls for full respect of the role of the Presidency of the Council.

The EU has also stressed all the sovereign rights of EU Member States which include entering into bilateral agreements, and exploring and exploiting their natural resources, in accordance with the EU *acquis* and international law, including the UN Convention on the Law of the Sea. In line with the repeated Council and Commission positions from previous years, the Commission reiterates that it is urgent that Turkey fulfils its obligation of fully implementing the Additional Protocol and makes progress towards normalisation of bilateral relations with the Republic of Cyprus. This could provide new momentum to the accession process. In the absence of progress in these areas, the Commission recommends that the EU maintains its measures from 2006. It also urges the avoidance of any kind of threat, source of friction or action that could damage good neighbourly relations and the peaceful settlement of disputes.

Turkey is encouraged to increase in concrete terms its commitment and contribution to the talks under the good offices of the UN Secretary General to find a comprehensive settlement to the Cyprus issue.

25. As regards the **Cyprus issue**, the negotiations on a comprehensive settlement between the leaders of the Greek Cypriot and Turkish Cypriot communities under the auspices of the United Nations have reached a standstill. It is necessary to re-launch the negotiations with the aim of reaching a swift conclusion of the talks, building on the progress achieved to date. This will require creating a positive climate that will facilitate the completion of the process and preparing the public for the necessary compromises. The Commission stands ready to continue providing strong political support and technical advice on issues within EU competence.

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ANNEX

Conclusions on Montenegro, the former Yugoslav Republic of Macedonia, Serbia, Albania, Bosnia and Herzegovina, Turkey and Iceland

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Turkey

The positive agenda was launched in May to support and to complement the accession negotiations, through enhanced cooperation in a number of areas of joint interest: political reforms, alignment with the *acquis*, dialogue on foreign policy, visa, mobility and migration, trade, energy, counter terrorism and participation in Community programs. Six of eight working groups, which have been established to encourage alignment with the *acquis*, had their first meeting.

Work on a new constitution started via a relatively democratic and participatory process. However, concerns are growing regarding Turkey's lack of substantial progress towards fully meeting the political criteria. The situation regarding the respect for fundamental rights continues to be the source of serious preoccupation. This stems, in particular, from the wide application of the legal framework on terrorism and organised crime, which leads to recurring infringements of the right to liberty and security, of the right to a fair trial and of the freedom of expression, assembly and association. While debates continue on topics perceived as sensitive, such as the Armenian issue or the role of the military, restrictions on freedom of the media in practice and numerous court cases against writers and journalists remain serious issues. As a consequence, self-censorship is widespread.

Regarding *democracy and the rule of law*, positive steps have been taken in terms of participative work on a new Constitution, but overall there was a recurrent lack of consultation in the legislative process. Offering a chance to strengthen confidence in the proper functioning of Turkey's democratic institutions and the rule of law, investigations into alleged coup plans have been overshadowed by real concerns about their wide scope and the shortcomings in judicial proceedings. The Kurdish issue remains a key challenge for Turkey's democracy; the 2009 democratic opening, aimed at addressing amongst others the Kurdish issue, was not followed through. Local government in the South-East suffered from the detention of numerous local politicians. There was a significant increase in PKK terrorist attacks

Regarding *public administration* reform, progress has been made in legislative reform. The establishment of an Ombudsman institution is an important step in safeguarding the rights of citizens and ensuring accountability of the public administration. Increased political support is needed for public administration reform and there was no progress on administrative decentralisation.

The *civilian oversight of the security forces* was further consolidated. The introduction of parliamentary oversight of the defence budget was a positive development, but remained limited in scope. The General Staff generally refrained from exerting direct or indirect pressure on political issues. Several symbolic steps have been taken toward further democratisation of civil-military relations. Further reforms, particularly of the military justice system and civilian oversight of the Gendarmerie are needed.

Some progress has been made in the area of the *judiciary* following the adoption of the third judicial reform package, which introduces a number of improvements into the Turkish criminal justice system, including the easing of restrictions on the media to report on criminal

investigations and the deletion of the provision allowing the prosecutor to ban publications. A number of detainees were released from remand detention following the entry into force of the legal changes. However, legal reforms failed to address core shortcomings which are the main reasons for continuing condemnations of Turkey by the European Court of Human Rights. The incidence and length of pre-trial detention continue to be a serious concern. Further steps are needed on the independence, impartiality and efficiency of the judiciary, including the criminal justice system and the large backlog of pending serious criminal cases. Further steps are also needed to increase the participation rate of women in the judiciary. The judicial reform strategy needs to be revised with the participation of all stakeholders, including the Turkish legal community and civil society.

Limited progress was made on *fighting corruption*, with some developments on incriminations and transparency in the financing of political parties. Transparency of political financing needs to be increased. The broad scope of immunities remains a shortcoming in this area. A track record of investigations, indictments or convictions related to corruption cases remains to be established. There are concerns about impartiality in the processing of anti-corruption cases. The implementation of the National Anti-Corruption Strategy requires greater political engagement.

Uneven progress has been achieved in the *fight against organised crime*. While Turkey is a party to the main international conventions, the lack of a data protection law continues to limit police cooperation at international level and hinders the conclusion of an operational cooperation agreement with Europol. The assignment of a police liaison officer to Europol would contribute to improving bilateral cooperation. No significant progress was noted in the area of addressing trafficking in human beings.

Concerning *human rights and the protection of minorities*, significant efforts are needed in most areas, in particular freedom of expression, freedom of association and assembly and freedom of religion.

Although some progress was made regarding the *observance of international human rights law*, important reforms to strengthen human rights structures remain outstanding and the number of criminal proceedings launched against human rights defenders is a matter of concern.

The downward trend in *torture and ill-treatment* in places of detention continued. However, excessive use of force continues to be a matter of concern, and there has been little progress on tackling *impunity*. There is a significant backlog of judicial proceedings, with priority given to counter-allegations lodged by the security forces.

As regards *prisons*, the continued increase in the prison population is leading to serious overcrowding, with a significant impact on sanitation and other physical conditions. Detention conditions, in particular for juveniles, continue to be a serious concern. An overhaul of the complaints system in prisons is overdue. Medical services for inmates, as well as the conditions for the detention of juveniles, are matters requiring special efforts.

Limited progress has been made on *access to justice*. The scope and quality of legal aid is inadequate. There is no effective monitoring mechanism that would remedy long-standing problems.

With regard to *freedom of expression*, following the adoption of the third judicial reform package a number of journalists were released pending trial, restrictions on the media to report on criminal investigations were eased and the seizure of written work before publication was prohibited. However, the increase in violations of freedom of expression raises serious concerns, and freedom of the media continued to be further restricted in practice. The legal framework, especially as regards organised crime and terrorism, and its interpretation by the courts, leads to

abuses. Combined with a high concentration of the media in industrial conglomerates with interests going far beyond the free circulation of information and ideas, this has led to widespread self-censorship. Frequent website bans are a cause for serious concern and there is a need to revise the law on internet.

As regards *freedom of assembly and association*, while 1 May demonstrations and activities such as the ‘Armenian Genocide Commemoration Day’ took place in a peaceful atmosphere, cases of violence and disproportionate use of force by the security forces occurred during demonstrations that had not received prior authorization. This concerned especially, but not only, demonstrations in relation to the Kurdish issue. The constitutional right to freedom of assembly and association is at times interpreted in an overly-restrictive manner. The law on demonstrations and meetings needs to be revised, allegations regarding the use of excessive force by the security forces need to be investigated and prosecuted where appropriate. Fundraising rules remain restrictive and discretionary. There was no development regarding legislation on political parties.

There was limited progress on *freedom of thought, conscience and religion*. Some progress on conscientious objection in terms of application of the case law of the European Court of Human Rights (ECtHR) was registered. Dialogue with the non-Muslim religious communities continued. However, persons professing faith in minority religions or indeed no faith were subject to threats from extremists. A legal framework in line with the ECHR has yet to be established, so that all non-Muslim religious communities and the Alevi community can function without undue constraints.

In legal terms, there has been progress regarding the respect for *women’s rights and gender equality*. The government established an action plan to address issues raised in the European Parliament report ‘A 2020 perspective for women in Turkey’. The Law on the Protection of Family and Prevention of Violence against Women aims at protecting family members and those in relationships outside marriage from violence. The procedures foreseen in cases of urgency are generally positive, as was the inclusive consultation exercise undertaken by the authorities with civil society. Also, substantial efforts are needed to turn this new law, together with the already existing legislation into political, social and economic reality. Legislation needs to be implemented consistently across the country. There is need for more involvement and participation of women in employment, policy making and politics. A law on caesarean sections was adopted with insufficient preparation and consultation with civil society. The debate that preceded this law and a similar debate on abortion were characterized by a polarizing stance. The issue of early and forced marriages remains a serious concern.

With respect to *children’s rights*, efforts are needed in all areas, including education, combatting child labour, health, administrative capacity and coordination. In general, more preventive and rehabilitative measures need to be taken for juveniles. Detention of children does not take place in appropriate conditions and additional juvenile courts need to be established in line with the legislation in force.

As regards *socially vulnerable persons and/or persons with disabilities* further measures are still required in order to increase the participation of those persons in social and economic life.

Further efforts are required in the fight against *discrimination*. Comprehensive anti-discrimination legislation is lacking and substantial efforts by the government are still needed to effectively protect vulnerable population, including women, children, lesbian, gay, bisexual and transgender individuals from societal abuse, discrimination and violence.

There was limited progress in the areas of *labour and trade unions rights*. The legislation on civil servants' trade unions rights has been amended but is still not in line with the EU and ILO standards. Collective actions by trade unions suffer numerous restrictions.

As regards *property rights*, there has been progress with the adoption of legislation amending the 2008 Law on foundations. Implementation continues. However, the existing legislation still does not cover fused foundations, i.e. foundations whose management has been taken over by the Directorate General for Foundations, or properties confiscated from Alevi foundations. The on-going cases, some of which were initiated by the government, against the Mor Gabriel Syriac Orthodox monastery raise concerns. Turkey needs to ensure full respect of the property rights of all non-Muslim religious communities and others.

Turkey's approach to *minorities* remains restrictive, although for the first time representatives of minority groups, not limited to those minorities officially recognised by Turkey, were invited to parliament to express their views on a new Constitution. Full respect for and protection of language, culture and fundamental rights in accordance with European standards has yet to be achieved. Turkey needs to take a comprehensive approach and make further efforts to enhance tolerance, security and promote inclusiveness vis-à-vis minorities. Existing legislation needs to be revised, comprehensive legislation to combat discrimination needs to be introduced and protection mechanisms or specific bodies to combat racism, xenophobia, anti-Semitism and intolerance need to be established. Relevant Covenants and Conventions should be applied.

Turkey made progress on *cultural rights*, and fewer restrictions on the use of Kurdish in prisons during visits and exchanges of letters were reported. However, legislation still restricts the use of languages other than Turkish, including the Constitution and the Political Parties Law. Also, the judiciary took a number of restrictive decisions on the use of languages other than Turkish, including the use of Kurdish in court cases concerning Kurdish politicians and human rights defenders.

There has been some progress, but a systematic approach is needed to tackle the problems of *Roma*. A comprehensive strategy needs to be established and the issue needs to be reflected and mainstreamed in main policy documents. There is lack of quantitative data on the situation of Roma, which prevents informed policy making.

As regards the *East and Southeast*, there was a considerable debate on the Kurdish issue but no progress towards a solution. Terrorist attacks intensified as did military operations. All terrorist attacks were condemned by the EU. The detention of elected politicians and human rights defenders raises concerns. In incidents such as the Uludere killings of civilians, calls on the authorities for effective and swift investigation and a transparent public inquiry have not been met. The truth about extra-judicial killings and torture in the south-east in the 1980s and 1990s has yet to be established in line with the due process of law. The statute of limitations deadline will soon bring an end to judicial investigations on past crimes, without result. Landmines and the village guard system are still causes for concern.

The process of compensating *internally displaced persons (IDP)* has continued but the effectiveness of the system has yet to be assessed. As regards refugees and asylum-seekers, some improvements can be reported in detention conditions in the removal centres. However, there is still no national strategy to better address IDPs needs or a comprehensive legal framework for refugees and asylum seekers. Further improvements are needed in detention and deportation practices.

With regard to *regional issues and international obligations*, Turkey reiterated its support for the negotiations between the leaders of the two communities under the good offices of the UN Secretary-General to find a comprehensive settlement to the *Cyprus problem*. Despite repeated

calls by the Council and the Commission, Turkey has still not complied with its obligation of full non-discriminatory implementation of the Additional Protocol to the Association Agreement and has not removed all obstacles to the free movement of goods, as outlined in the declaration of the European Community and its Member States of 21 September 2005 and in the Council conclusions, including the December 2006 and December 2010 conclusions. There is no progress towards normalisation of bilateral relations with the Republic of Cyprus. Moreover, Turkey decided to freeze its relations with the Cyprus EU Presidency during the second half of 2012, including abstaining from meetings chaired by the Cyprus EU Presidency. The European Council expressed its serious concerns with regard to Turkish statements and threats and called for full respect of the role of the Presidency of the Council, which is a fundamental institutional feature of the EU provided for in the Treaty. Turkey continued to issue statements objecting to drilling operations carried out by the Republic of Cyprus and expressing threats of retaliation against oil companies that would participate in the Cypriot explorations. The EU stressed the sovereign rights of all EU Member States, which include, inter alia, entering into bilateral agreements, and to explore and exploit their natural resources, in accordance with the EU *acquis* and international law, including the UN Convention on the Law of the Sea.

After the last round of exploratory talks in July 2011, discussions are on-going between Greece and Turkey to set a date for the next round. A substantial number of formal complaints were made by Greece and Cyprus about continued violations of their territorial waters and airspace, including flights over Greek islands.

As regards *regional cooperation*, Turkey remains involved in regional initiatives, including the South-East European Cooperation Process (SEECP) and the Regional Cooperation Council (RCC). Turkey supports the European integration of all countries in the region and has intensified contacts with the Western Balkans, expressing a firm commitment to promoting peace and stability. Relations with the neighbouring EU Member State Bulgaria remained positive.

The *economy* of Turkey continued growing strongly, thus reaping the rewards of the stability and growth oriented policies implemented in most of the previous decade. Since mid-2011, the pace of growth has been falling gradually in line with the slowdown in domestic demand, accompanied by an improvement in the trade and current account balances. However, the still sizeable external imbalances and significant inflationary pressures continue to pose a threat to macroeconomic stability.

As regards the *economic criteria*, Turkey is a functioning market economy. It should be able to cope with competitive pressure and market forces within the Union in the medium term, provided that it accelerates the implementation of its comprehensive structural reform programme.

In 2011, the Turkish economy grew by 8.5%, only slightly down from 9.2% in 2010. Growth was largely driven by domestic demand, in particular stemming from the private sector. A major growth deceleration was observed in the first half of 2012, to 3.1% year-on-year. The slowdown in domestic demand is accompanied by an improvement in the trade and current account deficits, albeit from very high levels (10% of GDP in 2011). The robust economic expansion also allowed strong employment growth and a drop in unemployment from about 11% in mid-2011 to less than 9% a year later. Monetary policy has become more instrumental and has been successful in curbing the growth of credit, and reducing the current account deficit. The budget performed better than expected in 2011, and public debt fell to about 39% of GDP by mid-2012. Reforms and increased spending on education have generated some positive impact on educational attainment and schooling rates. Trade and economic integration with the EU remained high.

At the same time, the soft landing scenario is challenged by bouts of financial uncertainty and the global risk sentiment and more may need to be done to better coordinate the policy mix. The current account deficit is still sizeable. Inflation has been falling, but remains high. These imbalances signal competitiveness problems and a lack of domestic savings, and call for further structural reforms. No efforts were made to increase fiscal transparency and better anchor fiscal policy, which would also contribute to enhance Turkey's credibility in the markets. Market exit remains costly and long and bankruptcy proceedings are still relatively cumbersome. To improve business competitiveness, the law on State Aid should be fully implemented. While there were some improvements in the country's human capital, improvements on physical capital have been modest.

Turkey continued to improve its *ability to take on the obligations of membership*. Progress was made in most areas, in particular on company law, statistics, science and research and Customs Union *acquis*. Efforts need to continue towards further alignment in most fields. The administrative capacity to cope with the *acquis* in terms of effectiveness and efficiency needs to be strengthened. Enforcement capacity also needs to be strengthened in certain areas. Efforts on the alignment were monitored by the bodies set up under the Association Agreement and by the working groups established in the context of the positive agenda.

Some progress was made in the area of *free movement of goods*. Turkey introduced the mutual recognition principle into its legal order for the non-harmonised area. Turkey has become a full member of CEN and CENELEC. However, technical barriers to trade continue to exist and prevent free movement of goods in some areas in violation of Turkey's obligations under the Customs Union. The alignment in this area is advanced. There has been little progress in the area of *freedom of movement for workers*. Turkey increased its capacity with a view to future participation in the EURES and coordination of social security systems. Preparations in this area have been launched. Very little progress can be reported on the *right of establishment and freedom to provide services* and further efforts are needed in this area. Overall, alignment is at an early stage. There has been limited progress on *free movement of capital*. Restrictions on capital movements remain in place in a number of sectors. Enforcement capacity against money laundering and financing of terrorism needs to be improved. Further efforts are needed as regards alignment with the *acquis* and the relevant FATF recommendations. Preparations in this area remain at an early stage.

Limited progress can be reported in the area of *public procurement*. The institutions are in place and administrative capacity has improved. The draft alignment strategy, comprising a time-bound action plan, needs to be adopted. Turkey needs to repeal derogations that are not in line with the *acquis* and align further its legislation, particularly on utilities, concessions and public-private partnerships. The organisation of the remedies system remains to be reviewed. Preparations in this area are moderately advanced. Good progress was made on *company law*. The legal and institutional framework improved with the establishment of the Turkish Accounting and Auditing Standards Authority. However, the capacity of the commercial judiciary and business organisations need strengthening in order to deal with the new Turkish Commercial Code. Overall, Turkey is advanced in this area. Some progress can be reported in the area of *intellectual property law*. Updated laws in line with the *acquis* need to be adopted. Increasing the capacity of the judiciary and of the customs administration towards more effective IPR enforcement is crucial. Combating counterfeit goods also needs to be improved. Closer coordination and cooperation among IPR stakeholders and public bodies is essential, as much as general awareness campaigns on the risks of IPR infringements. Turkey only partly addresses the priorities in this area.

Limited progress can be reported on *competition policy*. Turkey enforced antitrust and merger rules effectively. However, recent legal developments raise concerns as to the Competition Authority's ability to continue carrying out its operations independently. No progress has been made in the area of State aid, while a number of existing State aid practices conflict with Customs Union rules. The State Aid Law remains ineffective in the absence of implementing legislation. Alignment is advanced in the area of mergers. In the field of State aid, the country is not yet sufficiently prepared.

There has been some progress in the area of *financial services*. Basel II standards have become obligatory for the banking sector. More efforts are needed, particularly in the areas of securities markets and investment services, and in the insurance sector. Preparations in this area are well on track. Progress can be reported in the area of *information society and media*. However, alignment with the EU framework on electronic communications remains limited, in particular on authorisation and market access. Continued efforts are required for further alignment of legislation on information society services. The provisions of internet content that might potentially limit the freedom of expression and a too broad interpretation of certain legal provisions, especially as regards sanctions against broadcasters, raise concerns. Preparations in this area are moderately advanced.

Limited progress has been made on alignment in the area of *agriculture and rural development*. The capacities relating to agricultural statistics and farm accountancy data network have increased. Implementation of the pre-accession rural development programme has improved but intensive efforts are required to ensure adequate absorption of the funds. The de facto import ban on live cattle, beef meat and derivative products has not been fully lifted and there remain no strategies in place for the reorientation of agricultural support, nor for agricultural statistics. Preparations in this area are not very advanced. Some progress has been made in the field of *food safety, veterinary and phytosanitary policy*. Further efforts are required to advance towards full alignment with the *acquis*. Significant efforts are needed on upgrading the agri-food establishments to EU standards, control of animal movements, animal health, especially fight against foot and mouth disease, and on animal by-products. Preparations in this area are at an early stage. Some progress can be reported on *fisheries*, in particular on administrative capacity, resource and fleet management, inspection and control, and international agreements. However, additional efforts are needed on legislative alignment, structural action, market policy and State aid. Alignment in this area is not very advanced.

There is some progress in alignment of the *transport sector*, which is, overall, moderately advanced. Turkey needs to align to the recent EU legislative packages in maritime and rail transport. Further efforts are needed in the areas of human resources and technical capacity to apply the *acquis*, especially in the areas of dangerous goods and emergency response preparedness in maritime transport. The lack of communication between air traffic control centres in Turkey and the Republic of Cyprus is seriously compromising air safety.

Some progress can be reported in the *energy* sector, especially as regards renewable energy and energy efficiency. Further efforts are needed in the areas of natural gas, nuclear safety and radiation protection, including responsible management of spent fuel and radioactive waste. Competition remains limited in the gas sector. The functioning of the cost-based pricing mechanism in the electricity market needs to be improved whereas it remains to be established in the gas markets. The independence and institutional capacity of the regulatory authority need strengthening. Overall, Turkey is at a moderately advanced stage of alignment.

On *taxation*, limited progress has been made on legislative alignment. There have been positive steps towards eliminating discriminatory practices in the taxation of tobacco and on administrative cooperation and operational capacity. However, discrepancies with the *acquis* continue to exist. Further efforts are needed regarding excise duties on spirits to comply with the Action Plan in reducing the differentials between imported and domestic products. Gradual elimination of discriminatory practices is key to further progress. No progress can be reported on direct taxation. Overall, alignment in this area is moderately advanced.

There has been some progress on *economic and monetary policy*. The Central Bank actively employed different instruments to ensure price and financial stability, albeit with mixed results. Alignment with the *acquis* remains incomplete, particularly regarding the full independence of the Central Bank and the prohibition of privileged access of the public sector to financial institutions. The capacity for economic policy formulation and coordination is adequate. Overall, Turkey's level of preparedness is advanced.

Good progress has been made in the area of *statistics*, particularly in classifications and registers, in population statistics and in other sectoral statistics. Further progress is needed, especially in national accounts, business statistics and in agriculture statistics. There is a good overall level of alignment with the *acquis*.

Some progress, but uneven, has been achieved in the field of *social policy and employment*, in particular by improving administrative capacity, extending social security coverage and adopting new legislation on health and safety at work, and trade union legislation for public servants. However, trade union rights for workers and public servants still fall short of meeting the EU and ILO standards. Further efforts are needed to put in place a clear policy framework on poverty reduction, reduce labour market segmentation, combat undeclared work and increase employment rates of women and people with disabilities. Overall, legal alignment is moderately advanced.

Turkey has made progress in the area of *enterprise and industrial policy* principles and instruments and in the adoption of sectoral strategies. Turkey has a sufficient level of alignment in this area.

Turkey has made some progress in the area of *Trans-European networks*, where alignment is advanced. Some progress can be reported on transport and electricity energy networks. Continued efforts are needed for gas interconnections and the implementation of the Southern Gas Corridor.

Some progress was made in the field of *regional policy and coordination of structural instruments*. The institutional framework for implementing of IPA regional development and human resources development components has been strengthened and the Operating Structures for the Regional Competitiveness, Environment and Human Resources Development operational programmes have obtained accreditation for the tendering, contracting and financial management functions. However, there is still a need for further strengthening of the administrative capacity of the IPA institutions. Preparations in this area are not very advanced.

Some progress has been made in the area of the *judiciary* following the adoption of the third judicial reform package, which introduces a number of improvements into the Turkish criminal justice system. However, further efforts are needed with regard to the independence, impartiality and efficiency of the judiciary, including the criminal justice system and the large backlog of serious criminal cases. The participation rate of women in the judiciary needs to be improved. Limited progress was made on anti-corruption, with some developments on incriminations and transparency in the financing of political parties. The implementation of the National Anti-Corruption Strategy requires greater political engagement. The situation regarding the respect

for *fundamental rights* continues to be the source of serious preoccupation, notably stemming from the wide application of the legal framework on terrorism and organised crime, which leads to recurring infringements of the right to liberty and security, of the right to a fair trial and of the freedom of expression, assembly and association.

Limited progress can be reported in the area of *justice, freedom and security*. Turkey is successfully providing humanitarian assistance to the Syrian refugees; however, its asylum system is far from the EU standards. Turkey needs to increase its capacity to prevent irregular migration. After having been initialled in June the swift conclusion and the effective implementation of the EU-Turkey Readmission Agreement as well as the full implementation of the existing readmission obligations are of crucial importance. Adoption of the Law on Foreigners and International Protection as well as reforms in border management also continue to be a priority. Only limited progress could be reported in aligning the visa legislation. The lack of adequate data protection legislation prevents progress. Reforms are needed in the area of fight against terrorism and organised crime. Overall, alignment is at an early stage in this area.

Good progress has been made in the field of *science and research*. Turkey took steps to further reinforce its capacity and its integration into the European Research Area. Turkey's participation and success rate in the EU Research Framework Programme (FP7) have increased but further efforts are needed to strengthen the quality of submissions and improve the quality of researchers. Overall, Turkey is well prepared in this area.

Some progress was made in the area of *education and culture*. Popular interest in EU Programmes continued to grow. Turkey extended its compulsory education from 8 to 12 years. There has been little progress in the area of culture, and no progress on legislative alignment. Overall, Turkey is moderately advanced in this area.

Uneven progress was made towards further alignment in the area of *environment and climate change*. Turkey has made good progress on water, there was some progress in waste management and industrial pollution and limited progress on air quality and nature protection. There was hardly any progress on horizontal environment legislation and no progress on nature protection and chemicals. Special attention is to be paid to the sustainability of existing protected areas and potential Natura 2000 sites. Regarding climate change, a more ambitious and coordinated climate policy still needs to be established and implemented, both domestically and internationally. No further progress was made on administrative capacity. The environmental agenda of the Ministry of Environment and Urbanization needs strengthening, as well as coordination and cooperation between relevant authorities at all levels. Preparations in this area are at an early stage.

Some progress can be reported on *consumer and health protection*. Key legislation related to consumer protection is still to be adopted and the consumer movement remains weak. Turkey has established new administrative structures in the area of public health. Their functioning needs to be monitored closely. Overall, preparations in this area are on track.

Good progress was made in the field of *customs union*. The EU-Turkey Customs Union has enabled Turkey to reach a high level of alignment with the *acquis* in this area. Further alignment is needed on duty relief, free zones, surveillance, tariff quotas and IPR. Preparations in the area of customs IT systems need to continue. Additional efforts are required to improve risk-based controls and simplified procedures to facilitate legitimate trade while ensuring security and safety. Some progress was made on *external relations*. Further alignment is required in areas such as the general system of preferences and control of dual use goods. Intensive use of safeguard measures is a cause of concern. Overall, the level of alignment in this area remains high.

The political dialogue with the EU on *foreign and security policy* intensified significantly, also given Turkey's influential regional role in supporting security, economic transition and democratic reform, including with regard to recent developments in Northern Africa. Turkey strongly and repeatedly condemned the Syrian regime's violence against civilians, maintained an open border policy with Syria and is providing humanitarian assistance to nearly 100,000 fleeing Syrians. During the reporting period, Turkish alignment with CFSP declarations continued to be low when compared to earlier periods. No progress was made in the normalisation of relations with Armenia. Diplomatic relations with Israel remained downgraded. Overall, preparations in the area of foreign, security and defence policy are moderately advanced.

Some progress can be reported in the area of *financial control*, in particular as concerns the protection of the euro. Additional efforts are still required, especially as regards the scope of the forthcoming revision of the policy paper on public internal financial control, reinforcement of internal audit function in the public administration and reinforcement of the Turkish Anti-Fraud Coordination Service. Recent amendments to the Law on the Court of Accounts jeopardise previous developments in the area of external audit. Overall, preparations in this area are moderately advanced.

There has been no particular progress in the area of *financial and budgetary provisions*, where preparations are at an early stage. Sound coordination structures, administrative capacity and implementing rules will need to be established in due course.

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