THE EU’S ENLARGEMENT TO TURKEY
AND
THE ROLE OF TRANSNATIONAL CAPITAL

A Master’s Thesis

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Ankara
June 2012

Dedicated to the memory of Antonio Gramsci

# THE EU'S ENLARGEMENT TO TURKEY
# AND
# THE ROLE OF TRANSNATIONAL CAPITAL

Graduate School of Economics and Social Sciences
of
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by

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June 2012

I certify that I have read this thesis and have found that it is fully adequate, in scope and in quality, as a thesis for the degree of Master of Arts in International Relations.

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Assist. Prof. Dr. Dimitris Tsarouhas
Supervisor

I certify that I have read this thesis and have found that it is fully adequate, in scope and in quality, as a thesis for the degree of Master of Arts in International Relations.

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**ABSTRACT**

THE EU'S ENLARGEMENT TO TURKEY
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This thesis analyzes the question of how European transnational capital affects the EU's enlargement to Turkey. It adopts Neo-Gramscianist critical theory, and it looks at the links between the applicant states' compliance with the Copenhagen economic criteria, the foreign direct investment inflows by European firms, the reports published by the European Roundtable of Industrialists (ERT), and the decisions taken by the Commission and the member states. To analyze such links, the thesis benefits from comparative case study and historical interpretation methods. As such, it compares Eastern enlargement to the EU's enlargement to Turkey and analyzes the ERT's position on enlargement politics within the historical context. In this way, this thesis, first, reconfirms the privileged role of the European transnational capital on enlargement politics. Then, it shows that the ERT was less interested in Turkey's EU accession when compared to Central and Eastern European countries. It explains the reason why the ERT was less interested in Turkey's EU accession with reference to the country's failures to comply with the necessities of Copenhagen economic criteria and the Customs Union Agreement, and it underlines that the ERT actively supported Turkey's accession only when the country started to make progress in line with the ERT's policy recommendations. In this way, the thesis suggests that one of the reasons why Turkey has not been admitted to the EU relates to the apathy of the ERT towards Turkey's accession.

Keywords: Theories of EU Enlargement, Eastern Enlargement, Turkey, Neo-Gramscianism, Transnational Capital, the European Roundtable of Industrialists (ERT), Copenhagen Economic Criteria, FDI inflows

# ÖZET


AB'NİN TÜRKİYE'YE GENİŞLEMESİ
VE
ULUSAŞIRI SERMAYE SINIFININ ROLÜ



REYHAN, KAAN
Yüksek Lisans, Uluslararası İlişkiler Bölümü
Tez Danışmanı: Yrd. Doç. Dr. Dimitris Tsarouhas



Haziran 2012



Bu tez Avrupa'daki ulusaşırı sermaye sınıfının AB'nin Türkiye'ye genişlemesi sürecini nasıl etkilediğini araştırmaktadır ve bu konuyu incelemek için Neo-Gramscianist eleştirel yaklaşımı kullanmaktadır. Bu bağlamda, aday ülkelerin Kopenhag ekonomik kriterlerine uyumu, Avrupalı firmalarca gerçekleştirilen doğrudan dış yatırımlar, Avrupa Sanayicileri Yuvarlak Masası'nın (ASYM) raporları ve Komisyon ile üye devletlerce alınan kararlar arasındaki ilişkileri mercek altına almaktadır. Bu ilişkileri saptayabilmek için karşılaştırmalı olay incelemesi ve tarihsel yorumlama yöntemlerini kullanmaktadır. Bu doğrultuda AB'nin Doğu Avrupa genişlemesi ile Türkiye'ye genişlemesini karşılaştırmakta ve ASYM'nin genişleme politikaları üzerindeki tutumunu tarihsel açıdan analiz etmektedir. Bu sayede, bu tez Avrupa'daki ulusaşırı sermaye sınıfının genişleme politikaları üzerindeki ayrıcalıklı rolünü teyit etmekte ve ASYM'nin Türkiye'nin AB'ye katılımına Merkezi ve Doğu Avrupa ülkelerine kıyasla daha az istek duyduğunu ortaya koymaktadır. ASYM'nin Türkiye'nin katılımına daha az ilgi gösteriyor olmasını da Türkiye'nin Kopenhag ekonomik kriterlerine ve Gümrük Birliği Anlaşması'nın gereklerine uyum sağlamakta yaşadığı problemlere bağlamaktadır ve ASYM'nin Türkiye'nin AB'ye katılımını sadece Türkiye'nin ASYM tarafından ortaya konulan politika önerilerini yerine getirmesi durumunda desteklediğini öne sürmektedir. Böylece, ASYM'nin bu konudaki isteksizliğini Türkiye'nin hala AB'ye üye olamamasın nedenlerinden biri olarak göstermektedir.



Anahtar Kelimeler: AB Genişleme Teorileri, Doğu Avrupa Genişlemesi, Türkiye, Neo-Gramscianism, Ulusaşırı Sermaye Sınıfı, Avrupa Sanayicileri Yuvarlak Masası (ASYM), Kopenhag Ekonomik Kriterleri, Doğrudan Dış Yatırım

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# CHAPTER 1

# INTRODUCTION

Since its foundation initially by six European states, the European Union (EU) has been open to all European states that respect the European values. As such, the EU went through five rounds of enlargement. In the first round in 1973, it expanded to Denmark, Ireland, and the United Kingdom. Greece became an EU member in 1981, which was followed by the memberships of Spain and Portugal in 1986. Austria, Finland, and Sweden became the members of the EU during the fourth round of enlargement in 1995. Finally, with the fifth round of enlargement, the EU expanded to ten Central and Eastern European Countries plus Cyprus and Malta. Today the EU is expected to reach 28 member states with the inclusion of Croatia in 2013.

However, as we shall see below, EU enlargement started to attract serious theoretical attraction only with the fifth round of enlargement, which is also known as the eastern enlargement and big-bang enlargement. Enlargement process that the Central and Eastern European States (CEECs) and Turkey went through brought in many questions about enlargement politics of the EU. Why did the EU accept the membership of the CEECs but not that of Turkey? Why did the EU prioritize the accession process of certain applicant states over others? How do the decisions concerning enlargement come about? Is it the Copenhagen criteria or other factors that affect enlargement decisions? These are the main questions that constituted the major debates among the theories of EU enlargement.

As we shall see in the second chapter of this thesis, different theories of enlargement have different answers to these questions. Briefly speaking, Liberal Intergovernmentalism (LI) tries to explain these questions with reference to cost/benefits analysis of applicants' accession to the EU and asymmetrical interdependence between the EU member states and applicant state concerned (Haggard et al, 1993; Moravcsik, 1993, 1995, 1998, 2008; Moravcsik and Schimmelfennig, 2009; Moravcsik and Vachudova, 2003; Nicolaïdis, 1993; Vachudova, 2000, 2001).

On the other hand, the constructivist approaches oppose LI's cost/benefit analysis by arguing that there was no economic or security related reason for the disadvantaged states to accept membership of the CEECs or to prioritize the accession process of five CEECs over the others in the 1997 Luxembourg Council. Although the constructivist approaches share these arguments, they are divided into two strands, especially on the case of Turkey. In answering the above-mentioned questions, a more popular strand of constructivists underlines Turkey's differences related to its compatibility with the common European norms and its compliance with the political criteria (Avci, 2006; Friis, 1998c; Fierke and Wiener, 1999; Risse, 2004; Schimmelfennig, 2001, 2004, 2008, 2009; Schimmelfennig and Sedelmeier, 2002; Sedelmeier, 1998, 2001, 2002a, 2002b, 2005; Sedelmeier and Wallace, 2000). On the other hand, the latter strand explains these questions with reference to the role of innate common culture and history (Lundgren, 1998, 2006; Sjursen, 2002).

There are also other theories of enlargement that adopts rather critical perspective on EU enlargement politics. While Neo-Gramscianist critical approach dominates among the critical approaches to EU enlargement approach (Ataç, 2005; Bieler, 2002, 2005a, 2005b; Bieler and Morton, 2003; Bohle, 2002; 2006; Gill, 1998, 2003a, 2003b; Holman, 2001; Şahin, 2010; van Apeldoorn, 2002; van Apeldoorn et al., 2003; van der Pijl, 2001), there are also two other strands. On the one hand, there are authors who underline underlines the importance of securitization process behind enlargement (Higashino, 2004; Smith, 2004; Zank, 2003). On the other hand, there are other authors that explain the politics of EU integration and enlargement with reference to the class struggles at nation-level (Bonefeld, 2001, 2002; Carchedi, 1997; and Moss, 2000).

Turkey's membership process is different from any other applicants'. Turkey's relations with the EU date back to 1959, when it first applied for the full membership. Even if Turkey's application was rejected, the EU (then the EC) and Turkey signed an association agreement in 1963, which constituted the institutional bases of EU-Turkey relations. Unlike other applicants, Turkey signed Customs Union Agreement with the EU in 1995. However, the candidacy status of Turkey was recognized only in 1999 Helsinki Summit, and accession negotiations with Turkey started only in 2005. However, eight chapters of the accession negotiations have been blocked by the Commission in 2006 until Turkey applies the requirements of the Additional Protocol of 1970 to the Republic of Cyprus.

Why is Turkey still excluded from the EU membership? Almost all of the theories of enlargement mentioned above try to account for this question. However, as we shall see in the section 3.B, none of them provide the necessary theoretical tools to analyze this question satisfactorily but Neo-Gramscianist critical approach. Neo-Gramscianist approach considers enlargement as a process in which European transnational capital, that is the internationally-oriented and globally competitive European corporations, tries to dominate over subordinate social forces in European peripheries. Therefore, it argues that enlargement politics is shaped by the interests of powerful European transnational corporations gathered around the European Roundtable of Industrialists.

Although there are some authors applying Neo-Gramscianism to analyze the case of Turkey (see, Ataç, 2005; Şahin, 2010), their studies did not analyze how European transnational capital affected the membership process of Turkey. In fact, while İlker Ataç's study did not go much further than only plotting the differences and similarities between the CEECs to Turkey from a Neo-Gramscianist perspective (Ataç, 2005), Sevgi Balkan Şahin's study looked at the effects of global and national capitals in privatization politics in Turkey (Şahin, 2010). Since there is no study based on Neo-Gramscianism to analyze the reason why Turkey has been excluded from EU membership, this thesis will try to find an answer to the following question:

*How does European transnational capital affect Turkey's accession to the EU?*

Here, in a similar fashion with Neo-Gramscianists, the term European transnational capital refers to the transnational corporations whose production facilities go beyond nation-states unlike the export-oriented corporations whose production facilities are still located at the nation-level. Similarly, it considers the European Roundtable of Industrialists (the ERT) as the major representative of European transnational capital, which is interested in applicants' compliance with the necessary economic criteria more than the political ones. Also, in this paper, Turkey's EU accession covers the period after 1959 when Turkey first applied for the full membership, which was followed by Ankara Agreement of 1963 that aimed at preparing the country for membership.

Defined as such, the preliminary answer to this question from a Neo-Gramscianist perspective is that European transnational capital plays a very crucial role in enlargement politics by affecting the decisions of the Commission and the member states. In the case of Turkey, European transnational capital was less interested in the accession of Turkey to the EU due to the country's failures to comply with necessary economic criteria and policy recommendations by the ERT. The ERT became dissatisfied with Turkey's compliance with the obligations of the Customs Union during mid-1990s, which might account for separation of Turkey's accession process from that of the CEECs in the Luxembourg Council in 1997. The ERT became more interested in Turkey's EU accession only after the economic reform process following 2001 crises and election of a liberal government in Turkey, which is thought to explain the opening of accession negotiations in 2005 while Turkey's failures to keep its promises to the ERT is thought to lead to the ERT's apathy after 2006. In this context, it is mainly argued that being most influential actor in enlargement politics, European transnational capital did not try to promote Turkey's membership and this is why Turkey has not become a member of the EU yet.

Conducting a research on this question and finding support on the preliminary answer stated above is important for four major reasons. First, by answering the question above, this thesis will try to provide a neo-Gramscianist reading of EU's enlargement to Turkey, which is lacking in EU enlargement literature. Secondly, by showing how European transnational capital is involved in enlargement politics, the answer to the question above is also expected to bring in a new dimension to the question why Turkey has been excluded from the EU membership. Thirdly, since the answer to the question above will test the validity of Neo-Gramscianism in the case of Turkey's accession to the EU, it will have implications for broader debates among the theories of enlargement. Finally, since the research on the question above will highlight the reason why Turkey has been excluded from the EU membership, it would also have a practical benefit. Although whether Turkey should become an EU member is a normative question, if the preliminary answer above is supported in this research, then the policy-makers in Turkey can be advised to get in a stronger relationship with the European transnational capital in order to achieve EU membership.

In analyzing the above-mentioned question, this thesis will apply comparative case study and historical interpretation methods. A comparative case study on the eastern enlargement and EU's enlargement to Turkey is necessary because there are three major similarities between the two cases. Both the CEECs and Turkey applied for membership at similar times. So, the conditions that the EU faced in considering the membership of both were the same. Secondly, both were subject to same membership (Copenhagen) criteria. They needed to involve in strict political and economic reform processes. Finally, the European Roundtable of Industrialists (ERT), which is considered as the major representative of the European transnational capital, actively has been involved in enlargement politics only in these two cases. It is only on these two cases that there is enough data to conduct a comparison. Also, there are two interrelated differences between the two cases, which are expected to account for Turkey's exclusion from the EU membership. The first one relates to their differences in complying with the Copenhagen economic criteria. And, the second one relates to the existence of Customs Union Agreement between the EU and Turkey, an agreement which cannot be found in enlargement process of other applicants. Turkey's failure to comply with the requirements of both Copenhagen economic criteria and the Customs Union Agreement is expected to explain the reason why Turkey has not been admitted to the EU.

Historical interpretation will also be used to analyze how the reforms undertaken by applicant states affected the position of European transnational capital on those states, which can be interpreted from the publications of the ERT, and how the position of European transnational capital then affected the positions taken by the Commission and the member states. The analysis of the reforms of the applicant states, the publications made by the ERT, reports published by the Commission and the decisions made by the member states would say nothing by themselves without any interpretation within a historical order.

In order to provide such an analysis, the Chapter 2 of this thesis will first conduct a literature review, in which the theoretical assumptions and empirical findings of LI and the constructivist approaches will be analyzed. Chapter 3 will present the Neo-

Gramscianist critique of these theories, which will be followed by a general assessment of all theories of EU enlargement to show why Neo-Gramscianism is considered to provide the necessary tools to explain the case of Turkey. Then, it will present theoretical assumptions of Neo-Gramscianism and its application to the eastern enlargement in order to define the theoretical framework to be used for analyzing the case of Turkey.

Chapter 4 will present the comparison of enlargement processes of the CEECs and Turkey. After comparing the two cases by looking at the link between the applicants' compliance with the Copenhagen economic criteria based on Commission's reports and FDI inflows to those countries as an indicator of the position of European transnational capital, it will compare the two cases by looking at the link between position of European transnational capital on an applicant concerned based on ERT reports and the Commission and member states' decisions on that applicant. Showing the link between European transnational capital, the Commission and member states and the link between the reforms adopted by applicant states and position of the ERT on those applicants, the chapter will finally look at the case of Turkey in-depth to explain why European transnational capital was less interested in the accession of Turkey to the EU when compared to the CEECs. Since the ERT's power in affecting Commission's and the member states' decision would be already highlighted, this chapter will also provide a new dimension to the question why Turkey has not been admitted to the EU. Finally, Chapter 5 will first present the summary of the findings of this research and then will highlight its implications of the findings.

# CHAPTER 2

# THE THEORIES OF EU ENLARGEMENT

As mentioned in the introduction chapter, even if the EU has gone through five rounds of enlargement, the theoretical study of EU enlargement politics was lacking until the end of Cold War. Thus, the literature on EU enlargement politics started to attract theoretical attention seriously with EU's enlargement to Eastern Europe. Since enlargement can be seen as the EU's most powerful foreign policy tool and since the admission of new members might necessitate certain institutional reforms, the widening and deepening of the EU has been frequently studied together. Therefore, there is a strong link between the theories of EU enlargement and EU integration. Still, even if there are theories that are common to studies of EU integration and enlargement, EU enlargement literature hosts theories that are specific to it. Therefore, the focus of this chapter will be on those theories that deal specifically with enlargement politics of the EU.

Liberal Intergovernmentalism is an enlargement theory that unites neo-functionalist and intergovernmentalist theories of EU integration. Andrew Moravcsik (1993, 1995, 1998, 2008; Moravcsik and Schimmelfennig, 2009; Moravcsik and Vachudova, 2003) has built this approach since early 1990s, and he applied it to explain the politics of enlargement. The main tenet of this approach is that decisions of each member state are driven majorly by their economic interests, and reflect the harmony of interests of all domestic groups while final decisions reflect the outcomes of intergovernmental bargaining process. Even if LI is adopted not much by others (see, Friis, 1997, 1998a, 1998b; Haggard et al, 1993; Nicolaïdis, 1993; Vachudova, 2000, 2001), it should be thought as the most dominant approach in the literature as others have emerged by making a case against it.

As such, constructivist theories constitute the greatest challenge to LI, which might be divided into two strands: the right-based and value-based approaches in Åsa Lundgren's terms (Lundgren, 1998). The former emphasizes the importance of compliance with the European norms by the applicant states and of the speech acts (Avci, 2006; Friis, 1998c; Fierke and Wiener, 1999; Risse, 2004; Schimmelfennig, 2001, 2004, 2008, 2009; Schimmelfennig and Sedelmeier, 2002; Sedelmeier, 1998, 2001, 2002a, 2002b, 2005; Sedelmeier and Wallace, 2000) while the latter strand underlines the importance of kinship values between member states and the applicants as the defining factor on decisions about enlargement (Lundgren, 1998, 2006; Sjursen, 2002).

While the LI and the constructivist approach that underline the role of common norms are the more popular theories of EU enlargement, there is another theory of EU enlargement: Neo-Gramscianist critical approach (Ataç, 2005; Bieler, 2002, 2005a, 2005b; Bieler and Morton, 2003; Bohle, 2002; 2006; Gill, 1998, 2003a, 2003b; Holman, 2001; Şahin, 2010; van Apeldoorn, 2002; van Apeldoorn et al., 2003; van der Pijl, 2001). Its major argument is that decisions taken by member states on enlargement mainly reflect the interests of transnational capital that is economically quite powerful across Europe.

In addition to Neo-Gramscianism, there are two different strands in critical approaches to the EU. However, these approaches do not directly deal with EU enlargement and they have been limited in terms of analysis of certain cases. The first strand underlines the role of broader and constructed security interests in enlargement politics and the possibility of spillover from joint security interests to pooling sovereignty in other fields of politics at the EU level. It considers enlargement as a securitization process, which would lead to further integration at the EU level (Higashino, 2004; Smith, 2004; Zank, 2003). The second strand can be labelled as Open Marxism in Andreas Bieler's terms (Bieler, 2005b). This approach is mainly used to explain European integration process but also enlargement politics with reference to the role of national forces of capital and class struggle at national level (Bonefeld, 2001, 2002; Carchedi, 1997; and Moss, 2000).

Since this thesis will apply Neo-Gramscianist critical approach to find an answer to the question of how and why transnational capital affects EU's enlargement politics to Turkey due to the reasons that are mentioned in section 3.B, this literature-review chapter will try to make an in-depth analysis of only LI, the constructivist and critical theories of enlargement.

### 2.1- Liberal Intergovernmentalism

As a variant of rational-institutionalism, LI is the most dominant approach to EU enlargement politics. It is a grand theory that encapsulates liberal, realist, and institutionalist theories of IR within a single ‘rationalist framework’. It combines “a liberal theory of national preference formation”, “intergovernmental theory of bargaining and a “new theory of institutional choice stressing the importance of credible commitments” (Pollack, 2004: 148).

To begin with the liberal theory of national preference formation, LI advocates that the preferences of actors are defined by bargaining processes among affected actors. In this way, LI differentiate from realism and intergovernmentalism, which assume that state interests are pre-given and security-driven (see, Hoffmann, 1964 and 1966). According to LI approach, although states are rational unitary actors, their foreign policy preferences on issues related to economics are issue-specific and reflect a harmony between states’ macroeconomic policies and the interests of domestic interest groups (Moravcsik, 1993: 481). Moreover, these interests are assumed to reflect “primarily the commercial interests of powerful economic producers” and “secondarily the macro-economic preferences of ruling governmental coalitions” (Moravcsik, 1998: 3). Security concerns and ideational factors, on the other hand, are thought to play trivial role vis-à-vis economic interests (Moravcsik, 1998: 38).

In the eastern enlargement, since enlargement is a more economy-related policy field, “... preferences of national governments regarding European integration have mainly reflected concrete economic interests rather than other general concerns like security or European ideals” (Moravcsik and Schimmelfennig, 2009: 70). Therefore, member states were expected to, and indeed, made foreign policy decisions that reflected a harmony between the interests of influential economic actors and their own macro-economic preferences (Moravcsik, 1998: 3).

However, since the costs and benefits were almost equal in the eastern enlargement, the effects of security concerns are also visible in member states' enlargement decisions. Thus, security concerns also exerted, though still less than economic interests, influence on the decisions (Moravcsik and Schimmelfennig, 2009: 70). For example, according to Moravcsik (1998: 428), the reason why France preferred integration over enlargement was majorly economic. Capital liberalization in Germany with further integration would work in favour of the business and finance groups in France. However, geopolitical concerns were also influential in France's preferences since by integrating reunified Germany into the EU, France hoped to control the rising power of Germany, and by opposing enlargement she aimed at preventing a situation where would-be eastern members would ally Germany against France's interests as Germany had closer relations with these countries. On the other hand, the UK preferred enlargement over integration as its economy would experience deeper inflation due to further capital liberalization, which was against the preferences of its domestic interest groups.

On the other hand, some geopolitical factors were more economy-related in essence. For example, geographical position of the applicants relates to economics more than security concerns since countries bordering the CEECs expected to increase cross-border trade and capital movement (Moravcsik, 1998: 26). In fact, except for Italy and Greece, which had agriculture-oriented economies that would be negatively affected by the enlargement, all the bordering countries preferred to accept the CEECs' membership to the EU (Moravcsik and Schimmelfennig, 2009: 81).

In terms of assumptions about how decisions are taken at international level, LI is quite similar to Intergovernmentalism. Both assume that policy decisions are end products of intergovernmental bargains among states, where no international institution could threaten the sovereignty of nation-states. The increasing power of the European Commission does not mean that member states are now superseded by supranational entities as they are still obstinate in their sovereign powers (Hoffmann, 1966). Accordingly, states join international institutions also for constraining and controlling each other (Moravcsik, 1998: 9).

Furthermore, as Frank Schimmelfennig (2004: 81) notes, Moravcsik argues that "[t]he more domestic issues become the subject of European politics, the more the state is able to use its traditionally strong autonomy in foreign policy to control the domestic agenda ...". In fact, international institutions might prevent opposition from domestic politics to governments' foreign policy actions while increasing international monitoring of their actions (Moravcsik, 1998: 73-74). So, from LI perspective, institutions like the EU cannot be seen as entities beyond states, as many neoliberal institutionalists and neo-functionalists would argue, but as tools to further promote the interests of member states. Moreover, it is not supranational organizations or business groups but more powerful states that majorly define the outcomes of international bargains.

In this way, LI provides a two-track bargaining theory. While states' foreign policy preferences are derived from a domestic bargaining process, international outcomes emerging as a result of the interplay of these preferences and then the choice of institutions are derived from bargaining among states and depend on the “asymmetrical interdependencies” between and “relative bargaining power” of them (Moravcsik and Vachudova, 2003: 45-46). That is, states that expect to gain more from the cooperation tend to sacrifice more on the negotiation table (Moravcsik, 1998: 476-479). Yet, this does not mean that weaker states simply accept whatever more powerful states offer. From LI perspective, they also gain from the institutions not only because transaction-costs are reduced and information-sharing increases but also because they can be compensated through concessions and side-payments in other issues. Therefore, the bargaining power of a state does not only depend on its material capabilities but also on the intensity of its preferences until which making sacrifices are still more advantageous (Pollack, 2004: 142).

In the eastern enlargement, intergovernmental bargaining was between member states and the CEECs on the one hand, and among member states supporting and opposing enlargement on the other hand. In this bargain, the CEECs had a relatively weaker bargaining power since the collective GNP of all CEECs amounted to approximately 3-5% that of the EU-15 and since they had a more intense desire for enlargement than member states despite the heavy costs associated with it (Moravcsik and Vachudova, 2003: 6). Moreover, “whereas the share of EU exports and imports of the total foreign trade of the candidates rose to between 50 and 70 per cent in the 1990s, their share of EU foreign trade remained below 5 per cent” (Moravcsik and Schimmelfennig, 2009: 82) Thus, not only had the CEECs needed to comply with the Copenhagen Criteria and the *acquis communautaire*, they were also forced to accept unequal terms of agreement.

Despite the inequality and heavy costs associated with the enlargement, the applicant states were still eager to pay the bill for enlargement "... precisely because the basic benefit offered to them−membership−is of such great value" (Moravcsik and Vachudova, 2003: 52). In fact, for the applicant states, entering the EU meant an increase in foreign direct investment (FDI) to Eastern Europe (Bevan and Estrin, 2000:785) and long-term total gains ranging from 23 billion to 50 billion Euros (Baldwin et al, 1997) as a result of rising "output and growth rates by stimulating entrepreneurship, investment and technology transfers" (Dyker, 2001). Moreover, the political cost of a failure to get EU membership was huge: being left behind by other Eastern European countries and being unable to use the EU as a bulwark against the old communist regime and newly-emerging nationalism (Grabbe, 2001: 8). To achieve this end, the applicant states were expected to bear the costs of enlargement until a point where the costs were still lower than the benefits, and in fact, the CEECs did so (Moravcsik and Vachudova, 2003: 44).

The same logic also explains member states' preferences: if enlargement satisfies the economic interests of a member state, then it would support enlargement. However, as we shall see in the next section, according to the constructivists, LI fails to prove this argument. According to them, the costs of enlargement were higher than its benefits for some members that accepted enlargement. Also, once the CEECs were given membership rights, the bargaining power of the CEECs and the number of member states would increase to a degree that might cause a gridlock in EU institutions in integration. Moreover, member states were expected to face a security threat as the rate of immigration from Eastern to Western Europe increase in a way that leads to unemployment in the West. Finally, it is argued LI cannot stand for prioritization of five CEECs (the Czech Republic, Estonia, Hungary, Poland, and Slovenia) over others (Bulgaria, Latvia, Lithuania, Romania, Slovenia) in the 1997 Luxembourg Council. Thus, the critics argued that there must be another reason other than material interests behind member states' decisions.

These arguments seem to be outdated as Andrew Moravcsik and Anna Vachudova (2003) provide an explanation for why member states preferred to accept membership. They basically argue that the economic benefits of enlarging eastwards were still higher than its costs for member states. The eastern enlargement "... will open new markets for EU products and investments while saving the money and blood that would be expended otherwise in the event of further economic upheaval and war (Vachudova, 2001: 96). In fact, according to Baldwin et al. (1997), while the estimated cost of eastern enlargement amounts to only 8 billion Euros, the gain of member states from it is estimated to be 10 billion Euros, and according to Heather Grabbe (2001: 2) the eastern enlargement was expected to provide the EU with 100 million new costumers and creation of new jobs.

Moreover, in response to Ulrich Sedelmeier's claim that that no internal reform had been realized to prevent institutional gridlock after the decision to start accession negotiations (2002a: 3), Moravcsik and Vachudova (2003: 3) argue that the admission of the CEECs was not supposed to cause any gridlock in EU institutions because the CEECs do not speak in single voice and cannot form another block of member states against the interests of more powerful member states. In addition, contrary to concerns about immigration, LI argues that the admission of the CEECs was expected to bring in a better control of illegal immigration. According to

Heather Grabbe (2001: 4), "... full access to the single market will provide opportunities that will keep central European workers employed in their own countries" while EU business groups might make profit from cheaper work-force by making investments in Eastern Europe. Furthermore, LI provides an explanation for the prioritization of five CEECs over the others by arguing that the progress that these CEECs achieved in realizing economic reforms was much higher than the remaining, with whom accession negotiations started upon their success in economic reforms (Vachudova, 2000: 64). In this way, LI could explain the member states' preferences through economic interests against all the critiques by the constructivists.

The third and final theoretical assumption of LI relates to the types of institutions states would prefer in response to the outcomes of intergovernmental bargains. Rejecting the federalist assumption that member states build European institutions for creating the United States of Europe, LI offers its own explanation based on rational-choice institutionalism. As Moravcsik (1998: 9) says, "[g]overnments transfer sovereignty to international institutions where potential joint gains are large, but efforts to secure compliance by foreign governments through decentralized or domestic means are likely to be ineffective". That is, nation-states would accept to be constrained by international institutions only if there is a high potential for common gains and risk of being cheated is alleviated.

Applying this logic to the EU, it is argued that member states tend to transfer some of their power to the European institutions if they think that doing so would bring in remarkable common gains while other member states are prevented from cheating and free-riding. However, according to the constructivists, the change in member states' institutional preference from association agreements to full membership agreements with the CEECs contradicts with this argument as the costs of enlargement was higher than its benefits and association agreements had already provided the most optimal setting for all member states (Schimmelfennig, 2001: 48; Sedelmeier, 2001: 20). According to them, neither member states in favour of enlargement nor applicant states had a sufficient bargaining power to force others to accept the enlargement. The applicants' interests were almost totally depended on EU membership, for the member states in favour of the enlargement, the gains from allying with the applicants were less than the gains from allying with the member states opposing enlargement. So, there is no cost/benefit analysis that could explain the change of institutional choice from association to accession agreements.

LI also accepts that the costs and benefits of enlargement would be different for each member state and interest groups. For example, member states specialized in steel, textile and agriculture sectors were expected to be negatively affected by the eastern enlargement while Germany is expected to have the lion share −one third of the total gains from enlargement (Grabbe, 2001: 23). Also, poorer member states like Greece, Spain and Portugal, which benefit from the EU funds most, were expected to lose much of their shares in these funds. If this is the case, then it begs the question why the disadvantaged states did not veto enlargement (Sedelmeier, 2001: 13).

The answer lies in intergovernmental bargains that took place between the disadvantaged and advantaged states. As Vachudova (2001: 93) argues, the disadvantaged member states had two strategies: they demanded either an increase in the size of funds in a way to maintain their current portions or measures that would provide existing member states a greater share in funds than the new member states. Since the major contributors to these funds, Germany and the UK, did not accept to pay more for the EU budget, the negative effects of enlargement were compensated through safeguard measures in areas like regional and agricultural aids (mainly the CAP) and Structural and Cohesion funds. This shows that LI can account for how and why the members and applicants choose and change the institutional links among each other by intergovernmental bargaining.

Having analyzed the major theoretical tenets of LI, it is now time to look at how it considers the role of transnational capital on enlargement politics. For this purpose, we need to focus on national preference formation and domestic bargaining processes because LI argues that interest groups, be they international or domestic, can exert influence on foreign policy decisions on enlargement through national governments. As argued above, in policy issues that have economic repercussions, states' preferences at international level reflect a harmony between primarily the interests of economically powerful groups within the society and secondarily states' macroeconomic policies (Moravcsik, 1998: 38). Interests of influential business actors are taken into account in issues related to economics because states' decisions at domestic and international level have direct effects on them. They want nation-states to promote their interests abroad while they do not want to pay any cost due to states' foreign conduct. And, enlargement is a policy field where economics is involved more than politics (Moravcsik and Schimmelfennig, 2009: 70). Therefore, powerful business actors try to affect the decisions of the states dramatically.

However, the role played by powerful interest groups even in the policy-fields related to economics, from LI perspective, should not be exaggerated. First of all, the interests of powerful economic groups are just the one among three factors that affect foreign policy decision-making. As Moravcsik (1998: 18) argues, foreign policy choices of member states "... responded to constraints and opportunities stemming from the economic interests of powerful domestic constituents, the relative power of each state in the international system, and the role of institutions in bolstering the credibility of interstate commitments".

Secondly, the interests of powerful economic groups are promoted at the international level by nation-states, not by themselves. Nation-states' foreign policy decisions, even in economic policy areas, reflect the interests of majorly but not only these groups. Rather, the interests of powerful economic groups constitute the primary concern in national preference formation where the interests of all interest groups (be they small or big) are taken into account. In fact, that would be wrong to assume that business interests prevail in national preference formation since even in economic policy issues, national preferences reflect a balance between producer and taxpayers' interests (Moravcsik and Schimmelfennig, 2009: 70). Thus, while it is assumed that national governments make foreign policy decisions in a way "to secure commercial advantages for producer groups ...", these decisions cannot be viewed as mere dictations by powerful economic groups (Moravcsik, 1998: 38).

Finally, international outcomes are defined by negotiations among nation-states, which act as the unitary and rational actors at the international arena. In Pollack's words, LI assumes that "major intergovernmental bargains ... were not driven by ...

transnational coalitions of business groups, but rather by a gradual process of preference convergence among the most powerful member states" (2004: 142). Therefore, business groups need nation-states as unitary actors to aggregate interests of all individuals and interest groups in society and support their interests at the international level (Moravcsik, 1998: 22-23). As argued above, nation-states are expected to reflect the interests of powerful economic groups at international level so long as economic issues are concerned. However, in some cases where the economic interests of these groups are in conflict with broader macroeconomic or security policies of national government, national government might use international circumstances as a leeway against certain domestic interest groups.

To summarize, LI provides an analysis of the eastern enlargement by applying two-track bargaining process to it. In this two-track bargaining, process transnational capital, which refers to 'powerful economic groups' or 'producer groups' in LI jargon, is assumed to play a role only at the first bargaining process at domestic level. Even in this process, it is assumed that they can affect national preferences mainly in economic policy areas such as EU enlargement. However, while LI provides a detailed explanation for the intergovernmental bargaining at international level, it fails to make a detailed analysis of how national preference for or against enlargement is formulated within a given member state.

**2.2- The Constructivist Approaches**

The major point which unites different constructivist approaches is their common position against the assumptions of LI. Many constructivists accept that LI successfully explains the initial decisions of member states to conduct association agreements with the CEECs based on rationalist cost/benefit calculations. Agreeing with LI on this very basic point, the constructivist approaches do not only compete with but complement LI (Schimmelfennig, 2001: 62; Schimmelfennig and Sedelmeier, 2002; p.508). Despite their complementary position, the constructivist approaches differ from LI with respect to their norm and value based ontologies, and argue that LI is not capable of explaining the reasons why member states went further to accept the membership of CEECs and why they prioritized certain CEECs over the others in the 1997 Luxembourg Council.

However, when it comes to answering these questions, the constructivists do not speak in one voice. The constructivists underlining the importance of common European norms (Friis, 1998c; Fierke and Wiener, 1999; Risse, 2004; Schimmelfennig, 2001, 2004, 2008, 2009; Schimmelfennig and Sedelmeier, 2002; Sedelmeier, 1998, 2001, 2002a, 2002b, 2005; Sedelmeier and Wallace, 2000) underline the importance of speech acts and legitimacy concerns either based on common norms and values or on collective EU identity. On the other hand, the constructivists underlining the importance of innate values disagree with the idea that states decisions are driven by states' legitimacy concerns based on norms or identity. Instead, they denote the importance of moral concerns and kinship values in explaining enlargement decisions (Lundgren, 1998, 2006; Sjursen, 2002).

To begin with the constructivists' critique against LI, they disagree with LI as they assume that the very interests of the actors in international arena are "... the products of intersubjective structures and social interaction", and thus they are not pre-given but shaped and reshaped by international institutions "... structured by intersubjective cognitions and norms" (Schimmelfennig, 2001: 58). As we have seen, according to LI, international institutions are simply tools for further promoting member states' interests. But, based on arguments put forward by Bartnett and Finnemore (1999), Katzenstein (1997), and Weber (1994), it is argued that "[t]he origins, goals, and procedures of international organizations are more strongly determined by the standards of legitimacy and the appropriateness of the international community they represent than by the utilitarian demand for efficient problem-solving" (Schimmelfennig and Sedelmeier, 2002: 510). Accordingly, using the concepts of James March and Johan Olsen (1989, 1998), it is assumed that international institutions lead decision-makers to follow a logic of appropriateness instead of a logic of consequentiality as rational institutionalists assume (Risse, 2004: 163; Schimmelfennig and Sedelmeier, 2002: 508). While actors following logic of consequentiality are expected to seek to promote their interests through institutions (or sometimes being constrained by them), actors that follow logic of appropriateness are expected to follow the common rules of community as they seek to act righteously. On the other hand, the other strand of constructivism that underline the role of innate values argues that it is not the notion of universal rights but moral values specific to European identity that affects member states' decisions (Sjursen, 2002: 502).

In eastern enlargement context despite its material costs, member states accepted enlargement, the constructivists underlining the role of common norms underline, since norms and rules of institutions necessitated so and since states pay more attention to the rightfulness and appropriateness of their decisions than the costs (Schimmelfennig, 2001: 58). According to the constructivists underlining the role of innate values, member states accepted enlargement as there was a moral, "kinship-based duty" to save the CEECs, which had long been conceived as a "kidnapped" half of the Europe (Sjursen, 2002; p.505-506).

Still, the constructivists do not ignore the importance of economic interests totally. For example, as Schimmelfennig (2001: 62) argues, it is the self-interests of actors that define their initial preferences, and actors interact with each other based on these preferences. Yet, this interaction is directly affected by socially constructed ideas, values, and norms that define the broader international community which they are member of. Thus, for constructivists, final decisions do not come as an outcome of pre-given state interests as they are sidelined by European norms, the collective identity, or by security threats, which are socially constructed.

Having seen the common stance of constructivists against rationalist approaches, we may now analyze the two constructivist strands in more detail. To begin with the strand that underlines the importance of common European norms, it looks at enlargement by examining how community culture and norms exert influence on its constituent members. In the EU context, "[a]pplicants and members 'construct' each other and their relationship on the basis of the ideas that define the community represented by the international organization" (Schimmelfennig and Sedelmeier, 2002: 513). So, the bargaining between members and applicants do not take place on the basis of material interests but of rightfulness of states' demands in accordance with community norms (Friis, 1998c: 3). So, norms, used by states to provide legitimacy to their arguments, on the one hand play a constraining role in realization of self-interests, but on the other hand help strengthen actors' bargaining position (Schimmelfennig, 2001: 63).

Similarly, this strand considers states sharing similar values and norms as a part of the same community and that any state sharing these norms can join its institutions. That is, "[t]he more an external state ... shares the values and norms that define the purpose and the policies of the organization, the stronger the institutional ties it seeks with this organization and the more member states are willing to pursue horizontal institutionalization with this state" (Schimmelfennig and Sedelmeier, 2002: 513). In the EU context, this strand argues that "... the EU will be ready to admit any European state that reliably adheres to the liberal norms of domestic and international conduct" (Schimmelfennig, 2001: 59). Here, with the exception of Lithuania, the selection of five CEECs (Czech Republic, Estonia, Hungary, Poland, and Slovenia) over other CEECs (Bulgaria, Latvia, Lithuania, Romania, Slovakia) in the Luxembourg Council in 1997 is explained through the different levels of sharing common norms of the EU such as respect for human rights, rule of law, and democracy, a working market economy, and compliance with *acquis communautaire* and *politique*. (Schimmelfennig, 2001: 61).

Common norms and speech acts are also used to explain why some negatively affected member states accepted to move from association to accession agreements. The eastern enlargement was threatening for certain member states. For example, enlargement would decrease the share of Ireland, Portugal and Spain in EU funds while the stability in the Eastern Europe would not matter to them due to the geographical distance (Sedelmeier, 2002). Also, including Greece, their share in

Common Agricultural Policy (CAP) and other structural funds would sharply decrease. For France, there was the risk of immigration and rising competition in agriculture. In addition, Germany's bargaining power might increase relative to France as the new members were likely to side with Germany (Schimmelfennig, 2001). The reason why these states accepted enlargement cannot be explained by intergovernmental bargaining because "... the CEECs did not possess the bargaining power ...", and "... the proponents of eastern enlargement (Britain, Denmark, and Germany) were in a clear minority and could not credibly threaten the more reluctant governments ..." (Schimmelfennig and Sedelmeier, 2002: 521). According to Schimmelfennig (2001: 73) they accepted enlargement only because enlargement to other European states sharing European norms, like the CEECs, was one of the constituent norms of the EU.

If common norms explain enlargement decisions, member states' preferences should have been the same. Yet, the differences were clear, and according to LI, it was the reason why there were long bargains among the members. But, this challenge loses its validity, Thomas Risse (2004: 163) argues, because the fact that decisions are ruled by community norms does not mean that "... constitutive norms cannot be violated or never change". Frank Schimmelfennig and Ulrich Sedelmeier (2002: 513) also acknowledge that norms might not always exert influence on decision-making because the norms governing certain policy areas like enlargement might be ambiguous and open to different interpretations, and they admit that the intensity of states' identification with common norms might show differences.

However, even in these cases, decisions would still be driven mainly by the common norms but not utilities as decision-making process would be what Jürgen Habermas (1984, 1996) calls “ideal speech situation”—a deliberative process in which ‘arguments’ that better reflect community values always win and in which actors try to justify their behaviour in a ‘discourse’ based on community rules (Risse, 2002: 165; Schimmelfennig and Sedelmeier, 2002: 513). Thus, “[a]ctors do not seek to maximize or to satisfy their given interests and preferences, but ... are prepared to change ... their interests in light of the better argument” (Risse, 2002: 165).

In explaining the process how community norms play such a role to construct the interests of actors, it is underlined that the importance of discursive actions and legitimacy concerns with some nuances. To begin with, according to Frank Schimmelfennig (2001), it is through the speech acts that the brakemen, that is the states whose initial material preferences were negative and which do not act in accordance with the community’s norms, are ‘shamed’ by other actors who justify their interests based on these norms (the “drivers”). As a result of being shamed, the brakemen changed their preferences in line with the community values. Although they may have also used discursive challenges against the drivers, they could do so only if the norms on that specific issue are ambiguous and they do not lose face as the community members. For example, in the EU context, they could reject the enlargement, one of the constitutive goals of the EU, only by arguing that it hampers other norms like integration, and in fact, the brakemen did so. In this way, actors that violate community values are “rhetorically entrapped” in a way that their past rhetoric as community members is used by other actors to make them comply with the community requirements (Schimmelfennig, 2001: 65-73).

Like Schimmelfennig, Lykke Friis (1998c: 4) acknowledges that final decisions on enlargement are socially constructed through speech acts, or "discourse structuration" as he calls, although his early works (see, 1998a, 1998b) support rationalist approaches more. While Schimmelfennig emphasizes the role of past promises, Friis emphasizes the role of negotiations in constructing the interests of states, which are initially based on self-interests. Also, he thinks, in EU policy-making, the actors act without perfect knowledge; therefore, common norms dominate in agenda-setting by the governments and EU institutions during pre-negotiation periods, and it is the agenda-setting that affects enlargement decisions most (1998c: 3-4).

While Schimmelfennig and Friis put more emphasis on common norms in explaining enlargement decisions, Ulrich Sedelmeier (1998, 2001, 2002a, 2002b; 2005; Sedelmeier and Wallace, 2000) argues that the eastern enlargement could be explained only with reference to a discursively constructed collective EU identity, which helped policy-makers, especially those at the Commissions' relevant ranks, to take initiatives to promote the CEECs' preferences. This collective identity is based on norms like promoting democracy and free market during the Cold War, leading to a notion of 'specific duty' of the EU towards the CEECs (Sedelmeier, 2002a: 10). According to Sedelmeier (2001: 16-18; 2005: 405-406) in eastern enlargement, this identity was used by the "policy-entrepreneurs", who identified themselves with the EU norms most and concerned with "macro-policies", to alter members' preferences as the common identity limited the number of available policy behaviours. In this way, members were led to accept enlargement despite its cost.

While Schimmelfennig, Friis, and Sedelmeier conceive norms and identity as a constraining factor in pursuing self-interests, Fierke and Wiener (1999) consider norms as an integral part of identity, and thus, as what define self-interests. In fact, it was the norms under the *acquis* that provided the EU's identity to survive even after the Cold War. As the EU had always been open for enlarging to states sharing their norms, then it was possible for the EU to include the CEECs. However, the norms and identity by themselves does not result in the decision to enlarge, but through speech acts (1999: 724-725). From this respect, Helsinki Final Act of 1975 is an important speech act, through which the West promised to help those who support its values in the East. A failure to fulfil this promise would be a threat to the West because, first, a contradiction between the ideals and practices of the West would damage its identity as 'the victor of the war'. Secondly, the East would not be able to realize the reforms based on Western values without a support by the West, which would threaten the West (1999: 29-31).

Thomas Risse (2004: 172) also underlines the importance of identity and argues that "... the collective identity of the EU as a liberal community explains enlargement puzzle to a large degree". However, Risse (2004: 173) accepts that the collective identity, and thus constructivism, could explain enlargement decisions only when there is no cost to be paid by member states for the sake of it. When they need to pay for the collective identity, the logic of consequentiality prevails over the logic of appropriateness. In fact, "... real actors in real world of the EU tend to combine various logics of action in their behaviour" (Risse, 2004: 174). So, it is still impossible to explain enlargement without a reference to norms and identity.

In analysing transnational capital's effect on enlargement decisions, the constructivist strand underlining the importance of common European norms either ignore the pressures coming from it or argue that its effect is very limited. According to Sedelmeier (2001: 18), the relative distribution of power among member states or different domestic groups cannot explain enlargement by itself without a reference to norms and collective identity. He argues that although enlargement might serve to the interests of dominant domestic groups, it was the negatively affected domestic interest groups in textile, steel, and agriculture sectors that exerted influence on enlargement decisions (Sedelmeier, 2001: 15). Thus, domestic groups constituted a constraining effect on member states as opposed to what LI would predict. Still, member states voted in favour of enlargement because "... public policy-makers do have preferences of their own, and might pursue these even against societal pressure" (Sedelmeier, 2001: 24).

While rationalists expected that trade liberalization in agriculture, textile, steel and coal industries would be rejected by member states as a response to the preferences of influential domestic interest groups, a partial liberalization started even with the association agreements thanks to the advocacy of the CEECs' interest by macro-level policy-entrepreneurs who did not act in policy paradigm supporting status-quo but acted in accordance with an alternative paradigm that supported non-interventionism in markets, which worked to the CEECs' interests (Sedelmeier, 2001: 30). "Thus, the existence of strong domestic veto groups alone does not always prevent an accommodation of the applicants' preferences" (Sedelmeier, 2002b: 3).

Instead of intergovernmental bargaining, it was the role of policy advocates that helped promote the CEECs' interests against members' interests. According to Sedelmeier (2002b: 21), "... interest group opposition is an effective constraint on an accommodation of the applicants' preferences only in those cases in which the policy process is fragmented and sectoral policy paradigms are incompatible with the applicants' preferences". That is, if the structure is not centralized and policy-makers' ideas are not in line with the applicant states' preferences, then opposing domestic interest groups might exert influence on the decisions. Therefore, according to this strand, domestic interest groups can only rarely exert influence on enlargement decisions.

In the eastern enlargement, the preferences of the CEECs' could be satisfied against the material disadvantages to member states as macro-policy-makers had a close access to decision-making in an hierarchical and centralized structure and the preferences of the CEECs were compatible with policy the policy paradigm used by the macro-policy-makers (2002b: 8-12; 2001: 25). For example, the Europe Agreements managed to satisfy the interests of the CEECs with trade liberalization in steel industry by lifting tariffs and thwarting use of protective instruments. The policy-makers at the Commission managed to shift the existing paradigm that had underlined the necessity of protectionism into a new paradigm that supported trade liberalization and non-intervention in steel industry. Although the non-interventionist paradigm emerged independent from enlargement as a response to producers' demand for less regulation, it was advocated by the policy-entrepreneurs in a way that appealed to the interests of the applicants, too (Sedelmeier, 2002b: 14-16).

While this constructivist strand that underline the importance of common European norms has been more popular in the literature, some constructivists like Helene Sjursen (2002) and Åsa Lundgren (1998, 2006) adopts a value-based approach, which mainly agrees with the former on that policy-makers need for legitimacy and obtain it through speech acts and deliberative argumentation. They also agree on their arguments against LI as both assume that utility factor cannot explain why the prioritization of five CEECs over the remaining and why the members upgraded the status of the CEECs from associates to members. Yet, in answering these questions, this strand underlines the importance of kinship-based duties over common European norms and identity.

Unlike the strand underlining the importance of common norms, this strand differentiates between speech acts based on universal rights and moral values. While the former assumes that speech acts are based on universal norms and that any state sharing the common European norms would become an EU member, the latter suggests that these norms are subjectively applied to applicant states. That is, the EU norms are not universal but subjective. In fact, if they were universal, then there seems to be no reason why Canada does not become a member of the EU (Sjursen, 2002: 502). Moreover, the effects of these norms in creating a sense of 'shame' on misbehaving member states depend upon the way these member states perceive these norms. That is, more than the intensity of actors' identification with norms, the effects of norms depend on "... actors' rational assessment of their validity and legitimacy" (Sjursen, 2002: 500).

According to Sjursen (2002: 500-502), however, there are some norms independent of the perceptions of states. These norms are based on solely European values and used in ethical-political arguments to affect states' decisions, and "... the EU will prioritize enlargement to those states with which it considers an element of kinship", (Sjursen, 2002: 495). Even if the EU stressed that it applied the Copenhagen criteria to the applicants objectively, the reality was not so. The general pattern in justifying enlargement was not with reference to the universal norms but to a "... sense of a shared destiny and duty to enlarge" (Sjursen, 2002: 503). In fact, the EU always referred the CEECs as a separated part of European family while Turkey merely as an important strategic partner.

Moreover, while the first strand is interested in the puzzle of prioritization of some CEECs over others, this strand investigates on prioritization of the CEECs over Turkey. According to Lundgren (2006), neither utility (LI) nor right-based perspectives could explain EU's decision to enlarge to the CEECs while excluding Turkey. This is so because "... Turkey scored higher than Romania on both economic and democratic indicators prior to the EU's decision to enlarge to the CEECs in 1993" (Lundgren, 2006: 122). According to him, Turkey did not get equal financial and moral support. Thus, Turkey's exclusion can be explained only with reference to an absence of a kinship-based duty towards Turkey (Sjursen, 2002: 503-504; Lundgren, 2006; p.134). Turkey, as a country which had long been an enemy of the Europe with a Muslim population, did not share a common history and culture with the Europe. Thus, Turkey was 'less European' than others, and there was no 'kinship-based' duty to save Turkey (Lundgren, 2006: 136-137).

As can be understood from the cases above, this strand of constructivism does not recognize any role to be played by transnational or domestic interest groups on enlargement decisions. Since this strand conceives that states' decisions are driven neither by utility (economic and security) nor common norms but only by a sense of we-feeling among the states, it can be inferred that transnational capital, whose preferences are driven by material gains, do not play any significant role on enlargement decisions.

## 2.3- The Critical Approaches

In addition to LI and the constructivist approaches, which have been more popular in the literature, there are also critical approaches to EU enlargement. Neo-Gramscianist critical approach is one of them and it has been used to analyze the European integration and enlargement and applied to the case of Eastern enlargement by many authors (Ataç, 2005; Bieler, 2002, 2005a, 2005b; Bieler and Morton, 2003; Bohle, 2002; 2006; Gill, 1998, 2003a, 2003b; Holman, 2001; Şahin, 2010; van Apeldoorn, 2002; van Apeldoorn et al., 2003; van der Pijl, 2001). It tries to explain both EU integration and enlargement with reference to the role of transnational capital. Therefore, it is central to the topic of thesis, which investigates on the role of transnational capital on the EU's enlargement to Turkey. Since it is the theory that would be adopted by this thesis for the reasons that would be illustrated in the next chapter, this section would present only other critical approaches to EU enlargement, which have not been applied to analyze EU enlargement in detail and which cannot provide enough theoretical tools to analyse the role of transnational capital for the reasons as we shall see this and the next chapter.

One of such critical approaches is what Karen Smith (2004: 180) would define as "a combination of constructivism and neofunctionalism" in Karen Smith's words (2004: 180). In contrast to LI, its major argument is that it is the security concerns of states that play the most influential role in enlargement decisions, and economic interests play only a secondary role (Zank, 2003: 1). As Smith (2004: 3) says, "[f]oreign policy can ... entail the use of economic instruments, but its aims are explicitly political or security-related". Unlike neorealists, who define security only in terms of military and political threats (see Waltz, 1979), this strand defines security in a wider sense based on Copenhagen School's security understanding (note that Smith defines security in the same way without a reference to Copenhagen School). Security concerns are neither pre-given nor objective. Rather, they are thought to be related to economic, societal, and ecological security besides traditional military and political security (Buzan et al., 1998: 5-6).

Similar to other constructivist accounts, this strand acknowledges the role of speech acts since "... 'security' in the context of EU enlargement does not necessarily come in a military form, but in a form of 'speech act' ..." (Higashino, 2004: 347). However, it does not agree that it was past promises or rhetorical entrapments that led to enlargement because it was not until the 2001 Laeken Council that the EU made such a promise (Zank, 2003: 11). Past promises or rhetorical entrapment seem to explain enlargement decisions because they were in line with the security interests of 'all' member states. For example, although Spain and Italy were considered as a 'brakeman' by some constructivists, they were also eager for a quick establishment of membership criteria in the 1993 Copenhagen Council because their actions were driven by a necessity of a quick response to the catastrophic events in Eastern Europe (Zank, 2003: 14).

It is not rhetorical commitments but securitization process in which speech acts linked enlargement to security (Higashino, 2004; p.349; Zank, 2003: 2). As security concerns are constructed by securitizing actors, depending on the context states might prefer to pool their sovereignty under a supranational body like the EU for attaining higher security goals. In the EU context, through a securitization process, a federation of Europe might be created by using speech acts to show that it is a necessary tool for satisfying common security interests against globalization. Here, the concept of federation differs from how neo-functionalist or federalist theories of EU integration depicted. While neo-functionalists (see, Haas, 1970: 627) argue that the federation of the EU will be achieved through spillover from cooperation at economic level, this strand argues that it will be achieved through cooperation primarily at security level (see, Zank, 2003).

According to this strand, the major driving factor behind the eastern enlargement was not economic concerns but a need to create and keep a zone of peace and security (Higashino, 2004; Smith, 2004; Zank, 2003; see also; Scholtbach, 1998; Wallace, 1996). As William Wallace (1996: 20) puts forward, “[t]he underlying criteria for EU membership were political. Had this principle not overridden economic considerations, neither Portugal nor Greece would have been accepted as candidates”.

In the eastern enlargement, as a response to the fall of communism, while the US having financial restrictions wanted the Europeans to solve the problems in Eastern Europe by themselves, some Europeans led by France wanted to prevent Germany from increasing its influence in the region. On the other hand, for Germany, collaborating with other European neighbours in the EU framework was necessary to achieve reunification with East Germany (Zank, 2003: 8). For member states reluctant to a fast enlargement process, enlargement was posing a security threat since there were "... heavy costs of choosing *not* to integrate, such as the fragmentation of the EU, the rise of nationalism and, in more extreme cases, a return to Europe's previous balance-of-power system and war" (Higashino, 2004; p.350, *emphasis in original*). Thus, more attention was paid to integration process. However, the securitization of enlargement intensified again with Kosovo crisis in 1999, which was threatening the internal security of Bulgaria and Romania (Smith, 2004: 185-186). The crisis was securitized by an argument that a failure to respond to this threat might stale the reform process in these countries and might enlarge the zone of insecurity on the European continent (Higashino, 2004: 354; Wallace, 1996: 6). Following these crises, a decision was taken to enlarge to the second flow of CEECs in the 1999 Helsinki Council as an 'extraordinary measure' to reduce risks.

However, when enlargement was about to become a reality with the 2001 Laeken Council, the securitizing actors and their audiences changed (Higashino, 2004: 361). Enlargement was securitized by the right wing anti-enlargement parties to attract the voters by arguing that enlargement would result in unemployment due to immigration. Meanwhile, pro-enlargement securitizing actors such as the Commission not only tried to show that no immigration from Eastern Europe is expected as the life standards in Eastern Europe would be equalized to European standards, but also securitized enlargement by highlighting the security risks in case of exclusion (Higashino, 2003: 362-363).

As a result of these opposing securitization processes, here, it is also possible to see the effects of 'cultivated spillover' emanating from cooperation at security level. For example, the decision of the Copenhagen Council to increase the power of the Commission on enlargement politics (deepening) followed the need to absorb new comers to alleviate security concerns (widening). In this way, "... the prospect of enlargement prompted the reforms ...", and "functional spillover" allowed the Commission to have a more say on issues relating foreign policy (Smith, 2004; p.175, 168). Similarly, Pinto Scholtbach (1998: 163-164) agrees that problems like increasing opposition against supranational governance in the West and exclusive nationalism in the East necessitated more integration.

According to this strand, there is almost no role of transnational capital in enlargement politics as the major role is played by the securitizing actors—"... politicians and decision-makers who have an interest"— (Knudsen, 2001: 359), and the necessity of cooperation at security level requires states to pay attention to the transnational rules more than the preferences of interest groups. In the EU context, these actors refer to member states and the Commission. So, it is the state elites that take decisions without any constraint by interest groups. As Smith (2004: 165) argues, "[t]he member states have obviously been the primary actors in the making of a policy towards Eastern Europe; it could hardly be otherwise". Moreover, similar to the constructivist strand underlining the role of common European norms, Smith finds that interest groups in member states remained against the liberalization process brought about by the enlargement. Despite this opposition, the EU decided in favour of enlargement, which shows that the effect of interest groups was limited (Smith, 2004: 178-179).

As we have seen, according to LI, interest groups affect decisions if the issue at hand relates to socio-economic matters, and enlargement was such a matter. However, according to Zank, enlargement did not have direct socio-economic implications. As he argues, "[a]n internal process in the vein of liberal intergovernmentalism, where social groups articulate preferences which governments thereafter integrate, is not to be found here ... it was the governments which counted. Interest groups rarely entered the scene" (Zank, 2003: 27). Although member states may try to protect the interests of domestic groups by arranging trade concessions or side-payments, if other states oppose it, they are expected to change their decisions in a way that does not respond to the preferences of the interest groups. And, this was the case in eastern enlargement process (Smith, 2004: 170). Transnational and domestic interest groups might play some role only in cases of ambiguity on what counts as the best policy option. They play this limited role by affecting state-elites, who are more concerned about the short-term consequences. As Zank (2003: 12) asserts in agreement with Sedelmeier and Wallace (2000), in the eastern enlargement "... the divisions were between 'macro-policy makers' who worked for long-term objectives, and 'meso [sectoral] policy makers' who were under pressure from economic groups which voiced more short-termed interests". Since it is generally the macro-level policy-makers that determine the decisions, the influence of interests groups on sectoral policy-makers remains limited.

In addition to this critical strand, there is yet another critical approach, which can be defined as "Open Marxism" in Bieler's terms (Bieler, 2005b). This strand, however, has rarely been used to analyse EU enlargement politics since it focuses on class struggles at national level. It mainly analyses European integration politics at national level (Bonefeld, 2001, 2002; Carchedi, 1997; and Moss, 2000).

Since it is a theory that has many common points with Neo-Gramscianist critical approach, it is necessary to briefly talk about it in order to clarify the demarcations between the two. To begin with, like Neo-Gramscianists, Open Marxism opposes LI in terms of its separation of state and society. Accordingly, both approaches assume that while form of state affects the positions of the social forces in production structure, these forces also affect the very form of the state in accordance with their interests. Also, both agree that neo-liberal form of state creates a division between the forces of capital and labour, and that policy-making depends on the class struggle between the two.

Yet, Neo-Gramscianism differs from Open Marxist studies with respect to their level of analysis. According to Bieler (2005b: p.515), in Open Marxism "... the conditions of exploitation are standardised at the national political level" (Bieler, 2005b: 515). That is, Open Marxist studies are not interested in class struggles taking place at international level. Thus, unlike Neo-Gramscianism, Open Marxism does not focus on how transnational and global forces of capital and labour affect the international order in accordance with their own interests. Rather, it tries to explain global politics with reference to competition between national forces of capital.

Open Marxism has not yet provided a detailed analysis of the eastern enlargement according to the study of the present author, and when it comes to the role of transnational capital from Open Marxist point of view, as a result of its focus on national forces of capital, Open Marxism ignores the existence of transnational capital. The term ‘transnational’ capital by itself is contrary to the assumptions of Open Marxism. Therefore, there is no role to be played by a transnational force of capital.

# CHAPTER 3

# THE THEORETICAL FRAMEWORK

While the EU enlargement literature is dominated by the rivalry between LI and the constructivist approaches, there is yet another approach which explains EU enlargement from a critical perspective: Neo-Gramscianism. According to Neo-Gramscianism, the more dominant theories of EU enlargement are problematic in the sense that they are incapable of understanding the power relations among social forces, the way hegemony is sustained, and the role of ideas in the maintenance of hegemony. On the other hand, other critical approaches that are mentioned in the second chapter have been limited in their analysis of EU enlargement and transnational capital.

Thus, the first section of this chapter will first focus on Neo-Gramscianist critique against the more popular theories of EU enlargement. Then, it will make a detailed assessment of the literature and provide a rationale for why Neo-Gramscianist theoretical tools will be used in this thesis. In the third section of this chapter, there will be an analysis of theoretical framework of Neo-Gramscianism. This will be followed by Neo-Gramscianist reading of eastern enlargement in order to show how major theoretical tools of Neo-Gramscianism are used by other authors.

### 3. 1- Neo-Gramscianist Critique against Liberal Intergovernmentalism and the Constructivist Approaches

Like the constructivist approaches, Neo-Gramscianists' critique focuses on LI, which can be analysed under four headings. Their first critique is about LI's state-centricism. As a theory that provides "... an analysis of the interrelationship of economic, politico-institutional and ideological processes, and an understanding of present neo-liberal restructuring as resulting from (and strengthening) transnational social forces", Neo-Gramscianism "... transcends traditional state-centric perspectives ..." (Holman, 2001: 165). On the other hand, LI conceives states as the central actors of international conduct. According to Neo-Gramscianists, this assumption is problematic because "... the state is seen as separate from society", and the role played by the social forces on states in the international realm is ignored (van Apeldoorn et al., 2003: 20, 23). In international politics, not only states but also transnational actors, international institutions and ideas matter (Bieler, 2002: 577; Bohle, 2006: 60).

Moravcsik's later works (see Moravcsik, 1998, 2003) tried to alleviate this problem by introducing the concept of 'national preference formation'. However, according to Kees van Apeldoorn et al. (2003: 25), LI still remains state-centric mainly because Moravcsik considers that interest groups can exert influence on states only at the nation-state level. Thus, he considers transnational forces as external to the relationship between the society and state. However, from a Neo-Gramscianist perspective, transnational capital is internal to that relationship (van Apeldoorn et al., 2003: 26). In a globalized world, transnational capital may have direct influence on nation-states' decisions by owning economically strategic assets, on which nation-states are depended.

It should be noted that rejecting state-centricism does not mean that states are irrelevant actors in Neo-Gramscianism. On the contrary, state is important since "... the form of state consists of 'political society', i.e., the coercive apparatus of the state more narrowly understood including ministries and other state institutions, and 'civil society', made up of political parties, unions, employers' associations, churches etc" (Gramsci in Bieler, 2002: 580-581). Therefore, the form of state, which is historically created through class struggles, affects the social relations of production at present. It is the form of state in which social relations of production take place and define the power of social forces within it, which then might work to change it in accordance with their own interests. Moreover, state in today's neoliberal order plays an important role "... in organizing, sanctioning and legitimizing class domination within capitalism" (Shields, 2004: 135).

Neo-Gramscianists' second critique about LI focuses on its conception of rationality and pre-given interests. Moravcsik considers that interest groups are driven by rational utility concerns and adopts a self-interested conception of human nature. However, according to van Apeldoorn et al. (2003: 25), this rationalist/self-interested conception might be valid only for the forces of market. It does not apply to 'all' types of social relations among different social actors. Assuming that all social relations are based on self-interests, Moravcsik ignores the social dimension and the role of ideas on preference formation. That is, "[t]here is no concept here of how historically constructed *social relations* (for example, class relations) embed these actors and shape their identity and interests (van Apeldoorn et al., 2003: 25).

Similarly, LI assumes that enlargement decisions are the outcomes of a rational cost-benefit analysis, and more an interest group is affected by EU politics, more it tries to influence decision-making. This assumption is problematic, according to Neo-Gramscianism, for three major reasons. First, the costs and benefits of a decision cannot be easily determined as it is "... by no means self-evident as to why and by whom certain consequences of enlargement are perceived as costs and benefits", and the perception of what the costs and benefits are depends on one's position in production structure (Bohle, 2006: 60). In fact, "[d]ifferent national preferences with respect to different issues reflect different power configurations of national economic interest groups" (Holman, 2001: 168). Secondly, by taking interests as pre-given and rationality as universal, LI cannot touch upon the positions of the opponents to enlargement, which leads to economic prosperity for some but social exclusion and inequality for others (Holman, 2001: 166). Finally, LI is not capable to see that some interest groups are weaker than others. Therefore, they might not be able to influence national preference formation in their favour (van Apeldoorn et al., 2003: 25). So, instead of bargains based on cost/benefit calculations, enlargement decisions should be read as the outcomes of a 'class struggle', where supranational institutions, transnational capital and ideas play a role besides nation-states (Bieler, 2002: 577).

Neo-Gramscianists' third critique is that LI ignores the role of ideas. According to Neo-Gramscianists, states' preferences and interests cannot be considered as pre-given and fix because all social relations, institutions and knowledge are produced and reproduced in the sphere of production (Cox, 1989: 39). That is, there is not fully objective knowledge on which 'national' interests can be identified in a way that corresponds to preferences of all segments of that nation. Rather, the knowledge is manipulated in accordance with the preferences of economically powerful segments of society. Rather than universally valid knowledge, it is the position of social forces in the production structure that defines what their interests are.

Yet, "... the position within the sphere of production shapes the behaviour of social forces, it does not determine it" (Bieler, 2002: 580; 2005b: 517). That is, Neo-Gramscianists accept that "... economic interests do shape ideas or preferences ..." while arguing that ideas provide "the framework in which economic interests are constructed" (Diez, 1999; as cited in Holman, 2001: 168). In this way, it is assumed that one's interest is an output of the interrelationship between one's position in the social relations of production and how he/she conceives it. Therefore, although it can be argued that each class may pursue their interests that emerge from their positions at production structure based on rational calculations, being a member of a class does not mean an automatic realization of class identity and interests. "Rather, class consciousness is the result of class struggle around exploitation and resistance to it in a particular historical context" (Bieler, 2002: 580), where only the ideas and knowledge constructed by historical bloc matter.

According to Neo-Gramscianists, if national preference formation is based on pre-given interests as LI assumes, then this leads to an economic deterministic approach, which renders the behaviour of actors predictable. However, international outcomes cannot be surely predicted as they emerge as a result of an open-ended class struggle, which may lead to many possible outcomes but not a single expected one (Bieler, 2005b: 515-516). Each segment of society having different preferences tries to impose their preference as the general interest of society, and final decisions reflect the end result of this struggle. Therefore, it is expected that powerful interest groups engage in ideational and intellectual activities to show their specific interests as general interests of society so that the way other segments of society perceive their interests would be in line with their interests. And, how far this kind of hegemonic projects will be successful is not predictable.

Neo-Gramscianists' final critique on LI focuses on the role of and relationship between the Commission and transnational capital. Neo-Gramscianists criticize Moravcsik's "... assessments of supranational institutions and transnational business" because "[t]he influence of the former is neglected and the role of the later is restricted to the national level" (Holman, 2001: 163). Therefore, LI cannot provide theoretical tools necessary to measure the influence of the supranational entities like the Commission and the forces of capital (be it national or transnational) on EU policy-making. According to LI, supranational entities "... tend to be futile and redundant, and even sometimes counterproductive" (Moravcsik, 1998: 8).On the other hand, according to Neo-Gramscianists, the Commission is quite powerful on European policy-making due to its agenda-setting and legislative power.

When it comes to the effects of transnational capital on enlargement politics, Neo-Gramscianists argue that the effect of forces of capital is not limited to their influence on nation-state as ordinary national interest groups. As we shall see in section 3.C in more detail, according to Neo-Gramscianists, national and also transnational forces of capital have remarkable influence on states as they started to own strategic economic assets. Moreover, the Commission should not be seen as a separate actor. Its policies reflect transnational capital's interests as it is dependent on transnational capital's influence on states to make members accept its policy recommendations (van Apeldoorn et al., 2003, p23-24).

Neo-Gramscianists' critique also reaches to the constructivists although these two theories partially agree on the role of ideas and identity. However, the way constructivists take ideas and identity into account differs from that of Neo-Gramscianists. According to van Apeldoorn et al. (2003: 32), the constructivist approaches are problematic since "[f]irst, material interests and identity are treated as ontologically separate. Second, material interests are discussed (and dismissed) with reference to a priori fully constituted identities". In fact, the constructivists take actors' identity as given, and explain their conception of material interests with a reference to that identity. On the other hand, Neo-Gramscianists underline that structures that predefine interests of agents are historically determined while agents can change structure through their thoughts and actions (Bieler, 2005b: 517).

Neo-Gramscianists' critique on LI and constructivism goes beyond theoretical level. In fact, Neo-Gramscianists are not happy with the LI's and the constructivists' analysis of eastern enlargement since they focus only on the question why members accepted to enlarge. According to Dorothee Bohle (2006: 59), by focusing on this question, neither approaches manage to account for why the CEECs have been subject to a different treatment and why they were given 'unequal', 'secondary' membership status when compared to previous applicants. Accordingly, both approaches are misleading as they argue that enlargement served to the CEECs' interests, which became actually worse off with enlargement (Bohle, 2006: 59). As we shall see in sections 3.C and 3.D in more detail, unlike other applicants, the CEECs were subject to different treatment during and after the enlargement, such as opening their markets before membership and restrictions on free movement of labour. They were also forced to accept the minority rights as a political condition even if this was not based on the *acquis communautaire* nor was it a common policy among the existing members (Schwellnus, 2006: 186).

### 3. 2- A General Assessment of the Theories of Enlargement

Having seen the problems associated with the more popular theories of enlargement from a Neo-Gramscianist perspective, it is now time to assess whether they provide theoretical tools for measuring the effects of transnational capital on EU's enlargement to Turkey.

Thus, this part will assess LI and the constructivist theories of enlargement first, and then other theories relevant for the purposes of this thesis. As it will be clear, none of these theories but Neo-Gramscianism provides the necessary theoretical tools for analysing the effects of transnational capital on EU's enlargement to Turkey. Thus, this part will conclude with providing the rationale for why Neo-Gramscianism is chosen as the theoretical framework of this thesis.

#### 3.2. A- An Assessment of Liberal Intergovernmentalism

To begin with the assessment of LI, as we have seen, although it acknowledges the role of producer groups on enlargement to a degree, the theoretical framework it provides to assess the role of transnational capital is quite limited for three major sets of reasons. The first reason is related to its conception of national preference formation. Although it acknowledges that states' preferences primarily reflect the interests of producer groups and secondarily governmental macroeconomic interests, LI conceives producer groups as influential only at 'national' level (Moravcsik, 1993: 3, 481). Therefore, it renders 'transnational' capital "... as something external to national state-society complexes, whereas by definition they are also internal" (van Apeldoorn et al., 2003: 26). Moreover, although Moravcsik successfully differentiates between producer groups and other social groups (taxpayers) and acknowledges that the primary role is played by producer groups, he wrongly assumes that states' decisions reflect a harmony of preferences of all interest groups (Moravcsik, 1998: 38). As we have seen, however, what the costs and benefits are depends on one's position in production structure (Bohle, 2006: 6). While some marginalized social forces cannot affect decision-making process, "it is big business that counts most" in decision-making (Holman, 2001: 172). Thus, states' decisions reflect a harmony only among more powerful social forces.

State-centricism constitutes the second set of problems. As LI considers that international outcomes are determined by the preferences of more powerful states, transnational capital and supranational institutions like the Commission are considered not to have any power independent from states (Moravcsik, 1998: 8). However, if transnational capital does not have any influence on states, then state is portrayed as independent from society (van Apeldoorn et al., 2003: 20, 23). Influential interest groups play an important role even in the very formation of governmental policies as the support of these groups is crucial in terms of elections.

Moreover, in conducting cost/benefit analysis, LI looks at business benefits emerging from the enlargement. For example, the eastern enlargement is considered as beneficial since it "... will open new markets for EU products and investments ..." (Vachudova, 2001: 96). In this way, LI considers the expansion of new markets for industrialists as a national interest. However, these are the parameters that reflect primarily the interests of import-oriented producer classes but not the interests of social forces that got worse off such as those in agriculture and textile sectors. Similarly, LI explains why disadvantaged states accepted enlargement with reference to safeguard measures in sectors where the CEECs might become new competitors. However, these compensations for negatively affected states can be considered as a way to get the consent of the national forces of capital and labour, which were not ready for higher competition emerging from enlargement as much as transnational capital. Also, LI explains the reasons why the CEECs accepted the heavy costs of enlargement with reference to expected increases in FDIs to their countries in addition to other political factors (Moravcsik and Vachudova, 2003: 52). However, if FDIs play such an important role to make the CEECs strive for enlargement that strongly, then transnational business do play central role in enlargement politics. Thus, the parameters used by LI actually support the argument that transnational capital's preference mattered in enlargement decisions.

Similarly, Moravcsik (1998: 160-161) underestimates the Commission's role by considering agenda setting and policy-initiation as its sole sources of power. In addition to them, the Commission interprets the vague terms of agreements among member states in a way that may run against the will of certain states. Also, it provides an atmosphere, where the actors are socialized and affected by European ideas, norms and identity, through which actors' preferences can be altered in line with the Commission's preferences (Egeberg, 2010: 128-129). Yet, the bulk of Commission's power comes from its relationship with transnational capital, a relationship that LI cannot observe as it considers both the Commission and transnational capital as futile. From a Neo-Gramscianist perspective, the Commission is not an independent body as some supranationalists like Sandholtz and Zysman (1989) would suggest but an institution that maintains its power, cooperating with transnational capital (van Apeldoorn et al., 2003, p23-24).

The third set of shortcomings of LI stems from its conception of interests and ideas. As we have seen, while Moravcsik does not totally reject the effects of security interests, he argues that they play only a trivial role together with ideational factors vis-à-vis economic interests on economy-related policy areas (Moravcsik, 1998: 38). Although he is right that economic interests play the primary role, he cannot see the link between the political and the economic interests (Bieler, 2005b: 514). In fact, political and security interests cannot be separated from economic interests since they are "... aspects of a single concrete whole" (Coleman, 1972: 30), and since "much of politics is economics, and most of economics is also politics" (Lindbloom, 1977: 8). Similarly, Barry Buzan (1991: 19-20) argues that security is a broad term and it includes economic, societal, and environmental aspects in addition to traditional military and political interests within a single framework while Kapstein (1991) underlines the interrelationship between politics and economics as a component of national security. In fact, there's almost no policy-field that can be purely 'economic' or purely 'security-related'. For example, David Painter (2009) shows that Marshall Plan, whose official aim was to financially help restructure European economy, is always thought to be a security strategy against the Soviet Union. However, it was an economic strategy in essence, which aimed at arranging markets for US oil companies while keeping Europe economically dependent on the US. Thus, as opposed to LI's assumptions, producer groups or transnational capital are highly expected to be interested in issues related to politics and security, which are not necessarily related to their business.

Moreover, despite leaving some room for changes in states' preferences in its bargaining theory, LI still considers national interests as pre-given if not fixed. Once the conditions are set and cards are played, then actors' preference would be predictable as rational outcomes. As argued above, however, there is no way of defining national interests objectively corresponding to the interests of all social forces, which depend on and change in accordance with their positions at production structure (Cox, 1989: 39). Here, at the very determination of these interests, ideas play the central role. Ideas reflect the outcomes of historical and social relations (van Apeldoorn et al., 2003: 25) and provide the framework in which one can realize his/her interests (Gill and Law, 1998: 74). Moreover, ideas and claims of truth are used by hegemonic forces to legitimize their rule by determining the limits of what can be logically thought as true (van der Pijl, 2001: 187). Since the strategic use of knowledge and ideas might lead to different outcomes than what is expected based on pre-given interests, then LI cannot account for certain behaviour of actors that do not emanate directly from their economic interests.

### 3.2. B- An Assessment of the Constructivist Approaches

When it comes to the first strand of constructivist approaches that underline the role of common European norms, there are three major shortcomings. The role of ideas in this sense constitutes their major problem even if they also take ideas into account because they consider common norms independent from the historical and material causes behind them (Van Apeldoorn et al., 2003: 32). From a Neo-Gramscianist point of view, these ideational and identity related factors are used in accordance with the interests of hegemonic classes (Bieler, 2001: 97), and the constructivists do not see this link between ideas and interests.

Secondly, like other constructivist approaches, this strand ignores the importance of economic interests. For example, Schimmelfennig considers that the UK's support for enlargement cannot be explained with reference to material interests since the state is motivated by Europhobic ideological tradition, not by economic and geopolitical interests or common norms. Yet, the theoretical tools that he uses does not let him see the material causes that accounts for the UK's support for the enlargement. As van der Pijl (2001: 190-194) argues, the UK was a state where transnational capital was most active in Europe. Thus, the UK supported anything that prevents closer integration of the EU, which would help increase the competitiveness of other European firms. Therefore, it can be argued that an analysis of class struggles better shows the material causes behind states' decisions.

The third problem is common to all constructivist approaches and it relates to the role of speech acts and common norms. The constructivists are right in arguing that states could try to promote their interests within the limits of common norms (Risse, 2002: 165; Schimmelfennig and Sedelmeier, 2002: 513). However, the use of common norms in rhetoric does not mean that actors act independent from material concerns. If Cox (1986: 207) is right when he stated that “all theory is for someone and for some purpose”, then the use of certain norms would also be for someone and for some purpose. In fact, Noam Chomsky (1999: 13) finds that states may use humanitarian norms to conduct humanitarian interventions even if their aim in interventions is actually motivated by material interests. In fact, states may sometimes “... clothe their own particular aspirations and actions in the moral purposes of the universe” (Morgenthau, 1978: 13). Moreover, the effects of the norms used in speech acts to create a sense of ‘shame’ on misbehaving member states depend on the way they perceive these norms (Sjursen, 2002: 500). So, it was not the norms but security concerns or/and material interests mattered in EU enlargement politics.

Like LI, the constructivist approaches is problematic in assessing the role played by transnational capital. The role of transnational capital is either ignored or considered to be limited. Although the study of Sedelmeier (2001) seems to provide an account of transnational capital, it is quite limited as it takes transnational capital as one of domestic interest groups and it does not see differences among interests groups in affecting policy-making. Moreover, it looks at only the attempts by interest groups that are negatively affected by enlargement in sectors like agriculture, textile and steel. However, these are the weaker social segments when compared to transnational capital at the EU level, and this is why he finds that interests groups do not play any remarkable role on enlargement decisions. Therefore, his assessment of the effects of interest groups, and thus transnational capital, fails.

These popular theories of EU enlargement are problematic also in their empirical arguments. Neither LI nor the constructivists provide satisfactory explanations on the eastern enlargement. LI is problematic because, as we have seen, it used business benefits of enlargement to calculate the cost/benefit analysis of enlargement even if it argued that member states' decisions reflected a harmony between the concerns of all domestic groups and governmental macroeconomic policies. Moreover, even if the economic cost of Turkey's EU accession was less than that of the CEECs, member states still have not accepted Turkey's membership. In fact, according to Jens Alber (2007: 260), Turkey's growth rate was higher than that of the CEECs and even of some existing member states while it also has an ever increasing GDP rate. Yet, the real cost of Turkey's EU accession lies in not economic interests at aggregate level as LI suggests but in the specific interests of historical bloc. LI cannot observe the hegemonic project behind enlargement politics that aims to import market radical version of neoliberalism (Bohle, 2006).

On the other hand, the constructivists fell into a worse mistake by arguing that the cost of enlargement was more than its interests. Their critique against LI is problematic because, as Grabbe (2001: 2) finds out, the costs of enlargement (8 billion) were in fact less than its benefits (10 billion), and there was not a security cost emanating from immigration (Grabbe, 2001: 4). In fact, according to the report published by Office for National Statistics of UK (2011: 10), the rate of immigration by the CEECs to the UK reached its peak in 2007 but started to decrease since then with the exception of slight increase since 2010. Also, the constructivists take 'material' interests of states as fixed throughout enlargement even if they acknowledge that interests of actors are "... structured by intersubjective cognitions and norms" (Schimmelfennig, 2001: 58). They do not see that enlargement might have become profitable even for the brakeman as time went by. In fact, as Holman (2001: 175) illustrates, the interests of transnational capital changed during the 1990s. It strongly pushed member states in favour of enlargement only when the benefits of enlargement were clearly realized. So, the brakemen needed to redefine their interests since the cost of opposing transnational capital, which holds the ownership of strategic economic assets in their countries, would be higher than accepting the enlargement.

When it comes to why the CEECs accepted the 'unequal terms of enlargement', LI underlines that the CEECs became better off with enlargement despite certain inequalities. In this way, LI ignores that enlargement was to the interests of only certain classes in the CEECs and that it did not bring in the results that the CEECs expected. As Holman (2001: 177) argues, contrary to the expectations of the elites and intellectuals of the CEECs, neo-liberal restructuring led to more outward spending than inward spending, which made them more depended on transnational capital. Similarly, the constructivists fail to problematize the interests of the CEECs. For example, Sedelmeier (2001: 16-18) simply considers that enlargement was in the interests of the CEECs as the policy-entrepreneurs managed to promote their interests by lifting certain protective measures in sectors like steel and coal. However, in the accession agreements, there were also protective measures in these sectors to protect negatively affected member states. Thus, enlargement was not that beneficial for the CEECs as LI and the constructivists think.

On the other hand, the constructivist approach that underlines the role of innate values criticizes the more popular theories, that is Liberal Intergovernmentalism and the constructivist approach that underline the importance of common norms, on that the Copenhagen criteria were not applied to all applicants in the same way. In fact, Poland was given more funds to realize necessary reforms than Turkey (Sjursen, 2002: 205).

However, the fact that there is a differentiation between Poland and Turkey does not necessarily mean that enlargement decisions were based on some innate understanding of kinship-based duties. As Sjursen (2002: 508) herself suggests, Turkey's human rights record was worse than Poland. Thus, the EU might have found it more profitable to invest in Poland than Turkey. Moreover, while leaving Poland outside might have led Poland not to be able to transform into a market economy, in the case of Turkey, there was not such a risk. This fact may also explain why, unlike other applicants, Turkey was not considered as a part of Europe.

Moreover, Lundgren (2006) underlines that Turkey scored better than Romania and Bulgaria in terms of political criteria in 1992 and 1993. However, at the time of entering the EU, he ignores, Turkey was worse than Bulgaria and Romania in terms of political criteria. In fact, according to Freedom House ratings, which Lundgren used for comparing Turkey, Bulgaria and Romania in 1992-1993, Turkey, had a clearly worse record than Bulgaria and Romania when they entered the EU (see, table 1). So, the argument that Turkey was discriminated due to its identity seems to be rather misleading.

**Table 1: Comparison between Bulgaria, Romania and Turkey in terms of their scores based on Freedom House Ratings from 2005 to 2007**

| **Year** | 2005 | 2006 | 2007 |
|---|---|---|---|
| **Country** | Freedom Score/Civil Liberties/Political Rights | Freedom Score/Civil Liberties/Political Rights | Freedom Score/Civil Liberties/Political Rights |
| **Bulgaria** | 1.5 / 2 / 1 | 1.5 / 2 / 1 | 2.5 / 2 / 1 |
| **Romania** | 2.5 / 2 / 3 | 2 / 2 / 2 | 2 / 2 / 2 |
| **Turkey** | 3 / 3 / 3 | 3 / 3 / 3 | 3 / 3 / 3 |

Source: Freedom House, 'Country Ratings', available at: www.freedomhouse.org.

### 3.2. C- An Assessment of the Critical Theories of Enlargement

Many of the critiques above also apply to the other theories of enlargement. To begin with, the first strand in critical approaches that underlines the impacts of securitization process, focusing on member states and the Commission, it ignores the role played by interest groups. Although their conception of security is broad and includes an economic dimension, it does not let us see how interest groups were active in securitization process of the enlargement. As argued above, enlargement became crucial for transnational capital during the late 1990s so that big producer groups in the EU would be able to securely invest in the CEECs (Holman, 2001: 175). As a result, Zank (2003: 27) is wrong to criticise Moravcsik by arguing that enlargement was not a policy area in which socio-economic interests mattered as at least one of the aims of enlargement was to create secure markets in the CEECs for producer groups (Vachudova, 2001: 96). Thus, this strand of critical approaches fails to see the economy-related factors that define the roots of securitization processes and how interest groups affect these processes.

Finally, when it comes to the other strand in critical approaches, Open Marxism, the problem arises when it focuses on class struggle that takes place only at national level. It ignores class struggle between transnational and national forces of labour and capital. As a result, like the main theories of EU, ignores not only the role of transnational capital but also of other supranational actors such as the Commission, and it provides a rather state-centric approach (Bieler and Morton, 2003: 475). Thus, even if it takes into account how class relations shape the politics, it does provide theoretical tools to analyse how this struggle takes place at international level and how it affects enlargement politics.

In sum, none of the theories of enlargement is capable of analyzing the role played by transnational capital in European politics. LI limits the role of producer groups to national level and considers them as an ordinary lobby groups while the constructivist approaches generally assume that norms, values or security concerns play a greater role when compared to business interests and ignore the links between them. Thus, it is only Neo-Gramscianism that provides the necessary theoretical tools to analyze the role played by European transnational capital in EU's enlargement politics. Therefore, the third section of this chapter will focus on the theoretical framework provided by Neo-Gramscianism.

### 3. 3- Neo-Gramscianism and Its Concepts

In order to benefit from the theoretical tools of Neo-Gramscianism to analyze the role of European transnational capital on EU's enlargement to EU, this section will present the theoretical framework and concepts of Neo-Gramscianism. However, Neo-Gramscianism is not a theory that has a single theoretical framework. The common denominator in all Neo-Gramscianist studies is their references to the concepts provided by Antonio Gramsci (1971). They do so generally in different ways. Therefore, this section will introduce the each concept of Neo-Gramscianism in the way they are used in EU enlargement studies.

One of the central themes in Neo-Gramscianist enlargement studies has been the concept of sphere of production, which should be considered "... in a wide sense including the production and reproduction of knowledge, institutions and the social relations involved in the production of physical goods" (Cox, cited in Bieler, 2002: 579). That is, production does not merely mean the production of physical goods but also of social relations, ideas and knowledge (Cox, 1989: 39). Sphere of production is where the social relations and orders are shaped and reshaped by social forces in a constant class struggle. Since power and interests of social forces are defined by the mode of production, different modes of production lead to different social relations.

As the mode of production leads to different sets of social relations, it is important to analyze the way how Neo-Gramscianists conceptualize the agency and structure relationship. In Neo-Gramscianism, structure and agency can be considered "... not as something separate but as mutually constituted through collective action in sociohistorical time" (Gill, 2003b: 50). Similarly, the current structure, i.e. the social relations of production, form of state and world order, is thought to be determined by the past actions and thoughts while it is also acknowledged that the agency has the freedom of action in the present to reflect on this structure and change it. That is, "the past involves the sphere of necessity, and the present the realm of freedom ..." (Bieler, 2005b: 517). As Gramsci (1971: 367) puts forward, "[s]tructure ceases to be an external force .... and is transformed into a means of freedom, an instrument to create new ethico-political form and a source of new initiatives". In current structure today, globalization is conceived not only as an external pressure on agents but also as a structure which is shaped by different social forces like transnational and national forces of capital and labour in accordance with their interests (Bieler, 2005b: 517).

While "structures ... have to be reduced to the agency of transnational actors", they also "... define the behaviour of transnational actors" (Holman, 2001: 167). However, although "... the position within the sphere of production shapes the behaviour of social forces, it does not determine it" (Bieler, 2002: 580; 2005: 517). The reason why structure defines but not determines the behaviour of social forces relates to the role of ideas in agents' class consciousness. However, before moving to the role of ideas, it is necessary to elaborate on what is meant by the terms of class, globalization and transnational capital.

Class refers to the places of social forces in the production structure (Bieler, 2002, 580). The capitalist mode of production created two opposing classes: the bourgeoisie and the workers, i.e. the social forces of capital and labour. However, with globalization, which can be simply defined as transnationalization of production, we observe the emergence of a global financial market in response to the successive deregulation of national financial markets and the increasing importance of off-shore markets since the early 1970s. These developments resulted in an increase in the size and number of transnational corporations (TNCs) and the transnationalization of capital (Şahin, 2010: 485). And, at the ideological level, there has been a shift from Keynesian to neo-liberal economic policy, which found its expression in the abandonment of a full employment policy in favour of price stability and low inflation levels (Cox, 1993: 259-260, 266-267). In this way, globalization created new transnational classes by strengthening export-oriented social forces, which started a class struggle among transnational forces of capital and labour and national forces of capital and labour (Bieler, 2002: 580).

At the European level, according to van der Pijl (2001: 190-194), this class struggle emerged as a response to neoliberalism. After the World War II, the US exported its 'corporate liberalism' based on Fordism to Western Europe through the Marshall Plan. However, during 1980s, in the US, neo-liberalism gained power against the welfare state, and this time the US started to import neoliberalism to the Western Europe, which has created three categories of forces of capital in Europe (van der Pijl, 2001: 190-194). On the one hand, there are globally competitive forces of capital (global capital), which are represented by firms such as British Shell and BP, and Swiss Nestlé, and which expect to gain a lot from neoliberal restructuring. On the other hand, there are 'Euro-global' forces of capital. These are mainly the German firms like Deutsche Bank and Fiat, and they support neo-liberal restructuring with the condition of partial EU protection in their sectors so that they can stand global competition. There are also forces of capital called as ‘Euro-capital’, which are competitive only at European level and which refer to majorly French firms like Alcatel Alstom and Bayer. They oppose neo-liberal restructuring and demand strong protectionism since they are not as competitive as the former two.

The preferences of these firms echo on the preferences of member states as “... corporate liberalism retains its main stronghold in France, neo-liberalism is strongest in Britain, while Germany is somewhere in between” (van der Pijl, 2001: 191). As such, at early 1980s, the Single European Act and the formation of the ERT responded to the preferences of Euro-global and Euro-capital forces as they aimed at restructuring the EU economy while shielding it from global competition, which was strongly protested by the UK but supported by mainly Germany, France and Italy (van der Pijl, 2003: 193-194). Today, it seems that from the class struggle within European transnational capital, it is the Euro-global forces that support embedded neoliberalism, i.e. neoliberalism with limited protectionism, became hegemonic project. In fact, according to van Apeldoorn (2002, 78-82), there were three different projects for the European economic restructuring, which can be outlined as follows: neoliberal project supported by global capital, a neo-mercantilist project supported by Euro-global capital, and a social-democratic project supported by European capital. And, the winner was ‘embedded neoliberalism’.

If we look at the class struggle within national capital, social forces can be divided as import-competing social forces producing for domestic markets and supporting state-protectionism, on the one hand, and export-oriented social forces producing for international markets and supporting neoliberalism, on the other (Bieler, 2005b:

517). In this class struggle, it seems that import-competing social forces became the losers in the neoliberal restructuring. This is so because "... nationally based, export-oriented capital has frequently allied itself with transnational capital", which diminished "the influence of domestic-oriented and import-competing capital in the new European constellation" together with the forces of labour (Bohle, 2006: 65).

When it comes to the class struggle between the social forces of labour in Western Europe, unlike van Apeldoorn (2002: 33), who argues there is not a class formation of labour at transnational level, Bieler (2005a: 465) argues that there are also class fractions within the social forces of labour. Accordingly, he argues that, as in the case of forces of capital, while national trade unions see little use in cooperating with the European project, international trade unions support it (Bieler, 2005a: 471-477). Thus, it seems that the forces of labour in sheltered sectors became subordinated while the forces of labour at transnational and national export-oriented sectors supported transnational capital's bid for neoliberalism (Bohle, 2006: 65-66). However, in Eastern Europe, we see that transnational capital promoted 'market-radical' version of neoliberalism instead of 'embedded neoliberalism' in order to keep the balance between forces of capital and labour in Western Europe sustainable (Bohle, 2006: 57) Thus, the forces of labour in Eastern Europe were affected most negatively in the process of neoliberal restructuring and enlargement.

While there is a division between import-seeking and export-oriented social forces at national level, transnational capital should not be confused with nationally based export-oriented social forces. In fact, "TNCs are transnational actors, not domestic actors, and therefore clearly differ from export-oriented companies, the production facilities of which are still located at the national level" (Bieler, 2002, 578).

Within the Neo-Gramscianist framework, "[p]articular attention is drawn to those companies organised in the European Roundtable of Industrialists" as the representative of transnational capital (Holman, 2001: 162). "The ERT should, however, not be misunderstood as a lobby group next to other lobby groups" (Bieler, 2005b: 520) due to its power as the representative of transnational capital. The ERT is quite influential in decision-making process since it affects European policy-making "... through intense lobbying activities at both national and supranational levels, regular official meetings with the highest representatives of the EU, and strategic reports on the burning issues of European integration" (Bohle, 2006: 64). Moreover, it is "... exceptionally well-equipped ... to formulate and organically integrate the various ingredients of potentially hegemonic concepts of control, especially in the era of neo-liberal restructuring" (Holman, 2001: 172). More crucially, it is an institution that brings together organic intellectuals, who are quite influential in sustaining hegemonic projects, as we shall see below (van Apeldoorn, 2002: 104-107).

According to the Neo-Gramscianists, while the ERT play the central role in affecting EU-level policy-making, the Commission's role should not be underestimated because "... the Commission and the ERT need each other in the realization of their respective goals" (Holman, 2001: 171). That is, the members of ERT are thought to be useful by the Commission as they might change the positions of member states in accordance with the Commission's policies while the ERT could benefit from the

Commission with respect to its role as executive and power in EU decision-making (Holman, 2001: 172). And, in overall EU decision-making process, the Commission together with the ERT shares power in terms of policy initiation and providing ideological directions (Holman, 2001: 173).

However, how much power transnational capital and the Commission have has been rather controversial among the Neo-Gramscianists. On the one hand, Holman (2001: 71) argues that "[t]he relationship between the two can best be described as a 'symmetrical interdependent' one ...". Bieler (2002: 590) agrees with Holman as he argues that"[w]hile the Commission relies on the ERT's structural power, being able to address several national governments at the same time, the ERT needs the Commission and its power to initiate legislative proposals within the EU". On the other hand, according to van der Apeldoorn et al (2003: 23-24), it is wrong to consider the Commission fully independent from the ERT although they do not mean that the Commission is simply the representative of transnational capital. What they underline is that it is transnational capital that is more influential than the Commission. If this is not so, it is hard to understand why transnational capital would be so powerful and how its interests enter into account.

If the ERT is thought to be that powerful in decision-making process together with the Commission, then it begs the question about the role of states and the link between transnational capital and state. From a neo-Gramscianist perspective, state is still an important actor since the form of state reflects the embodiment of the structure where all social relations take place. In fact, "... the form of state consists of 'political society', i.e., the coercive apparatus of the state more narrowly understood including ministries and other state institutions, and ‘civil society’, made up of political parties, unions, employers’ associations, churches etc.” (Gramsci, in Bieler, 2002: 580-581) However, the form of state depends on the apparatus of administration and on the historical bloc or class configuration that defines the *raison d’état* for that form (Cox, 1989: 41). Thus, while the form of state is important as it defines the positions of social forces, it can be changed in accordance with the class struggles taking place within it.

As the form of state is mainly determined by the historical bloc, then it is necessary to elaborate on this concept in more detail to see the link between transnational capital and state. Historical bloc can be defined as “an alliance of different class forces politically organized around a set of hegemonic ideas that gave strategic direction and coherence to its constituent elements” (Gill, 2003a: 58). It refers to “organic alliances” formed by the leading class with other subordinated classes in order to create forms of governance with the consent of the subordinated classes without damaging its interests (Bohle, 2006: 62). As such, it will not appear to be particularistic (Cox, 1983: 169). However, this fact cannot be noticed by the subordinated since, the hegemonic class “... brings the interests of the leading class in harmony with those of subordinate classes and incorporates these other interests into an ideology expressed in universal sense” (Cox, 1983: 168). In fact, historical bloc creates a situation where “... the subaltern classes accept their domination as legitimate” (Gill, 2003b: 52).

According to Neo-Gramscianists, a historical bloc can acquire hegemony “when it transcends particular economic-corporate interests and is capable of binding and cohering diverse aspirations, interests and identities into a historical bloc" (Bieler, 2002: 581). Hegemony "... is based on a coherent conjunction or fit between a configuration of material power, the prevalent collective image of world order... and a set of institutions which administer the order with a certain semblance of universality (Cox, 1981: 139).

Once hegemony is established by historical bloc, the hegemony is maintained not only through open 'coercion' but also and mainly through 'consent' of the ruled (Cox, 1993: 139). As Gill (2003b: 52) briefly states, "... while in a positive sense hegemony involves leadership, the active construction of consent, and the institutionalization of power (e.g., through the rule of law), in a more negative sense it involves when necessary the use of coercion (e.g., organized violence and incarceration by the state)".

Although the concepts 'historical bloc' and 'hegemony' are used mainly in the analysis of class struggles at national level, they can be internationalised. As such, "an international historical bloc refers to the relatively stable alliances of ruling classes that support the existing international order" (Jacobitz, 1991; in Bohle, 2006: 62). This line of reasoning also applies to the concept of world hegemony. According to Cox (1987: 7), not only through coercion but also through consensus, the dominant social forces in different states may create a world order in line with their interests. For the continuation of this order, they need to create a conception of a world, which would manipulate the way of thinking of the subordinated classes and which would enable the hegemonic class to get the consent of the ruled. Thus, hegemony does not refer to simply military or economic dominance over other countries. Rather, it is "... social structure, an economic structure, and a political structure. It cannot be simply one of the things but must be all three" and it is sustained through "... universal norms, institutions and mechanisms—rules which support the dominant mode of production" (Cox, 1983: 172).

As hegemony does not depend simply on economic, political, or military superiority, the historical bloc manages to sustain its hegemony through hegemonic projects. Hegemonic project is a project that "... brings the interests of the leading class into harmony with those of subordinate classes and incorporates these other interests into an ideology expressed in universal norms" (Cox, 1983: 168). It stems from the economic sphere but goes beyond "into the political and social sphere, incorporating ideas related to issues such as social reform, moral regeneration and national security ..." (Bieler, 2002: 581). Therefore, we need to turn our attention to the role of ideas and intellectuals in sustaining hegemony.

To begin with the role of ideas, Neo-Gramscianism underlines that "... knowledge about human affairs always is socially and historically contextual" (Vico, in Gill, 2003: 48). So, facts are intersubjectively valid ideas about the structure as they are created and agreed upon by the agents of social world at a certain time (Bieler, 2005b: 517). In this way, ideas play a crucial role as they can be used by hegemonic class to get the consent of the subaltern classes (Bohle, 2006: 62). So, as constructivists also assume, ideas can be used by social forces as a means to legitimize certain policies by organic intellectuals. Yet, unlike constructivists, Neo-Gramscianists can account for why certain ideas become dominant at particular times over others (Bieler, 2005b: 518).

Accordingly, it is argued that for ideas to be meaningful, they need to be a part of a hegemonic project, stemming from economic sphere, which would be broad enough to entail even diverse ideas (Bohle, 2006: 62). Furthermore, according to Holman (2001: 168-169), even the way the agents can think is limited by the hegemonic classes through ‘concepts of control’, which are “... comprehensive framework of thought and action which demarcate the ‘limit of the possible’”. For them to reach a hegemonic status, the particular interests behind that framework are presented as the general interest. This becomes possible as “... the sense that the particular structure of society has organically evolved into what it is allows a concept of control to remain largely implicit” and as this sense renders opposing thoughts and concepts as “... expressions of ‘specific interests’, outdated and outlandish ‘constructions’, instead of as the straight translation of reality” (van der Pijl, 2001: 187).

As the way agents think of their interests are limited through the concepts of control, even if the structure determines their interests, the agents might not always realize their interests emanating from their positions at the production structure. This happens when they cannot arrive in a class consciousness to act together in promoting their class interests. In fact, as Gramsci argues, the formation of a class requires ‘class consciousness’ (Gramsci, 1971: 181-182). However, class consciousness does not emerge by itself. Rather, “... it needs leadership and action based on a highly developed political consciousness within the dominant social class” (Gill, 1990: 45).

This kind of leadership in creating class consciousness is carried out by organic intellectuals: “the representatives of a class or class fraction, [who] play a crucial role in achieving hegemony” (Bieler, 2002: 581). As we have seen, “[i]deological and moral elements play a crucial role in cementing the historical bloc”, and organic intellectuals play a crucial role here since “[o]rganic intellectuals of the dominant social groups formulate and disseminate these intellectual and moral ideas, transforming them into universal ones that bind subordinate groups into an existing social order” (van Apeldoorn et al., 2003: 37). In generally, organic intellectuals do not simply produce ideas, but they organize the social forces which they stem from. And, “It is the task of organic intellectuals to organise the social forces they stem from and to develop a ‘hegemonic project’, which is able to transcend the particular economic-corporate interests of their social group by binding and cohering aspirations, interests, and identities into an historical bloc” (Bieler, 2005b: 518).

However, there might be cases where certain social forces cannot produce their organic intellectuals within the existing production structure but hegemony is still sustained. Neo-Gramscianists use the concept of passive revolution to explain such cases. Passive revolution refers to “... a situation of radical change pushed by elites whose ideas do not stem from the domestic context, but rather reflect international developments” (Bohle, 2006: 75). That is, in passive revolutions, “[t]he impetus to change does not arise out of a ‘vast local economic development ... It is an intellectual stratum which picks up ideas originating from a prior foreign economic and social revolution (Cox, 1983: 170).

Transition in Eastern Europe can be considered as a clear example of a passive revolution. When the communism in the East and the Fordism in the West failed in late 1980s, then neo-liberal economic structure became the most radical alternative to socialism in the CEECs. As there were no national forces that could be associated with neo-liberalism in socialist mode of production, it was imported by state-elites in the CEECs. As Bohle (2006: 75-76) states clearly, "[t]he revolutions in eastern Europe, as often stated, were bourgeois revolutions without a bourgeoisie. Instead of powerful economic groups, it was intellectuals and elites within the state who became responsible for the neoliberal reforms" (see also, Eyal et al, 1998; Bohle, 2002, and Shields, 2003). The absence of national bourgeoisie is compensated with the penetration of transnational capital in domestic production structure of the CEECs (Holman, 2001: 177). In this way, transnational capital managed to affect the policy-making in the CEECs in its favour while negatively affecting the interests of domestic forces of labour by increasing FDIs, which enabled transnational capital not only to acquire the ownership of strategic economic assets but also political influence on governments (Ataç, 2005: 15).

### 3. 4- Neo-Gramscianism and the Case of Eastern Enlargement

Having analyzed the major concepts used in Neo-Gramscianist enlargement studies, this section will try to present how Neo-Gramscianists have analyzed the case of Eastern enlargement in order to better understand how these concepts are used in explaining the practice of enlargement.

While LI argued that eastern enlargement was a process of intergovernmental bargaining, according to Neo-Gramscianism, it was "... an instance of transnational class formation" (Holman, 2001: 170). It is argued that the spread of neo-liberal mode of production led Europe to accord itself to more competitive world trade, leading to the emergence of a transnational historical bloc in Europe, majorly gathered around the ERT. As we have seen, the ERT includes the CEOs of major transnational firms of Europe, involves in lobbying activities, meetings with high representatives of the EU, and affects the European integration by its publications that promoted its interests as general benefit (van Apeldoorn, 2002: 183-190). Although the ERT is not the only actor that counted on policy-making, it was the first among the other relevant actors since "... transnational business opinions played a privileged role in mobilising economic interests, governments, and Union institutions" (Holman, 2001: 171).

On the unequal treatment of the CEECs, according to Neo-Gramscianists, the ERT played a crucial role by creating a historical bloc in alliance with European and national forces of labour in EU-15, whose interests were mutual on issues like free movement of labour. As transnational capital was not interested in deeper integration of the CEECs but just in trade guarantees emanating from the enlargement, here, the European and national forces of labour managed to protect their own rights by lobbying with the EU to set protective measures on free movement of labour (Bohle, 2006: 73-74). In addition, the CEECs' power at transnational production structure was weak. Thus, unlike the previous applicants, the EU forced CEECs to liberalize their markets while entering the EU although not supporting them to realize the reforms necessary for membership as much as previous applicants. Moreover, the Europe Agreements set many protective measures in sectors like steel, textile, and agriculture, where the CEECs were competitive and might work against the interests of transnational capital (Gowan, 1995: 25-28).

In fact, member states' positions on enlargement reflected the ERT's preferences. They were not driven by national economic/security interest or common norms but by a desire "to secure the liberalisation and deregulation of CEEC's political economies" so that a stable, free market in the CEECs could be created (Bohle, 2006: 69). Creating a stable market in the CEECs was essential for transnational capital as the amount of foreign direct investment (FDI) to the CEECs by the European firms were increasing. Moreover, the CEECs were offering cheap and skilled labour while there was an ongoing privatization process of the state-owned sectors, which would help European transnational capital become globally more competitive. Thus, "[t]ransnational capital has come to see enlargement as a guarantee for its investment projects" (ERT, cited in Bohle, 2006: 72).

However, if the creation of a stable market was the general aim, then why there were differences among member states' positions? According to Neo-Gramscianists, the differences among member states' preferences stemmed from a Europe-wide class struggle between on the one hand transnational capital and labour in export-oriented sectors which supported enlargement as a means to exploit the CEECs and on the other hand "the elites of the peripheral EU states, the social-democratic forces and trade unions ..." and "labour in sheltered sectors", whose interests would be negatively affected by enlargement (Bohle, 2006: 73). In fact, the ones that did not support enlargement were the members where transnational capital was not dominant in the production structure. For example, southern European states, where the forces of labour were strong, did not support enlargement as transnational capital was not as dominant as it was in more industrialized members.

In fact, the differences among member states were much visible at the beginning of enlargement process when the transnational corporations within the ERT could not arrive in a common position during the early 1990s (Bohle, 2006; Holman, 2001). European transnational firms were not directly investing into the CEECs but investing in sectors where there were easy exit options such as apparel, textiles and furniture through sub-contracts. Thus, at this stage, association agreements were sufficient to provide trade security (Bohle, 2006: 72), and transnational capital did not push members for enlargement in single strong voice.

However, as underlined in the ERT's 2001 report, after exploiting cheap and skilled labour of the CEECs and investing in key sectors, transnational capital started to increase its competitiveness in European and global markets and considered enlargement "... as a guarantee for its investment projects, and expect[ed] a significant reinforcement of the business opportunities after accession", (Bohle, 2006: 72). Moreover, "... the very prospect of membership – and the related criteria – will have a disciplining effect on the respective governments" (Holman, 2001: 182). In fact, it was through the promise of enlargement that the transnational capital "... can tie the CEE countries into trade liberalization and counter domestic pressure for protection" (Grabbe and Hughes, 1998: 33).

Thus, during the late 1990s, the ERT realized its mistake not to take actions for the enlargement, the head of ERT from 1988 to 1999, Keith Richardson (2000: 27) argues, as enlargement would increase competitiveness and prosperity of the European economy. As a result, Holman (2001: 175) notes, the ERT started to conduct lobbying activities, urging the EU to make necessary reforms to absorb the CEECs in areas such as ineffective public administration and an inadequate regulatory framework; poor staff skills and attitudes to work; uncompetitive local suppliers and poor infrastructure; and out-dated social attitudes. And, it published its first report exclusive to eastern enlargement in 1999 after its 1997 report that urged member states to take necessary steps in completion of internal market.

In this way, Neo-Gramscianists account for the question why negatively affected member states accepted enlargement with reference to the changes in actors' interests throughout enlargement process, a change which LI and the constructivists ineffectively explains with reference to intergovernmental bargains and speech acts, respectively. Member states' positions changed in accordance with the changes in the intensity of transnational capital' need for creating a more trade-friendly environment in the CEECs. In fact, the ERT's activities to promote enlargement intensified in line with transnational capital's increasing investment needs in CEECs (Bieler, 2002: 590; Bohle, 2006: 71). As transnational capital was powerful in economies of member states, enlargement became more preferable to even negatively affected member states and the cost of rejecting it would mean confronting with transnational capital. So, their decisions on enlargement changed in accordance with the interests of transnational capital (Bohle, 2006: 73).

Neo-Gramscianist analysis of transnational capital also explains another puzzle in the literature: the prioritization of five CEECs over the remaining in 1997 Luxembourg

IGC. According to Holman (2001: 181-182), the prioritization of five CEECs shows that economic criteria mattered more than political ones. Economic criteria like the existence of a functioning market economy and applicants' ability to adjust their administrative structures in line with the requirements of the single market were to the benefits of transnational capital as there was a strong link between the compliance with the Copenhagen economic criteria and the FDI inflows by transnational capital. In fact, FDI inflow to Poland, Hungary, and the Czech Republic was much higher than the others as they were the best economies in terms of Copenhagen economic criteria. Moreover, it is argued that the prioritization of these applicants was used as a tool to encourage others to comply with these criteria more. Thus, as long as applicants prove their ability to keep up with economic criteria, they will be admitted to the EU as widening of the EU increase the number of secure markets for transnational capital.

If the terms of enlargement were unequal, then why the CEECs opted for enlargement? The answer to this question lies in Gramsci's conception of 'passive revolution', a system change that does not emanate from national economic developments but from an adoption of foreign ideas (Bohle, 2002: 318). With the end of cold war, the communist mode of production came to its end, leading to the revolutions in Eastern Europe, which "... were bourgeois revolutions without a bourgeoisie" (Bohle, 2006: 75, Holman, 2001: 177). In the CEECs, there was a lack of a hegemonic class within national mode of production; therefore, "[t]he decision on membership in the CEE countries was taken by cadre élites within state institutions" (Bieler, 2002: 588). Although Eyal et al. (1997: 61) consider this cadre elite as a class fraction, which was organically the sponsor of neoliberalism, other

Neo-Gramscianists like Bieler, Bohle, and Holman argue that these revolutions were brought about by transnational capital, which formed itself as a class fraction in the CEECs' mode of production by acquiring strategically important economic assets, thereby enjoying remarkable political influence on state-elites and intellectuals there (Bieler, 2002: 519; Bohle, 2006: 77). The cadre elites in the CEECs were just an ally of transnational capital as they had common interests but not a distinct force of production (Holman, 2001: 177).

The intellectuals and elites considered enlargement profitable as it was a leeway against the oppositions to neo-liberal order. And, in the absence of a counter hegemonic bloc, they made other social forces including the labour and trade unions perceive the neo-liberal order as profitable, too (Bieler, 2002: 588-9). However, weakness of the CEECs gave transnational capital an opportunity to impose more market-radical version of liberalism in the CEECs in a way that would serve to its own interests more (Bohle, 2006: 70). And, as opposed to expectations of the elites and intellectuals, enlargement did not result in high economic prosperity. As the transnationalization of the strategic economic assets were not balanced with FDIs outward by the CEECs, transnational capital got more powerful in the CEECs, which put the CEECs into a semi-periphery position (Holman, 2001: 177). In sum, like in other policy fields, the decisions of states were driven by material concerns of key business groups and in the final decisions, the key role is played by globally more powerful transnational capital.

# CHAPTER 4

# EU'S ENLARGEMENT TO TURKEY AND THE CEE STATES: A COMPARISON

As stated in the introduction chapter, the purpose of this thesis is to understand the role of European transnational capital on EU's enlargement to Turkey. In chapters 2 and 3, the theories of EU enlargement and the way they consider the role of transnational capital on EU enlargement politics have been analysed, and it has been concluded that more than the other theories of EU enlargement, it is Neo-Gramscianism that provide the theoretical tools that can be used to analyze the role of transnational capital on enlargement politics. Also, the way these tools have been applied to the Eastern enlargement has been analyzed. Therefore, this chapter barrows certain concepts from neo-Gramscianism and its arguments on the Eastern enlargement and applies them to the case of Turkey.

In this chapter, the term 'European transnational capital' refers to transnational corporations, whose production facilities are located all over the Europe and the world but not the ones that are export-oriented but still located only at national level. Since within the Neo-Gramscianist framework, "[p]articular attention is drawn to those companies organised in the European Roundtable of Industrialists" as the representative of transnational capital (Holman, 2001: 162), in this chapter, too, the ERT will be considered as the representative of European transnational capital.

Although BUSINESSEUROPE can also be considered as a representative of European transnational capital, it is slightly different from the ERT. It is an institution that brings together national industrial federations of 31 countries. In contrast, the ERT is made up of only the leading transnational corporations, not the national industrial federations. Moreover, unlike the ERT, BUSINESSEUROPE is a formal organization providing business cooperation at the EU level, which merely cooperates with transnational corporations, some of which make up the ERT. Thus, in similar fashion with Neo-Gramscianists, the ERT will be considered as the key representative of European transnational capital in this thesis.

The term 'EU's enlargement to Turkey', on the other hand, refers to the process that Turkey has been going through in the way for EU membership. Since Turkey made its first application in 1959 and the subsequent Association (Ankara) Agreement in 1963 aimed at preparing the country for membership, all of the changes in Turkey's accession process to EU during the period starting from 1959 up to now will be analyzed to understand the role of the ERT on any changes that occurred the process of EU's enlargement to Turkey.

In analyzing the role of the ERT on EU's enlargement to Turkey, as briefly mentioned in the introduction chapter, this thesis will try to apply comparative case study and historical interpretation methods. EU's enlargement to Turkey can be compared to the eastern enlargement as there are three major similarities. First, there are political and economic similarities between Turkey and the CEECs. Both sides needed to realize plenty of reforms on political and economic issues to fulfil the Copenhagen criteria. Secondly, the timing of application for membership was close to each other. Turkey applied for full membership in 1987 while the CEECs did so no later than mid 1990s. Therefore, the conditions that the EU faced in considering the application of these countries were the same. Third, unlike other enlargement rounds, it is on enlargement to CEECs and Turkey that the ERT started to engage with such activities. In other enlargement rounds, the ERT, found only in 1983, was not active. Therefore, the ERT's ideational activities regarding enlargement to Turkey can only be compared to the CEECs. Moreover, there is one major difference between the two cases: compliance with the necessary economic criteria. As we shall see in this chapter, Turkey performed worse in complying with the ERT's policy recommendations, Copenhagen economic criteria and the obligations under the Customs Union Agreement during late 1990s and the period after 2005. It is this difference that is expected to account for the difference of transnational capital's position on Turkey and the CEECs and Turkey's exclusion from the EU membership.

This thesis will also benefit from the historical interpretation method since it is necessary to interpret the link between the applicant states' progress in realizing the requirements of the Copenhagen economic criteria, the ERT's publications, the Commission's Regular Reports, and the member states' decisions within their historical sequence. Analyzing the reforms, publications, reports and decisions by themselves does not by themselves speak about the role of the ERT on enlargement politics. Therefore, they need to be linked to each other in their historical sequence.

As also stated in the introduction chapter, the preliminary hypothesis of this thesis is that European transnational capital plays at least a privileged role in enlargement politics by affecting the decisions of the Commission and the member states. In the case of Turkey, European transnational capital was less interested in Turkey's to the EU. Therefore, it did not push the Commission and the member states in favour of Turkey's accession as it did in the case of the accession of the CEECs. Once these arguments are supported, then the thesis will investigate the reasons why the ERT was less interested in Turkey's EU accession in order to provide a Neo-Gramscianist answer to the question why Turkey has been excluded from the EU.

In order to assess these arguments, it is necessary to measure the changes in the ERT's interest on Turkey's accession to the EU. Since historical bloc is considered to keep its hegemony based on material and ideational tools, i.e. coercion and consent; the changes in ERT's position on enlargement should be operationalized through two distinct indicators. On the one hand, as we have seen, the ERT used FDI flows as a coercive measure to prompt transition to market-radical neoliberal economic structure in the case of eastern enlargement. Therefore, it is expected to see a positive link between an applicants' compliance with the Copenhagen economic criteria, which are considered to serve to the ERT's interests as we shall see below, and the FDI inflows by the European firms around the ERT.

On the other hand, as we have seen in the case of eastern enlargement, the ERT started to conduct ideational activities by publishing reports and meeting with key political figures in order to promote the eastern enlargement in late 1990s. Therefore, it is also expected to see a positive relationship between an applicant's compliance with the Copenhagen economic criteria and the quality and quantity of ideational activities of the ERT in favour of that applicant.

Since Neo-Gramscianists assume that the ERT exerts its role on enlargement politics by means of affecting the decisions of the formal decision-making bodies in the EU, i.e. the Commission and the member states, it is impossible to analyze the links between the applicant states' compliance with the Copenhagen economic criteria and the position of the ERT on the accession process of those states without re-examining the links between the ERT, the Commission, and the member states. Although the Neo-Gramscianist enlargement studies that are analyzed in the sections 3.C and 3.D have already shown that the ERT plays at least a privileged role on enlargement politics, the analyses in this section will try to find support for this argument, as well.

For the purpose of establishing the validity of these arguments, Section 4.A will look at the links between the applicant states' compliance with the Copenhagen economic criteria based on the assessments of the Commission and FDI inflows. Section 4.B will look at the link between the applicant states' compliance with the Copenhagen economic criteria based on ERT's assessments and the changes in ERT's position on those states by analyzing the ERT's publications. Finally, after proving these links and the ERT's influence on enlargement politics, Section 4.C will look at the history of EU-Turkey relations in order to find an answer to the question why European transnational capital was less interested in Turkey's EU accession and did not play a supportive role for Turkey's accession to the EU. In this way, this thesis will try to bring in a new dimension to the question why Turkey has not been admitted to the EU.

### 4.1- Comparing Turkey to Central Europe I: FDI Flows and the Copenhagen Economic Criteria

As we have seen, one of the major indicators of the interest of European transnational capital in a given applicant's accession to the EU is the amount and share of transnational capital in FDI inflows to the applicant countries. In fact, in the eastern enlargement, "... a clear correlation can be established between the ability of the applicant 'to assume the obligations of membership by satisfying the economic conditions required' and the amount of accumulated FDI flows" (Holman, 2001: 181). This was so because the compliance with the economic criteria was expected to bring in a more stable market in these countries, which would provide transnational capital with a more business-friendly environment, i.e. access to cheap and skilled labour plus a guarantee for their investments therein (Bohle, 2006: 69-72). Therefore, the compliance with the Copenhagen economic criteria, which the ERT also conceive as the necessary economic criteria, mattered more than the political criteria in the accession of candidate countries (Holman, 2001: 180).

If Neo-Gramscianists' argument about the link between compliance with Copenhagen economic criteria and FDI inflows is valid and if the preferences of the ERT matter in enlargement politics, as it is assumed, then in the case of Turkey one expects that Turkey would be worse in terms of complying with the Copenhagen economic criteria when compared to other applicants in Eastern enlargement as it was excluded from enlargement process. Moreover, if it is showed that Turkey was in fact worse in terms of complying with the Copenhagen economic criteria, then it is also expected that FDI inflows to Turkey by European firms would be less when compared to FDI inflows to other applicants, proving that the ERT was less interested in the accession of Turkey to the EU.

In order to measure the progress achieved by the applicant countries in terms of complying with the Copenhagen economic criteria, we should consult the Commission's Regular/Progress Reports on applicants' compliance with the Copenhagen economic criteria because of two reasons. First, the Progress Reports are the only source of data that evaluate the applicant states' compliance with the Copenhagen economic criteria. Therefore, other sources that evaluate countries' economic performances such as the Heritage Foundation reports may not reflect the same results. Secondly, in Neo-Gramscianism, as we have seen, it is assumed that there is a strong link between the Commission and transnational capital (Bieler, 2002: 590; Holman, 2001: 71; van Apeldoorn, 2003: 23-24). Thus, the analysis of the Commission's reports also provides a chance to see whether there is such a link between the two and whether the Commission followed the position of European transnational capital on enlargement politics.

Due to time and space constraints, Turkey's compliance with the Copenhagen criteria is compared with that of four CEECs in the eastern enlargement. The country selections are made on the grounds of the following reasons. Based on the

Commission's Regular Reports, as a representative of the applicant states that were worst in terms of compliance with the membership criteria and became an EU member only in 2007 (Bulgaria and Romania), Bulgaria is selected. Poland is selected among the applicants that were the best countries in complying with the Copenhagen Criteria (Poland, Czech Republic and Hungary). Slovakia is selected because it was a country that was  the only country that was worst in terms of complying with the political criteria (the European Commission, 1997: 42) among the countries that started accession negotiations in 1997, and Estonia is selected as a representative of the Baltic countries (Latvia, Lithuania). The cases of small Mediterranean states (Cyprus and Malta) are not taken into account due to their political and geographic differences from the CEECs and Turkey. The Commission published Regular Reports between 1998 and 2002 for Estonia, Slovakia, and Poland; between 1998 and 2004 for Bulgaria; and between 1998 and 2011 for Turkey. Therefore, table 2 in the appendix of thesis summarizes the Commission's evaluation of the applicant states' compliance with the Copenhagen economic criteria based on the Regular Reports between these years.

As can be seen on table 2, all applicants that signed accession treaties in 2003 (Estonia, Poland, Slovakia) were complying with the Copenhagen economic criteria better according to the Commission's evaluation. The same pattern is also observable in the cases of Bulgaria and Turkey, too. Accession negotiations with Bulgaria started just after it was considered to have achieved a functioning market economy with a sustained reform process (the European Commission, 2004a: 40). Similarly, accession negotiations with Turkey started only when it was considered to have achieved a functioning market economy status in 2005.

Interestingly, as will be shown below and in the following two sections, the Commissions' Regular Reports were generally preceded by ERT's reports, making similar assessments of applicant states' compliance with the Copenhagen economic criteria. Moreover, as we shall see in the section 4.C, Turkey did not undertake remarkable reforms to comply with the necessities of Copenhagen economic criteria during this period. Therefore, it is not surprising to see Turkey excluded from enlargement process in Luxembourg and Helsinki Summits. While these arguments need to be strengthened in the following sections, it is by now clear that Turkey was making less progress in complying with the Copenhagen economic criteria according to the Commission's Regular Reports.

However, in order to establish the link between the Copenhagen economic criteria and FDI inflows and the link between the ERT's position and the Commission's Regular Reports, we should also look at how FDI flows changed during this period.

Having seen that Turkey's progress in complying with the Copenhagen economic criteria was worse, it is expected that FDI inflows to Turkey show differences from FDI inflows to the other applicants. To be more specific, first it is expected that FDI inflows to Turkey should be in a steady increase as the progress reports were becoming more and more positive about Turkey's compliance with the Copenhagen economic criteria. Secondly, the increase of the FDI inflows to Turkey from year to year should be less than that of other applicants as they progressed better than Turkey in complying with the Copenhagen economic criteria.

In order to see whether such is the case, it is possible to look at the statistics provided by UNCTAD on a given country's FDI accounts. As the size of market in the above-mentioned five applicants and Turkey is different, FDI flows inward to these countries will be listed in accordance with the share of FDI inflows as percentage of Gross Domestic Product of a given country in a given year, as can be seen in table 3.

**Table 3: FDI inflows from 1998 to 2005 as percentage of Gross Domestic Product**

| **Year** / **Country** | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|---|---|---|---|---|---|---|---|
| **Bulgaria** | 4.20 | 6.23 | 7.88 | 5.83 | 5.78 | 10.11 | 13.44 | 13.57 |
| **Estonia** | 10.25 | 5.31 | 6.89 | 8.65 | 3.95 | 9.43 | 7.96 | 20.63 |
| **Poland** | 3.70 | 4.33 | 5.51 | 2.99 | 2.08 | 2.12 | 5.09 | 3.39 |
| **Slovakia** | 3.16 | 2.09 | 9.47 | 7.50 | 16.93 | 6.49 | 7.18 | 5.07 |
| **Turkey** | 0.35 | 0.31 | 0.37 | 1.71 | 0.47 | 0.56 | 0.71 | 2.08 |

Source: UNCTADSTAT, *Foreign Direct Investment Stocks*, available at: http://unctadstat.unctad.org/ReportFolders/reportFolders.aspx

As can be understood from table 3, Turkey has always been the country that enjoyed the least amount of FDI inflow among the other applicants in terms of the share of FDI inflows as percentage of GDP. Moreover, until 2005, that is until when Turkey was considered to be a functioning market economy (the European Commission, 2005), the share of FDI inflows in Turkey's GDP did not show remarkable increases. On the other hand, with minor exceptions, FDI inflows to other applicants show remarkable increases from 1998 to 2005. However, the amount of the increase in the FDI inflows in these countries is much considerable when compared to Turkey. Therefore, the data presented above seems to support the link between the Copenhagen economic criteria and FDI inflows not only in the case of Turkey but also of Bulgaria, Estonia, Poland and Slovakia.

Although the data may seem to support the link between the compliance with Copenhagen criteria and FDI inflows by itself, it is also necessary to look at the changes in the attitudes of the European corporations to these countries since we are interested mainly in European transnational capital's position. That is, if there is a link between compliance with Copenhagen economic criteria and FDI inflows, then it is expected that the share of European firms in total FDI inflows shows increase in line with applicant's compliance with the economic criteria. If this is the case, then the share of European firms in FDI inflows to Turkey must be in little increase from 1998 to 2005, and this increase cannot be more than their share in FDI inflows to any other applicant country because the accession of the CEECs before Turkey shows that European transnational capital were more interested in the CEECs than Turkey.

In order to see whether there is such a link, we may compare Poland, one of the applicants that successfully acceded to the EU in the first round of enlargement, and Turkey, an applicant which could not manage to become a member of the EU yet. The reason why Poland is compared with Turkey is related to the similarities between the two in economic terms. Both have a huge population, and both are one of the largest economies in Eastern Europe. Thus, they are expected to make similar effects on EU's economy. Moreover, Poland is a member of the OECD since 1996 and Turkey since 1961. As a result, it is possible to find available data about the share of European firms in FDI inflows to these countries from the same source.

So, using the statistics provided by the OECD, table 4 looks at the amount of FDI inflows by total world to Poland and Turkey, and table 5 looks at the amount of FDI inflows by EU-15 to them. Although Poland signed its accession treaty in 2003, it became the formal member of the EU in 2004. Therefore, including 2004 and 2005, the share of EU-15 but not of EU-25 in FDI inflows to these countries will be presented. Keeping this in mind, table 6 will process the data presented in table 4 and 5 in order to show the shares of European firms in FDI inflows to these countries year by year in percentages.

**Table 4: FDI inflows to Poland and Turkey by Total World from 1998 to 2005 in millions of US Dollars**

| Year / Country | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|---|---|---|---|---|---|---|---|
| **Poland** | 6 364 | 7 269 | 9 34 | 5 711 | 4 12 | 4 869 | 12 755 | 10 248 |
| **Turkey** | 940 | 783 | 982 | 3 352 | 1 137 | 1 752 | 2 885 | 10 031 |

Source: OECD International Direct Investment Database, from: http://stats.oecd.org/Index.aspx?QueryId=9545#

**Table 5: FDI inflows to Poland and Turkey by EU-15 from 1998 to 2005 in millions of US Dollars**

| Year / Country | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|---|---|---|---|---|---|---|---|
| **Poland** | 5 028 | 6 521 | 8 827 | 5 267 | 3 887 | 3 534 | 11 227 | 8 432 |
| **EU-15** | 553 | .. | 1 132 | 2 846 | 786 | 599 | 1 375 | 4 515 |

Source: OECD International Direct Investment Database, from: http://stats.oecd.org/Index.aspx?QueryId=9545#

**Table 6: The share of FDIs by European member states in FDIs by Total World in percentages***

| Year / Country | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|---|---|---|---|---|---|---|---|
| **Poland** | 78.9% | 89.7% | 94.4% | 92.2% | 94.2% | 72.5% | 88% | 82.2% |
| **Turkey** | 58.8% | ..** | ..*** | 49.8% | 69.1% | 34.1% | 47%.6 | 45% |

*This graph is formulated by the author by using the data presented in table 3 & 4.

** For the year 1999, there was no entry for FDI inflows to Turkey by EU15.

***For the year 2000, the entry for FDI inflows to Turkey by Total World is 982.0. However, the entry for FDI inflows to Turkey by EU15 is 1 132.0, which is logically not possible. Therefore, no valid data for the 2000 can be presented.

As can be seen in tables 3, 4 and 5, not only the amount of FDI inflows by total world but also the share of the European firms in FDI inflows to Poland and Turkey shows increases year by year. In case of Poland, the share of European firms in FDI inflows is extremely high with little fluctuations (see, table 6). It reaches one of its highest points (94.2%) in 2002, after which the country signed the accession treaty. Unlike Poland, however, FDI inflows to Turkey are quite low from 1998 to 2005. Still, as can be seen in table 5, the amount of FDI inflows by European firms tends to be increasing with small portions (except for the two years period after the 2001 crises). Moreover, there is a remarkable increase in FDI inflows to Turkey after 2004 when the strict economic reform process after 2001 crises started to show its effects (see, table 3).

The high and stable share of European firms in FDI inflows to Poland and their low and fluctuating shares in FDI inflows to Turkey are in line with the Commission's Regular Reports. The Commission's opinions about Poland were getting more positive year by year while the Commission's opinions on Turkey did not change much until 2004 in line with Turkey's progress in complying with the Copenhagen economic criteria.

Interestingly, the share of FDI inflows to Turkey started to decrease sharply after 2007. As can be seen in table 7, the increase in FDI inflows by the European firms continued only until 2006, following rigid economic reforms in Turkey following 2001 crises. However, as we shall see in more detail in section 4.C, Turkey started to have failures in complying with the policy recommendations of the ERT, which were agreed between the ERT and AKP government in 2004. In 2006, the ERT published a devastating report on Turkey, which showed that the ERT lost its interests in Turkey's EU accession again.

**Table 7: FDI inflows to Turkey by EU-25 and EU-27 from 2006 to 2010 in millions of US Dollars**

| **Year** / **Country** | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|
| **EU-25** | 14.532 | 13.610 | - | - | - |
| **EU-27** | - | 13.612 | 13.340 | 5.267 | 5.519 |

Source: OECD International Direct Investment Database, from: http://stats.oecd.org/Index.aspx?QueryId=9545#

The ERT's apathy reflected itself on FDI inflows to Turkey immediately. While there has been a minor decrease in FDI inflows to Turkey, the amount of FDI inflows fell from 13.340 to 5.267 million dollars in 2009. Also, the ERT's apathy was followed by the decision of the Commission and the member states to freeze eight chapters in the accession negotiations of Turkey until Turkey applies the necessities of the Additional Protocol to Republic of Cyprus and some other chapters are being blocked in the absence of the ERT's support for Turkey's EU accession. Therefore, these findings show that the FDI inflows as an indicator of the ERT's changing interests corresponded to the changes of the ERT's position on Turkey in line with the Turkey's compliance with the necessary economic criteria, and the ERT's position was followed by the Commission and member states, which will be analyzed in more detail in section 4.C.

In the light of the data presented above, it is clear that Neo-Gramscianist argument that FDI inflows to an applicant state follow the applicant's compliance with the Copenhagen economic criteria. This argument holds in the case of Turkey, too. FDI inflows by European corporations to Turkey started to increase only when the country started to make considerable economic reforms starting in late 2001. Before these reforms, there was almost no change in the amount of FDI inflows to the country. On the other hand, FDI inflows to the other applicants were either increasing sharply in accordance with their compliance with the economic criteria (Bulgaria and Slovakia) or the amount FDI flows in their GDP were already high (Estonia, Poland).

Therefore, it is highly likely that under the exclusion of Turkey from EU membership, there lies the apathy of European transnational capital in Turkey, an applicant that progressed worst in terms of complying with the Copenhagen economic criteria, and the apathy of European transnational capital can be observed in very low amount of FDI inflows compared to other applicant, which started to increase only in 2005 when the country started make considerable economic reforms.

The findings above also help to find an answer to a more complex question, which has been a puzzle for the Neo-Gramscianists. As we have seen, while van Apeldoorn et al. (2003) consider that the Commission’s position is sidelined by that of the ERT, Bieler (2002) and Holman (2001) argued that they are interdependent actors. By analyzing the data above in depth, it is possible to shed light onto this controversial question since if there is a link between the Commission and European transnational capital in the sense that van Apeldoorn et.al. assumed, then the Commission’s Regular Reports might also be used as an indicator of European transnational capital’s interests.

Therefore, it is expected to see the Commission to present more positive reports about the progress of an applicant, FDI inflows to which is in increase. However, since the change in FDI inflows to an applicant is also an indicator of its compliance with the Copenhagen criteria as established above, the Commission’s reports are expected to be in positive relationship with FDI inflows and transnational capital’s interests. Therefore, the changes in Commission’s position after an increase in FDI inflows would be a necessary but not a sufficient condition that shows the effects of transnational capital on the Commission. On the other hand, if the Commission’s reports lead to a change in FDI inflows, this might show that the Commission might independently affect transnational capital's position. Therefore, if the Commission's positive reports are followed by an increase in FDI inflows, then it might be thought that the Commission has an independent role.

In the case of Bulgaria, the Commission's opinions about Bulgaria's compliance with the Copenhagen economic criteria had been negative until 2001 when it argued that Bulgaria could achieve membership in mid-term (table 2). However, the positive messages since 2001 did not lead to any remarkable changes in FDI flows. A remarkable increase in FDI inflows to Bulgaria was observed, on the other hand, in 2003 (table 3). This increase is followed by the Commission's progress report in late 2003, which stated that Bulgaria is a functioning market economy that needs to get ready for the membership 'in near-term' (the European Commission, 2003a: 40) and by its 2004 report, which considered Bulgaria as a functioning market economy, which can stand 'within the EU' (The European Commission, 2004a: 40). Therefore, in the case of Bulgaria, the change in the Commission's opinions followed the increases in the FDI inflows to Bulgaria.

In the case of Estonia, the Commission's opinion had always been improving since 1998. It was considered to be able to achieve membership in mid-term in 1998 and 1999 reports, in near-term in 2000 and 2001 reports (the European Commission, 1998b, 1999b, 2000b, 2000b). The FDI inflows to Estonia, on the other hand, did not show any difference during this period. In 2002, it is possible to see a remarkable decrease in FDI inflows to Estonia despite a more positive report in 2001 (see, table 3 and the European Commission, 2001b). FDI inflows to Estonia sharply increased only in 2005 when it acceded to the EU formally. The same pattern can be observed in the case of Poland, too. The Commission considered that Poland might achieve membership in medium term in 1998 and 1999, and in near term in 2000 and 2001 (the European Commission, 1998c, 1999c, 2000c, 2001c). However, the FDI inflows to Poland did not show any remarkable changes during this period (see, table 3). The share of the European firms in total FDI inflows did not change remarkably, either (see, table 5 and 6).

The FDI inflows to Turkey had always been low and did not show much change when compared to other applicants. Similar to Poland, the share of European firms in the total FDI inflows to Turkey did not show remarkable changes, either (see, table 5 and 6) although the Commission's opinions were getting slightly more positive on Turkey's economy (the European Commission, 1998e, 1999e, 2000e, 2001e, 2002e, 2003b, 2004b). However, the real change in Commission's opinion is observed in 2005 when it recognized that Turkey has a functioning market economy (the European Commission, 2005: 56). Similar to the other cases above, the change in Commission's opinion is preceded by a remarkable increase in FDI inflows to Turkey in 2005 (see, table 3, 4 and 5). Similarly, the Commission's opinions were generally more negative on Turkey's economy and did not change until 2005 when it recognized Turkey as a functioning economy (see, table 2).

The case of Slovakia is rather different, though. The Commission's opinion about the Slovak economy positively changed in 1999 (the European Commission, 1999d) even if there was a small decrease in the amount of FDI inflows to Slovakia in that year (see, table 3). Moreover, this report was followed by a remarkable increase in

FDI inflows in 2000 (see, table 3), which is then followed by a progress report that considered Slovak economy as a functioning market economy in 2000 (the European Commission, 2000d). Similarly, the second sharp increase in FDI inflows to Slovakia is observed in 2002 (see, table 3), which is preceded by the Commission's report in 2001 that considered Slovakia to be capable of standing as a member in near term (the European Commission, 2001d: 36) and which is followed by another report in 2002 that recognized Slovak economy as capable to stand within the EU (the European Commission, 2002d: 45).

In this way, it is possible to argue that van Apeldoorn et al. (2003) were right in their argument that the role of Commission was not totally independent from transnational capital. Although the case of Slovakia shows that the Commission's progress reports prompted increases in FDI inflows, the other cases indicate that the positive reports published by the Commission followed the increases in FDI inflows, which is the indicator of European transnational capital's interest. This link becomes much clearer with the analysis of the ERT reports in sections 4.B and 4.C.

In sum, FDI inflows to Turkey have been considerably low when compared to other applicants in Eastern enlargement. Moreover, when compared to Poland, the share of European firms in FDI inflows to Turkey has been much lower. The amount of FDI inflows to Turkey and the share of European firms in it started to increase only in 2004 when the results of Turkey's vigorous reform process after 2001 crises gave its fruits. Accordingly, the Commission changed its opinion about Turkish economy by referring to it as a functioning market economy for the first time in 2005, while it did so for other applicants long before. Therefore, as indicated by FDI inflows and understood from the Commission's evaluation of the applicants' compliance with the Copenhagen economic criteria, transnational capital was not interested in Turkey's membership to the EU as much as it was interested in the membership of other applicants in Eastern enlargement.

### 4.2- Comparing Turkey to Central Europe II: EU relations to Candidate Countries and ERT reports

Looking only at the FDI inflows and the Commission's evaluation of the applicants' compliance with the Copenhagen economic criteria as an indicator of transnational capital' interests in enlargement politics is not sufficient to show that transnational capital was less interested in Turkey's EU accession if our purpose is to clarify the validity of Neo-Gramscianism in the case of Turkey.

In fact, Neo-Gramscianism underlines not only the role of economic interests but also the role of ideas in explaining the interests of social forces. As we have seen, ideas play a crucial role not only because they affect the way one conceives about his/her interests as shaped mainly by the structure (Bieler, 2002: 580; 2005b: 517) but also because they are used by historical bloc as a means of manipulating the way subaltern classes think of their interests (Bohle, 2006: 62). It is the use of ideas in hegemonic projects that enable historical bloc to present its particular interests as the interests of all social segments (van der Pijl, 2001: 187). Therefore, in order to assess the validity of Neo-Gramscianism in the case of Turkey, it is also necessary to analyze the ideational activities of transnational capital in the case of Turkey.

Since ideas are used as tools to get the consent of the subaltern classes for hegemonic projects that work to the interests of transnational capital, in the field of enlargement politics, Neo-Gramscianists assume that transnational capital conduct certain ideational activities to promote its own interests. If we apply this argument to the case of Turkey, having seen that material interest of transnational capital in Turkey's EU accession is weaker when compared to Poland and other applicants, and considering that Turkey has not yet acceded to the EU, it is expected that ideational activities conducted by transnational capital would be either negative or less strong in terms of promoting enlargement to Turkey when compared to other applicants. Moreover, by the analysis of ERT reports, it would be possible to observe the link between European transnational capital, the Commission and the member states, which was partially supported in the section 4.A. Accordingly, it is expected that Commission's assessments of an applicant's compliance with the economic criteria and member states decisions on the accession of that applicant would follow the ideational activities of European transnational capital concerning that applicant.

As mentioned above, European transnational capital is represented by the ERT. Therefore, the ideational activities performed by the ERT will be the focus of our analysis. And, ideational activities here refer to any tools through which the ERT made its view publicly known, such as reports, position papers, and press releases published by the ERT. The ERT, established in 1983 with the aim of promoting EU's competitiveness vis-à-vis Japanese and US economies and modernising the European economy, makes its views publicly known on key policy issues at national and European levels. At the national level, it contacts national governments, parliaments, business federations and the media, and at European level, it meets with the member of the Commission, the Council of Ministers, the European Council and the EU parliament while keeping close relations with BUSINESSEUROPE.

However, in order to understand the exact meaning of the ideational activities of the ERT on Turkey, it is necessary to compare them with those on Eastern enlargement within the history of these countries' relations with the EU, for the reasons stated in section 4.A. Therefore, the following section will look at all ERT publications related to enlargement to the CEECs and Turkey in their historical sequence in order to show the ERT's apathy in Turkey's accession to the EU. While doing so, it will also try to shed light onto the link between the ERT, the Commission and member states.

To begin with, the first ERT report that had implications for the CEECs, *Export Regulations: European Industry and COCOM,* was published in 1990 in order to make an evaluation of the changes after the fall of Berlin Wall. The report said nothing about enlargement but underlined the necessity of closer relations with the EFTA countries and support for political and economic transformation of the CEECs, reaffirming the points that were communicated to the Commission President, Jacque Delors in 1989 (ERT, 1990: 2; ERT, 2010: 32).

This report was followed by 1991 report, *Reshaping Europe,* which constitutes the basis of ERT's views on a good many of issues from integration to enlargement. In this report, the ERT set 9 goals to be achieved in 1990s. And, one of these goals was "… to bring Central and Eastern European countries into the closest association with the Commission as interim stages towards future enlargement" (ERT, 1991: 7).

Although the bulk of the report was mainly related to the competitiveness of European economy and the internal market, the ERT also noted four preconditions for any accession to be realized: the completion of Single Market, adoption of industrial policies that provide business-friendly environment, a single currency, and a strong link between the Commission and the rest of the Europe (ERT, 1991: 41). The ERT argued that it is only through the realization of these conditions that enlargement would bring in benefits, such as bigger market for its goods and services, an increase in the labour force in European markets, and access to natural resources that are rare in Western Europe (ERT, 1991: 48).

The ERT defined its primary aim in enlargement to the CEECs as the creation of economic area "... in which business can freely operate" (ERT, 1991: 49). For the purpose of the establishment of liberal market economy and competitive economic structure with no state protectionism in the CEECs, the ERT suggested that each country in Eastern Europe be considered as a separate case and that trade and aid be used as strategic tools to prompt transition in the CEECs. Moreover, it argued that the CEECs should become a member of the EU as soon as they fulfil the necessary criteria. It considered that the EU (then the EC) should monitor and coordinate this process and reward those applicants transforming into a market economy with membership (ERT, 1991: 50).

In this way, the ERT, as a historical bloc is expected to do, not only presented its interests in Eastern enlargement as the interests of all member states and business groups but also as the interests of the CEECs. Moreover, instead of taking of any risks by directly letting the CEECs into the EU, the ERT preferred to wait and see upcoming events to decide on the fate of each CEEC as a means of prompting the CEECs' transition to "market-radical version of neo-liberalism (Bohle, 2006: 57). Moreover, the ERT set the conditions that would make enlargement profitable for itself even before the adoption of Copenhagen criteria in 1993 by the Commission and member states in line with ERT's position. For this purpose, the ERT defined the role of the Commission as a body that would monitor the progress of the CEECs in complying with the necessary criteria, which were originally designed by the ERT. This is the reason why in this thesis the applicant states' compliance with the Copenhagen economic criteria is considered to be a factor that affects the ERT's position on these states

In 1991 report, while the ERT evaluated the case of the CEECs together, Turkey's EU accession has been considered as a different topic and only in couple of sentences. Turkey was considered to be closer to the accession as it had always been a friend of the West during Cold War. However, it was noted that Turkey must improve its economy based on its Association Agreement for achieving membership (ERT, 1991: 51). That is, the ERT urged Turkey to comply with the necessities of the Customs Union Agreement if its aim was to become a member of the EU. Moreover, this was a signal that Turkey's EU accession would go through a different process, with the expectation of membership in the longer term.

In 1992, the ERT published another report, titled as *Rebuilding Confidence*, after the crises in 1992. Although the major focus was on existing member states' economy, the ERT reaffirmed that EFTA Enlargement should be realized soon while Eastern enlargement should be postponed to a date when these countries satisfactorily transformed themselves into market economy (ERT, 1992: 17). There was no reference to enlargement to Turkey, though. In this period, the ERT published a report in 1993, *European Industry: a Partner of the Developing World,* in which it underlined that FDI should be used "... as a tool for economic development, cooperation, competition, and competitiveness" not only in Eastern Europe but in all developing countries in the world, which reaffirm Neo-Gramscianists' argument that FDI is used as a tool by transnational capital to discipline rather subordinated countries. Moreover, during this period, the ERT started to be more interested in Eastern Europe, by creating a *Working Group on Central and Eastern Europe.*

Although the ERT reports in 1992 and 1993 did not mean to be an exclusive effort to prompt the accession of the CEECs into the EU, they outlined the concerns of the ERT and signalled that the EU would be very active in transition of these countries into market economies. They also showed that the ERT's focus would be more on the CEECs instead of Turkey, a country in which market economy had long been established at least partially, and thus a country that did not require a prompt action.

The ERT started to conduct more intense activities in favour of Eastern enlargement only in late 1990s. Having seen the prioritization of certain CEECs over the remaining, the ERT established a *Working Group on Enlargement*. It sent a letter to the December 1997 European Council, which urged better treatment for the remaining applicant countries, and this letter was followed by the member states' more positive approach to second wave applicants in 1999 Helsinki Summit (ERT, 2010: 61). During this period, the ERT also established Business Enlargement

Councils in Hungary and Bulgaria, which included the local CEOs of ERT companies and which actively engaged in dialogue with national governments.

The ERT published its first report exclusively on enlargement —*The East-West Win-Win Business Experience*— in March 1999. In this report, the ERT repeated its strong support for the accession of the CEECs which fulfil the necessary economic criteria and their assessment by the Commission as distinct cases. Unlike the previous reports, it more clearly underlined "... the principal benefits for the EU as well as for the C&EE countries and companies" and made specific recommendations about the problems that needed to be figured out in the way for the accession (ERT, 1999: 6). Focusing on economic benefits that both sides would reap, the ERT urged EU policy-makers to make an effort "for rapid and inclusive integration of countries from Central and Eastern Europe (C&EE) into the EU" (ERT, 1999: 7).

In presenting the benefits of Eastern enlargement, the ERT underlined the sharp increases in FDI inflows and exports to the CEECs by European firms when compared to the amounts before 1997 (ERT, 1998: 9). Still, it underlined the necessity of the acceleration of the reform process and adaptation of the *acquis communautaire* in order to get rid of the remaining obstacles against investments by European firms to the CEECs (ERT, 1999: 21). In this way, again, the business benefits from enlargement were presented as the common interests of all member states and the criteria that the CEECs must realize were presented as a means of promoting national interests in the CEECs.

The ERT's position on enlargement again found its repercussions in the Commission's Regular Reports and in the decisions of the member states. In line with the letter in 1997 and the report in 1999, the Commission reports underlined the problems in the economies of each applicant and made policy recommendations accordingly. On the other hand, the Commission's reports were more positive for the applicants that were better complying with the Copenhagen economic criteria while the Commission reports on Turkey between 1997 and 1999 were clearly worse than the reports on any other CEECs (The European Commission, 1997e, 1998e, 1999e) Moreover, the member states' decision to open accession negotiations with the remaining CEECs in 1999 Helsinki Summit clearly reflected the ERT's call for inclusion of the remaining CEECs into enlargement process.

Moreover, in 1999 report, there was no reference to Turkey, proving the ERT's apathy towards Turkey's accession to the EU. The effects of ERT's apathy in Turkey's accession can be observed in member states' decision in Helsinki Summit. The member states decided to accept Turkey as a candidate state in this summit but did not start accession negotiations with it. As we shall see in more detail in the section 4.C below, while that Turkey's candidacy was accepted can be explained with reference to 1997 report which urged more positive approach to all remaining applicants, that accession negotiations with Turkey did not start together with the remaining CEECs can be explained with reference to the exclusion of Turkey in 1999 report, which, on the other hand, strictly urged member states to open accession negotiations with the remaining CEECs.

Enlargement Working Group of the ERT published its second report exclusively on enlargement in 2001: *Opening up the Business Opportunities of EU Enlargement*. The report was a response to member states' apathy towards enlargement as a result of emerging economic crises, fears from immigration and lobbying activities against enlargement by certain interest groups that would be disadvantaged by enlargement (ERT, 1998: 4). In this report, communicated to the European Council in Gothenburg Summit, the ERT repeated the importance of stability and development in the CEECs, where the European firms have substantial amount of investment.

2001 report presented a more detailed analysis of the benefits and costs related to the accession of the CEECs. As the gains for member states, the report noted that there would be security and stability in the CEECs. Moreover, member states would reach a high growth rate in their economies, the internal market would reach to 500 consumers, around 300,000 new jobs would be created after enlargement, and there would be an increase in their investments, competitiveness and cross-border trade in a wider market. Furthermore, the report underlined the costs of delaying or cancelling enlargement as increase in illegal immigration and loss in the amount of trade with the CEECs. And, for the CEECs, the costs were estimated to be the increase of Euroscepticism, failures in the reform process, economic and political stability in the CEECs (ERT, 2001: 9-10). In this way, the ERT presented its interests as common interests, ignoring that it is only economically more competitive member states that would reap the bulk of benefits coming from increased customers, investment and trade opportunities and that there was a likelihood of job losses related to enlargement.

2001 Report also validated the link between the FDI inflows and the compliance with Copenhagen economic criteria. The report showed that the greatest amount of FDI inflows went to the applicants that were performing better in terms of compliance with Copenhagen criteria like Hungary and Poland while the amount of FDI inflows was very low in applicants like Bulgaria and Romania (ERT, 2001: 25). Moreover, it was noted that more FDI inflows lead to a better economic performance in the long run, which would accelerate accession process to the EU (ERT, 2001: 25-26). Stipulating on these arguments, the ERT expected that the applicants that comply with the Copenhagen criteria less, and thus the applicants that attract FDI inflows less, that is Bulgaria and Romania, would be excluded from enlargement process for many years (ERT, 2001: 27). In this way, the ERT itself confirms the link between the FDI inflows and the likelihood of EU membership.

Although the ERT approved that some applicants might be admitted to the EU earlier than others if they better comply with the Copenhagen criteria, the 2001 report underlined that even the applicants like Bulgaria and Romania should be admitted to the EU as soon as possible. For this purpose, the ERT urged the EU to allocate more aid to these countries in order to close the gaps between the applicant countries since it would in EU's own interests (ERT, 2001: 27). In this way, the ERT urged that Bulgaria and Romania to be admitted to the EU later when they fully fulfilled the necessary criteria. Again, the Commission followed the ERT's position. The Commission's Regular Reports on Bulgaria and Romania in 2002 argued that these countries did not yet satisfy the economic criteria unlike the other CEECs (the European Commission, 2002a, 2002f). And, during 2002 Copenhagen Summit, member states agreed on the accession of eight CEECs and island states in 2005, postponing the accession of Bulgaria and Romania to a later date.

On the other hand, the ERT considered that the prospect of Turkey's membership depended on its compliance with the Copenhagen criteria. Therefore, it did not include any analysis of the costs and benefits of Turkey's accession. It simply focused on the case of the CEECs, which shows again the apathy of ERT in Turkey's EU accession when compared to the CEECs. And, not surprisingly, the position of the ERT was followed by the Commission and the member states. In fact, even if the Commission acknowledged the fulfilment of the economic criteria by Bulgaria and Romania two years after it did so for the other CEECs, and even if the member states accepted the membership of Bulgaria and Romania in 2007, Turkey is still not a member of the EU and Turkey's EU accession went on a very different and ambiguous process.

In sum, the analysis of ERT's ideational activities in the cases of CEECs and Turkey seems to further support that the ERT was less interested in Turkey's EU accession when compared to Turkey. Moreover, the ERT's position in both cases is found to be followed by the Commission, which published progress reports in line with the ERT's concerns, and by the member states, whose decisions on enlargement processes of both CEECs and Turkey reflected the ERT's interests. Therefore, these finding also seem to support that, as Neo-Gramscianists would expect, the ERT played a very decisive role in enlargement politics concerning the CEECs and Turkey.

### 4.3- Explaining the ERT's Apathy in Turkey's Accession to the EU

Having found support for the Neo-Gramscianist argument that the ERT's position has generally been followed by the Commission's Regular Reports and member states' decisions and that the ERT was less interested in the accession of Turkey to the EU when compared to that of the CEECs, then it is time to explain why the ERT was less interested in Turkey's accession to the EU, and thus why Turkey has been excluded from the EU. For this purpose, it is necessary to find the differences between the CEECs and Turkey, which led to the ERT's apathy.

These differences cannot be sought in the internal dynamics of the EU since the conditions that the EU faced in considering the accession of the CEECs and Turkey were pretty much the same. Since the date of applications by Turkey and the CEECs were close to each other, in considering the accession of the CEECs and Turkey, the EU faced the same conditions. Thus, it is necessary to focus on the differences that are directly related to the CEECs and Turkey.

As we have seen in chapter 2, the theories of EU enlargement underline different factors in explaining such differences between the CEECs and Turkey. While the LI underlines the differences in cost and benefits of enlargement and the asymmetrical interdependence between the applicant concerned and the EU (Moravcsik, 2008), the constructivists underlining the common European norms look at the applicant's compatibility with the common European norms (Schimmelfennig, 2009). On the other hand, the constructivists underlining the role of innate values highlight the applicants' differences with respect to innate historical and cultural identities with (Lundgren, 2006). The critical approaches that underline the impacts of securitization process focus on the differences between geopolitical importance of the applicants concerned (Zank, 2003) while Open Marxists on the effects of class struggles at national level. However, as we have seen in section 3.A and 3.B, these factors explain the case of Eastern enlargement or Turkey's exclusion from the membership only to a certain degree and none of these theories can highlight how transnational capital enter into the scene.

As a result, this thesis does not seek the differences between the CEECs and Turkey in these factors, and within a Neo-Gramscianist framework it focuses on such differences between the CEECs and Turkey that would affect ERT's position on the two cases differently. For this purpose, there can be listed two major differences between the two cases. The first one is the differences in compliance with the Copenhagen economic criteria, and the second one is the existence of a customs union agreement between Turkey and the EU, an agreement, which was not signed by any other applicants before their accession to the EU. These two factors are interrelated with each other as both are part of the necessary economic criteria together with the ERT's policy recommendations.

The differences between Turkey and the CEECs in complying with the Copenhagen economic criteria can account for the ERT's apathy in Turkey's EU accession since the ERT considered compliance with the Copenhagen economic criteria and adoption of the *acquis* as a pre-condition of membership with an aim to protect Single Market project and competitiveness of EU market (ERT, 2010: 16). In fact, the ERT always supported enlargement as long as necessary criteria and the *acquis* are respected. Moreover, as mentioned in section 4.B, the Copenhagen economic criteria were designed in line with the ERT's concerns that were published in the ERT's 1991 report. Therefore, under the ERT's apathy in Turkey's EU accession may be affected Turkey's failure to comply with the Copenhagen economic criteria, as a result of which the ERT would consider the accession of Turkey harmful to Single Market project and competitiveness policies.

We have already looked at the differences between Turkey and CEECs in terms of compliance with the Copenhagen criteria based on Commission's Regular Reports in section 4.A. According to Commission's reports, Turkey was, in fact, worse in complying with the economic criteria at the time of the signing of accession treaties with ten CEECs in 2003 and with Bulgaria and Romania in 2005 (see, table 2). However, looking at only the Commission's evaluation of applicants' compliance with the Copenhagen criteria is not enough since our primary aim is to analyze why the ERT supported or neglected Turkey's accession to the EU. For this reason, it is also necessary to look at the ERT's reports and other publications to understand how the ERT itself evaluated Turkey's compliance with the necessary criteria. We have also already analyzed the ERT's own assessment of the progress achieved by the CEECs in section 4.B and seen that the ERT had already been satisfied with the reform processes of the CEECs. Therefore, in this section, particular focus will be on ERT's publications concerning Turkey's accession.

While the differences between the CEECs and Turkey in their compliance with the Copenhagen economic criteria may account for the ERT's apathy in Turkey's accession throughout enlargement process, it is necessary to pay a specific attention on the Customs Union Agreement because it may account for the ERT's apathy in Turkey's accession during the 1990s, as we will analyze below.

The existence of a customs union agreement between Turkey and the EU constitutes a crucial difference between the CEECs and Turkey in three ways. First, unlike the Europe Agreements between the EU and the CEECs, the Customs Union between Turkey and the EU implied more trade integration between the parties without giving Turkey membership benefits (Ataç, 2005: 22). As such, it led the European firms to only produce for domestic market (Ataç, 2005: 24). As a result, it diminished their need for enlargement as a guarantee for their investments as they needed in the CEE economies. Secondly, it is the ERT's own argument that it is majorly the Customs Union Agreement between Turkey and the EU that set Turkey as a different case (ERT, 2004b: 17). In fact, as we will see below, the Commission urged Turkey to fulfil the necessities of the Customs Union first in order for Turkey to proceed in the way for EU membership. Thus, the existence of Customs Union Agreement set Turkey's accession process different from that of other applicants. Finally, as it will be analyzed below, the requirements of the Customs Union Agreement were in line with the ERT's policy-recommendations to Turkey. Therefore, like the compliance with the Copenhagen economic criteria, Turkey's efforts to fulfil its obligations emerging from the Customs Union Agreement during the mid-1990s may also affect the ERT's position on Turkey's accession to the EU.

If the argument that the ERT was less interested in the accession of Turkey than of the CEECs due to their differences in complying with the Copenhagen economic criteria can be supported, then it is expected to see positive changes in ERT's position in line with the positive changes in Turkey's compliance with the Copenhagen economic criteria, or vice versa. Also, if the argument that the ERT's position would be affected by Turkey's efforts to fulfil the requirements of the Customs Union Agreement can be supported, then, as in the case of compliance with the Copenhagen economic criteria, it is expected that Turkey's failure to comply with these requirements would lead the ERT to be less interested in Turkey's EU accession or vice versa.

In order to analyze whether such links really exists, it is now time to make an in-depth analysis of the history of EU-Turkey relations. By looking at the history of EU-Turkey relations, this section of the thesis will present the reforms undertaken by Turkey in the way for EU membership, and then it will analyze how these reforms and the Customs Union Agreement affected the ERT's position on Turkey's accession to the EU.

Unlike other applicants, Turkey's relationship with the EU started long before it was considered as a candidate state. Since the establishment of the republic in 1923, Turkey went through a westernization process, sided with the Western world during cold war, became a founding member of the UN in 1945, and a member of NATO in1952. Turkey made its first application to the EU (then the EEC) a year after its establishment in 1958. Yet, considering that Turkey was not eligible for membership, the EEC decided to form association with Turkey to prepare the country for full membership. For this purpose, the EEC and Turkey signed the Ankara agreement in 1963, which aimed at creating a customs union between the parties at three stages, an agreement that cannot be observed in membership process of any other applicants.

In the first stage from 1963 to 1970, under the first financial protocol, the EEC provided Turkey with 175 million ECU of loan and some concessions in tariffs. The second stage started with the Additional Protocol in 1970. It clearly defined guidelines through which the Customs Union would be achieved, and it envisaged the immediate abolition of trade barriers to Turkish products by the EEC and abolition of trade barriers to EU (then the EC) products by Turkey in 12 to 22 years period. Also, it urged Turkey to undertake necessary legislative steps in order to harmonize its legal system with that of the EEC's in economic matters.

The relationship between the EC and Turkey got spoilt upon the 1980 military *coup d'état* in Turkey. However, with 1983 multiparty elections in Turkey, Turkey started to adopt an economic structure that is based on the principles of free market. While this change led to the emergence of new historical bloc in Turkey, composed of outward-oriented social forces and market-oriented politicians and intellectuals (Şahin, 2010: 485), the relations between the EU and Turkey started to improve, and Turkey applied for full membership again in 1987.

The Commission published its opinion on Turkey's application in 1989, in which it considered Turkey eligible for membership. However, it noted the internal problems of the EC in realizing the Single Market and postponed the in-depth consideration of Turkey's application to a more appropriate time. It underlined the necessity of realization of the Customs Union in 1995, as planned, for deepening the integration of the both sides, and this opinion was adopted by the Council in 1990. Although the Commission's cooperation package was rejected by Greece, Commission's opinion that considered Turkey eligible for membership was enough for the both sides to resume their efforts to complete the Customs Union on time.

These improvements in Turkey-EU relationship was preceded by the ERT's 1991 report, in which the ERT considered Turkey as an applicant state whose prospect for membership was more likely than the other applicants. At that time, the ERT was interested in Turkey's EU accession because the economic reforms in Turkey after the military coup not only significantly reduced the import-substitution by the state but also led to the emergence of an economic structure based on free market understanding. These improvements in economy were in line with what the ERT considered necessary for any applicant's membership to the EU. Moreover, the prospect of Customs Union was promising for the reform process that Turkey was willing to go through. Thus, it is not surprising to see the ERT supporting Turkey's EU accession more than the CEECs, whose future was still bleak at that time.

Following the improved relationship between the EU and Turkey and the efforts spent by the both sides, the Customs Union Agreement was signed in 1995 and entered into force in 1996. It was an unprecedented agreement. Unlike the Europe Agreements between the CEECs and the EU, the Customs Union Agreement aimed at creating stronger trade integration between Turkey and the EU without letting Turkey to enjoy membership benefits (Ataç, 2005: 22).

In fact, with the entry into force of Customs Union Agreement, Turkey abolished all charges on imports of industrial products and processed agricultural goods from the EU, which are the products in which the European firms were clearly more competitive, and started to harmonise its tariff policy on industrial products coming from third countries with that of the EU with an aim to adapt itself with the EU commercial policy within 5 years time. However, the Customs Union did not include the abolition of charges on basic agricultural products, on particular textile and oil products, and on services in which Turkey was more competitive (Togan, 2004: 1013). On these products, the EU adopted only a preferential trade regime with Turkey. Moreover, Turkey started to adopt the Common Agricultural Policy (CAP) while the EU simply promised to take into account Turkey's interests in its decisions concerning the CAP. As a result, while the EU's exports to Turkey tripled, Turkey's exports to the EU only doubled (Barysch and Hermann, 2007: 1-2).

With the abolition of all charges on imports of industrial and process agricultural products and with the harmonization of Turkey's tariff policy with the EU vis-à-vis third countries, the Customs Union Agreement led to a different transnationalization process in Turkey when compared to the CEECs, and it also differentiated the way European transnational capital operated in Turkish economy from the way it operated in the CEE economies. In fact, "[a]lthough transnationalization has led to a strong export orientation in countries like Hungary, in Turkey the internationalised capital mainly produces for domestic markets" (Ataç, 2005: 24). Moreover, "... the FDIs in Turkey are mostly made in service sectors (telecommunications, banks) which produce primarily for the internal market" (Ataç, 2005: 24). Since the European firms produces not only for the domestic market in the CEECs, they paid more attention to the membership of the CEECs into the EU, considering it as a guarantee for their investments in there. However, in the Turkish economy, they produce mainly for the internal market; therefore, during this period, Turkey's EU accession did not matter to them as much as the accession of the CEECs.

Like the Copenhagen Criteria, the Customs Union Agreement was in line with the ERT's policy recommendations in its 1991 report. The Agreement can be considered as a project that would provide European transnational capital with the same business benefits that would be gained only with the accession of Turkey because the obligations that Turkey needed to fulfil based on the Customs Union were the same obligations that it needed to realize for EU membership. In fact, the realization of the Customs Union was the precondition for Turkey's membership according to the opinion of the Commission in 1989. Moreover, as the Commission (1998e: 30) also put forward, "to enable the customs union to function properly, Turkey had to adopt large parts of the Community acquis even before its entry into force, notably in the areas of customs, commercial policy, competition and the protection of intellectual, industrial and commercial property", which are the policy areas that Turkey needed to make reforms in its path to the EU membership, too. Therefore, Turkey's efforts in realizing the obligations of the Customs Union were as much crucial as its compliance with the Copenhagen economic criteria in the eyes of the ERT.

However, although Turkey started to fulfil the requirements of the agreement by undertaking some reforms in line with the Customs Union Agreement, the efforts of Turkey were found to be limited. For example, according to the Commission's 1998 report on Turkey (The European Commission, 1998e: 31-35), although Turkey's effort in realizing its obligations based on the Customs Union Agreement were remarkable, there was still much left to be done in policy areas such as free movement of goods, competition, intellectual, industrial and commercial property rights, commercial policy, and customs regulations. Interestingly, many of these problems associated with the implementation of the Customs Union later constituted the ERT's criticisms on Turkish economy.

Since the accession of Turkey, where the European firms produce for the domestic market, mattered to the ERT less and since Turkey realized the requirements of the Customs Union Agreement only partially, the ERT became disappointed with the reform process in Turkey and it started to lose its interest in Turkey's accession to the EU. The ERT's apathy in Turkey after the Customs Union became visible in its trade relations with Turkey. In fact, the amount of FDI inflows to Turkey did not increase at the expected amounts after the Customs Union. While during the period 1990-1995 annual FDI inflows amounted to $745 million, it amounted to only $846 million during the period 1995-2000 (Togan, 2011: 36). This increase in the FDI inflows after the Customs Union seems to be ignorable if it is compared to the FDI inflows in 2001 ($20.2 billion), at a time when Turkey started to undertake the necessary reforms in a vigorous manner, as we shall see.

The effects of the ERT's disappointment in Turkey's reform process after the signing of the Customs Union agreement can also be observed in 1997 Luxembourg Council's decisions, which were based on the Commission's report in 1997, *Agenda 2000 For a Stronger and Wider Union*. According to the Luxembourg Council decisions, unlike other applicants, Turkey was not considered as a candidate country while it was decided to start accession negotiations with some of the CEECs.

However, the Commission's rationale for the start of accession negotiations with five of the CEECs was based on their compliance with the Copenhagen political criteria. Yet, if we look into the Agenda 2000 report, it is easy to understand that the reason why these countries' accession was prioritized was more related to their compliance with the Copenhagen economic criteria than the political criteria. In fact, according to the report, there is "... only one applicant State —Slovakia— [which] does not satisfy the political conditions laid down by the European Council in Copenhagen" (the European Commission, 1997: 42). That is, even if other CEECs did well in terms of political criteria, their accession process was delayed with reference to other factors based on the economic criteria. In fact, the CEECs whose accession process was prioritized were only the CEECs that were considered to have fulfilled the requirements of Copenhagen economic criteria in addition to the political criteria (the European Commission, 1997: 44). Therefore, these findings seem to support the Neo-Gramscianists' argument that economic criteria mattered more than political ones.

The exclusion of Turkey from enlargement process in 1997 can also be explained by its unsatisfactory compliance with the obligations of the Customs Union and Copenhagen economic criteria, which the ERT considers as the essential condition of membership. In Agenda 2000, on which the Luxembourg decisions were based, the case of Turkey was analyzed separately. It was noted that although Turkey was eligible for membership and undertook some reforms in line with the Customs Union, it was still not ready for membership because "macroeconomic instability continue[d] to give cause for concern" (the European Commission, 1997: 56). The Commission underlined that Turkey should reform its taxation and social security system, involve in privatization of sectors held by state, modernize agriculture sector, invest in infrastructure and human capital, and bring about social and economic cohesion, in addition to political and legislative obstacles (the European Commission, 1997: 56).

Although there is no ERT report that preceded the Commission's report *Agenda 2000*, the opinions of the Commission was still in line with the ERT's position, which was clear from its prior publications. For example, that the Commission evaluated the compliance of each CEEC separately was a policy option which the ERT mentioned in its 1991 report as a tool to boost transition and to reward those applicants that comply with the necessary reforms. Also, many of these problems in Turkey as indicated in *Agenda 2000* were also the points that were underlined as the major obstacles for Turkey's accession to in ERT's reports in the following years, as we shall see below. Moreover, as we have just seen, the ERT's apathy in Turkey's EU accession became visible in its trade relations with Turkey, following its disappointment with the reform process in Turkey after the Customs Union. Therefore, even if the ERT did not publish any reports on Turkey's accession during 1997, the Luxembourg Council decisions reflected the position of the ERT.

The Luxembourg decisions that excluded Turkey from enlargement process were followed by Turkey's boycott. At that time, Turkey argued that the Commission did not evaluate its evaluation on the same criteria applied to the other applicants. In 1998, the Council approved the European Strategy adopted by the Commission in to calm Turkey down. Still, Turkey went on boycotting the Luxembourg decisions as it was still not considered as a candidate. However, Turkey's hard relationship with the

EU started to change with the October 1999 regular report of the Commission, which led to the recognition of Turkey as a candidate country in December 1999 Helsinki Summit.

The recognition of Turkey as a candidate country was a positive outcome of Turkey's decisive stance against the Luxembourg decisions. However, the recognition as a candidate does not mean that Turkey got the same results with the other applicants. While Turkey was recognized as a candidate state, the member states decided to open accession negotiations with the remaining CEECs.

Again, these events do not come as a surprise when we look at the position held by the ERT. As mentioned above, the ERT sent a letter to the December 1997 European Council, calling for a better treatment for the remaining applicant countries. Therefore, the recognition of Turkey as a candidate country should be interpreted as an effort not to ruin the relationship between Turkey and the EU. On the other hand, there was no reference to Turkey in ERT's 1999 report but only the CEECs. The exclusion of Turkey from the ERT's 1999 report further showed that ERT was more interested in the accession of the CEECs since Turkey had not yet gone through any remarkable reforms unlike the CEECs. Therefore, it is not surprising to see Turkey's accession process separated from that of the CEECs in Helsinki Summit.

While Turkey's exclusion from enlargement process can be interpreted as a result of the differences in the ERT's position on cases of the CEECs and Turkey, the position of the ERT can also account for the start of accession negotiations in 2005 and the problems emerged on the opening of certain chapters during the accession negotiations later on.

Although the Helsinki Summit accepted Turkey's candidacy, the accession negotiations with Turkey did not start together with the remaining CEECs but separately in 2005 because Turkey started to make progress in terms of conducting necessary reforms only two years after the Helsinki decisions. This was so because, as Meltem Müftüler Baç (2005: 22) argues, Turkey faced an economic crisis in 2001 and there was a weak coalition government that was divided on the realization of the EU reforms. Remarkable reforms started to be undertaken in Turkey when the Accession Partnership was approved by the Council and Regulatory Framework was adopted in early 2001. These documents were followed by the National Program for the Adoption of the EU *acquis*, which defined the short and medium term reforms to be undertaken.

For the purpose of complying with the political criteria, with the first constitutional reform package, thirty four articles of the Turkish Constitution were amended on issues related to human rights, rule of law and democratization. During the coalition government until late 2002, these amendments were followed by the amendments in Civil Code that strengthened gender equality, second and third constitutional reform packages that abolished death penalty and revised the anti-terror law. Moreover, after the economic crises that Turkey severely faced in 2001, Turkey realized considerable amount of reforms in the economic sphere, which were mainly prompted by the IMF.

However, Turkey entered into its golden age in terms of passing substantial amount of reform packages in late 2002, with the election of AKP as a majority government (Öniş, 2008: 38). The AKP government successfully took on the reform process initiated by the previous coalition government. Briefly speaking, on the political sphere, until 2004, when the member states decided to open accession negotiations with Turkey, the AKP undertook six constitutional reform packages, regulating the role of military in politics, the position of the National Security Council, High Audio Visual Board (RTÜK), High Education Board (YÖK), minority problems, freedom of religion, and freedom of demonstration and peaceful assembly, it adopted new Penal Code, and realized certain reforms in judiciary system, majorly related to the stance of the State Security Courts, European Court of Human Rights, and the problems related to corruption. Moreover, on foreign policy issues, Turkey made considerable efforts to solve Cyprus issue, improved its relationship with Greece and supported the NATO agreement that allowed non-NATO members to participate in actions taken by the EU using NATO assets. All these improvements were enough to convince the Commission of the fulfilment of the political criteria by Turkey in 2004 (the European Commission, 2004b).

Although the Commission's reasoning in publishing its opinion to open accession negotiations with Turkey was based on the fulfilment of political criteria (the European Commission, 2002e), there were also remarkable efforts by Turkey in fulfilling the economic criteria. As also mentioned in Commission's Progress Reports from 2001 to 2003, starting with Turkish Privatization Strategy Plan in 2003, the AKP government took a very deep involvement in privatization of state-owned enterprises and managed to reduce state-interventionism in economy. In addition, Turkey made some progress in issues concerning foreign direct policy, transparency and fiscal discipline and set regulations in agriculture, energy, and banking sectors. Therefore, the decision to open accession negotiations cannot be only attributed to Turkey's fulfilment of the political criteria. In fact, as we shall see below, according to the ERT, Turkey had already satisfied the economic criteria in a way that was enough to open accession negotiations.

Turkey's bid for fulfilling the necessary economic criteria was highly respected by the ERT. Although the ERT did not publish any specific report on enlargement by itself after the accession of the CEECs into the EU, its position on the accession of Turkey was reflected through the reports published by the Turkish Business Enlargement Council (TEBC), which is the only Business Enlargement Council that is chaired directly by an ERT member, Bülent Eczacıbaşı. In March 2004, in line with a recent statement by the ERT, TEBC published a very detailed report on enlargement to Turkey, which is called *Turkey: a New Corporate World for Europe*. The report openly called for opening of accession negotiations with Turkey as soon as possible, considering that Turkey started to show considerable effort to comply with Copenhagen criteria. In fact, the report stated that "… both the EU and Turkey have much to gain from EU accession" , and thus the ERT called upon "… the European Commission and the Member States, to no longer delay a decision and give a clear message on when the negotiations with Turkey can start, once it has met the Copenhagen Criteria" (TEBC, 2004: 4).

What drove the ERT to push for Turkey's EU accession in 2004 but not before? The answer to this question constitutes the bulk of this report. The report underlined that although some progress in economic sphere had been achieved in 1990s, Turkey's efforts in realizing necessary reforms, as a part of IMF programme, accelerated only after the economic crises in 2001 (TEBC, 2004: 6). The amendments on Central Bank Law, strict monetary programmes against inflation, decreases in unemployment, increases in productivity and efficiency, the changes in taxation and social policy, the regulations in state enterprise employment and transparency problems, involvement in privatization of state-owned enterprises and the empowerment of independent regulatory institutions like Competition Authority and Tobacco and Alcoholic Beverages Board were the major points that the ERT expressed its satisfaction (TEBC, 2004: 6-8). Moreover, the ERT put specific attention on the improvements in competition policy and intellectual property rights (TEBC, 2004: 11-13). It is majorly these economic reforms which started to be adopted since late 2001 that changed ERT's stance in favour of Turkey's accession to the EU.

In addition, during this period, the way the European firms operated in Turkish economy changed in a way that made the ERT consider Turkey's EU accession as beneficial for the investments by the European firms. The European firms started to use Turkey as a base from which they reach other markets such as Middle East and Caspian Sea at the cheapest cost (TEBC, 2004: 23). Moreover, as can be seen in table 6 and 7, the FDI inflows by the European firms started to only after 2005. As a result, as in the case of the CEECs, the ERT started to view Turkey's EU accession as a guarantee for foreign investments in Turkey. In fact, the ERT considered that "[t]he start of accession negotiations, the markets are convinced, will remove the final barrier to investor confidence" (TEBC, 2004: 19). That is, similar to the case in

Eastern enlargement, the ERT considered the accession of Turkey as a guarantee for confidence in Turkish market to direct their investments. Moreover, in this positive change in ERT's stance on Turkey's accession to the EU, the ERT's lobbying activities with the AKP government played a crucial role. For example, the ERT Enlargement Working Council met Turkish government in November 2004 to review the progress that had been achieved in the way for Turkey's EU accession and to present its concerns about Turkey's economic structure. Since the AKP government took these concerns seriously and tried to respond it effectively (TEBC, 2005: 4), possibly, the ERT considered that it might agree with the decisive AKP government to solve the remaining problems later.

As a result of these factors, the TEBC 2004 report concluded that "... Turkey has successfully harmonised a significant portion of its legislation with the acquis communautaire. Nevertheless, much remains to be tackled during the negotiation period" (TEBC, 2004: 13). That is, as in the case of 1999 report that urged the start of accession negotiations with the CEECs, the ERT considered that Turkey satisfied economic conditions in a way that is enough to solve the remaining problems during the accession negotiations. Defined as such, the ERT's position found its repercussions in Commission's opinion in October 2004 regular report and member states' decision in December 2004 Brussels Summit to open accession negotiations with Turkey in late 2005.

In early 2005 before the accession negotiations officially started, the TEBC published a report, which presented rather more specific policy recommendations for Turkey to make a progress in the remaining problems that the ERT delayed to discuss during the negotiation process. The report, called *a Growth-Oriented Tax Policy for Turkey*, was prepared by Dr. Ünal Zenginobuz from Boğaziçi University upon the ERT's request, which can be considered as an example of the link between historical bloc and intellectuals in promoting a hegemonic project. The report appreciated the start of accession negotiations and Turkey's efforts in realizing the necessary economic reforms and noted that Turkey had been rewarded by FDI inflows in response to its endeavours.

After underlining the remaining problems in Turkish economy, the 2005 report presented policy recommendations, focusing mainly on the problems related to the taxation policy. It suggested a cut in excessive consumption taxes, a decrease in the tax wedge on labour, a decrease in taxes on corporate income, introduction of a simpler individual tax regime, introduction of agricultural incomes, and the use of standard international accounting practices in the area of taxation (TEBC, 2005: 11). As it is clear, the aim of the report was to promote and protect the interests of European firms in Turkish market. However, in doing this, the report argued that the policy recommendations made by the ERT also serve to the interest of Turkish people, by stipulating that Turkish economy will grow, FDI inflows would increase and the prospect for EU membership would be closer.

However, if Turkey's enlargement was so beneficial for all, then why did the member states decide to freeze eight chapters in accession negotiations in a meeting on 14-15 December 2006? The quick answer is that Turkey did not accept the Additional Protocol in 2006 in order not to apply the requirements of 1963 Association Agreement to Cyprus. This explanation is not wrong but it was also among the reforms that ERT suggested Turkey to realize. Moreover, it is simplistic to think that only the opposition by Cyprus led to the exclusion of Turkey from membership if other, especially the more powerful, member states would push in favour of the enlargement. In fact, a deeper look at the ERT reports shows that the real problem that led to the freezing of eight chapter were related to other problems in accession negotiations with Turkey. At the time of freezing eight chapters, the ERT already lost its interests in Turkey's accession to the EU, again. As a result, it became possible for other actors that are negatively affected by enlargement to promote their own interests in the absence of ERT's strong position favouring Turkey's accession to the EU.

In order to understand why the ERT lost its interests in Turkey's accession again, the TEBC's report, *Policy Recommendations for Turkey for Turkey's Industrial Competitiveness*, which is published on 5th of December, 2006 needs to be analyzed carefully. As opposed to the 2004 and 2005 reports that underlined the progress achieved by Turkey, the 2006 report made an assessment of Turkey's progress in realizing the policy recommendations made by the ERT in previous reports, and it listed the failures of Turkey to make progress in six areas: high indirect taxes and heavy tax burden on employment, the problems related to judiciary and the commercial law, the persistence of non-tariff barriers that discourage imports, problems related to intellectual property rights, transparency and unequal treatment that damages competition in market, and the existence of unregistered sector that decreases the quality of market and transparency (TEBC, 2006: 3). These factors are thought to reduce productivity, efficiency, and competitiveness of Turkish economy, preventing it from being "... an effective partner of the EU" (TEBC, 2006: 3).

Moreover, the necessity of many of these reforms had already been highlighted by the ERT in its earlier reports, as we have seen. Therefore, seeing no progress in these areas, the ERT ceased to support enlargement to Turkey as it used to do until Turkey makes progress in these areas. In fact, the amount of FDI inflows to Turkey by the European firms started to sharply decrease after 2007 (see, table 7). This does not mean that the ERT became an opponent of the accession of Turkey. Rather, its interests in Turkey's EU accession diminished and it did not push for it after 2006. In fact, there has been no paper published by the ERT or TEBC and there has been no considerable lobbying activity since 2006 except for TEBC's annual meetings with the Turkish government.

In the absence of ERT's strong position that pushed member states to start accession negotiations with Turkey, other actors that would be disadvantaged by enlargement found a chance to promote their own interests. In this way, opening of eight chapters became conditional to improvements in Cyprus issue with the Council's decision in 14-15th of December, 2006. Yet, the ERT's disappointment and its loss of interest in the accession of Turkey shows itself more clearly in member states' challenges to Turkey's accession. Today, in addition to eight chapters, there are nine other chapters, which are blocked due to the restraints put by certain member states like France, Greece and Germany, and many of these chapters are directly related to economic matters, such as freedom of movement of workers and Economic and Monetary Policy. Such obstacles in Turkey's way to membership are expected to frequently emerge in future, as well, lest Turkey improves its relations with the ERT and lest the ERT starts to push strongly for Turkey's EU accession again.

To sum up, it becomes clear that the ERT's apathy in Turkey's EU accession is related with the Turkey's failures to comply with the Copenhagen economic criteria and the obligations of the Customs Union Agreement. It is observed that the ERT started to lose its interest in Turkey's EU accession for the first time during mid-1990s. It was the time when Turkey's efforts to realize necessary economic reforms for membership and the obligations of the Customs Union were found limited, which led to the disappointment of the ERT in Turkey. As a result of Turkey's limited efforts, the FDI inflows to Turkey did not increase as expected. The Commission issued more negative reports on Turkey when compared to the CEECs, and the member states separated Turkey from Eastern enlargement process in the 1997 Luxembourg Council, in which Turkey's candidacy was denied.

The ERT started to be interested in Turkey's EU accession again only when Turkey started to undergo a vigorous reform process after the 2001 economic crisis. When the results of this reform process became visible, the TEBC published a report in 2004, calling for the start of accession negotiations with Turkey in 2005. This was followed by the Commission 2005 Progress Report on Turkey that considered the country as a functioning market economy for the first time, and by the member states, which decided to officially open accession negotiations with Turkey in October 2005 during 20004 Brussels Summit.

The ERT lost its interest in Turkey's EU accession again after it became clear that Turkey did not keep some of its promises, which it gave to the ERT during their meeting in 2004 and when Turkey had problems to realize the policy-recommendations of the ERT. Thus, the TEBC published report in 2006, which underlined that the failures of Turkey in realizing certain reforms as suggested by the ERT prevents the country from being an effective partner of the EU. In the absence of strong ERT support for Turkey's accession, other actors found it easy to promote their own interests. As a result of this situation, the Commission and the member states agreed that Turkey must fulfil the requirements of the Additional Protocol for the negotiation of eight chapters of the accession negotiations. And, some other states blocked certain chapters based on their own interests.

In this way, the findings of this analysis on the history of EU-Turkey relations seem to support the preliminary hypothesis of this thesis to the question how European transnational capital affects EU's enlargement to Turkey are valid. First, although other Neo-Gramscianist studies have already shown the privileged role of the European transnational capital on enlargement politics, the sections 4.A, 4.B and 4.C have reconfirmed it by looking at the links between the ERT, the Commission and the member states. And, sections 4.A and 4.B showed that the ERT was less interested in Turkey's accession to the EU. Then, section 4.C underlined that the reason why the ERT was less interested in Turkey's EU accession with reference to the country's failures to comply with the necessities of Copenhagen economic criteria and the Customs Union Agreement and that the ERT actively supported Turkey's accession only when the country started to make progress in line with the ERT's policy recommendations. In this way, it argued that the reason why Turkey has not been admitted to the EU relates to the apathy of the ERT towards Turkey's EU accession due to country's failures in realizing the necessary economic conditions.

# CHAPTER 5

# CONCLUSION

As stated in the introduction chapter, the major aim of this thesis was to analyze the role of European transnational capital on EU's enlargement to Turkey. In chapter 2, the theories of EU enlargement have been analyzed in detail. Then, in the chapter 3, how Neo-Gramscianism assessed these theories and the problems associated with them in the way they considered the role of transnational capital on EU politics have been discussed. The chapter 3, then presented the theoretical tools provided by Neo-Gramscianism in analyzing the role of transnational capital on EU enlargement politics in general, it looked at how these tools were applied to the case of eastern enlargement. Finally, in chapter 4, the theoretical tools and arguments used by Neo-Gramscianists in explaining the eastern enlargement has been applied to the case of EU's enlargement to Turkey in order to investigate on the role played by European transnational capital on EU's enlargement to Turkey.

What are the major findings of this thesis about European transnational capital's role on EU's enlargement to Turkey? First, as it became clear in the section 4.A, according to the Commission's assessment of applicants' compliance with Copenhagen economic criteria, Turkey was in fact worse than the CEECs. Also, as expected, the FDI inflows to Turkey by the European firms have been much lower when compared to other applicants. They started to increase only after 2004 when Turkey started to undertake necessary economic reforms. The fewer amount of FDI inflows to Turkey by European firms partially supported the ERT's apathy towards Turkey's accession. Moreover, the Commission's assessments of the applicant states' compliance with the Copenhagen economic criteria seem to follow the changes in FDI inflows, except in the case of Slovakia. Since the changes in FDI inflows is itself an indicator of a progress achieved in complying with the Copenhagen criteria, in this section, the link between the Commission's progress reports and the changes in FDI inflows was considered to only partially support the ERT's power in affecting enlargement politics.

Then, in section 4.B, it is found that the ERT was less active in promoting Turkey's EU accession when compared to other applicants. The ERT strongly urged the Commission and the member states to accept the accession of the CEECs through its publications while it did not deal with the accession of Turkey. Also, this chapter showed that the obligations of both the Copenhagen economic criteria and the Customs Union Agreement were designed in line with the ERT's concerns that were published in the ERT's 1991 report. Accordingly, this chapter showed that the ERT had in fact a privileged role in enlargement decisions as it is found that the Commission's and member states' decisions followed the ERT's reports. Yet, the ERT did not talk about Turkey much and if it talked, it talked about it separate from the CEECs in only couple of worlds. Therefore, together with the section 4.A, it showed that the ERT was less interested in Turkey's EU accession when compared to that of the CEECs, which could possibly account for Turkey's exclusion from the EU membership. This chapter also showed that in promoting the eastern enlargement, the ERT frequently tried to present the business benefits of enlargement as ‘the common gains’ for all the parties affected by the enlargement, which can be considered as a ‘hegemonic project’ in which the ‘historical bloc’ gets the consent of other social forces through the use of ‘concepts of control’.

Finally, the section 4.C looked at the history of EU-Turkey relations and the reform process in Turkey. First, it tried to link the ERT’s interests in Turkey’s EU accession during early 1990s to the changes in Turkish economy in 1980s when Turkey started to apply free-market principles instead of import-substitution, which led the member states to sign the Customs Union Agreement with Turkey. Then, it showed that Turkey’s limited efforts to comply with the requirements of the Customs Union Agreement and the Copenhagen economic criteria in the period from 1996 to 2001 led the ERT to be less interested in Turkey’s accession process to the EU, which was followed by the Commission’s Agenda 2000 report in 1997 and Luxembourg and Helsinki decisions that separated Turkey’s membership process from that of the CEECs. It then linked the decision to start accession negotiations with Turkey in 2005 with the TEBC report in 2004, which urged the Commission and the member states to do so, and explained these improvements in EU-Turkey with reference to the vigorous reform process that Turkey went through after 2001 economic crisis in line with the ERT’s policy recommendations. Finally, it tried to explain the problems that Turkey has been facing during the accession negotiations, such as the blocks put on several chapters and Cyprus issue, with reference to Turkey’s failure to realize the policy recommendations of the ERT. In fact, the ERT communicated its disappointment in the 2006 TEBC report, which was followed by the decision of member states to block eight chapters relevant to the extension of the Additional Protocol to the Republic of Cyprus.

In this way, the findings of this thesis supported the preliminary arguments put forward in the introduction chapter. First, the privileged role of the ERT on enlargement politics is reconfirmed with the analysis of the links between the ERT, the Commission and the member states the sections 4.A, 4.B and 4.C. And, the ERT's apathy in Turkey's EU accession was supported with the findings in the sections 4.A and 4.B. Then, it was shown in the section 4.C that the ERT was less interested in Turkey's EU accession due to the country's failures to comply with the necessities of Copenhagen economic criteria and the Customs Union Agreement and that the ERT actively supported Turkey's accession only when the country started to make progress in line with the ERT's policy recommendations. In this way, it is found that one of the reasons why Turkey has not been admitted to the EU is related to the apathy of the ERT towards Turkey's EU accession due to country's failures in realizing the necessary economic conditions.

Then, what are the implications of the findings of this thesis? First of all, this thesis highlighted the problems associated with the theories of enlargement at theoretical and empirical levels. Briefly speaking, it showed that although Liberal Intergovernmentalism partially acknowledges the role of big producer groups, it considered that their role on enlargement politics does not go beyond national level. In this way, it does not see the effects of transnational capital at international level. Moreover, it seems to ignore that weaker social forces do not always have the chance to affect policy-making by assuming that national interests reflect a harmony between the interests of all social classes. On the other hand, the constructivist approaches underline the importance of common European norms, kinship-based values. In this way, they seem to ignore the material interests behind them while the critical approaches seem to be very limited in their analyses of transnational capital on enlargement politics. In this way, the findings of this thesis tried to show that the theoretical tools provided by these theories of EU enlargement are not capable of explaining the role of transnational capital on enlargement politics.

Secondly, considering the problems associated with these theories of enlargement, this thesis applied Neo-Gramscianism to the case of EU's enlargement to Turkey. And, the findings of this thesis seem to strengthen the validity and explaining power of Neo-Gramscianist critical theory in EU enlargement politics. They not only found support for that the ERT had a privileged power in enlargement politics but also that it conducted a hegemonic project for promoting its own interests as the common gains of all social segments by publishing reports and meeting with key policy-makers. It allied with organic intellectuals in imposing its views through its reports. For example, some of the reports of the ERT were prepared by the think tanks like Centre for European Reform, Business Decisions Limited and IBS Consultancy and by intellectuals such as Heather Grabbe, Ünal Zenginobuz, and Çelik Kurtoğlu. Moreover, it shed light onto the link between the ERT and the Commission, which have been a controversial question among the Neo-Gramscianists.

However, this thesis did not look at the way class struggles between transnational forces of capital and labour and national capital and labour. How class struggles between these classes affect Turkey's enlargement process is left for further research.

Moreover, it did not analyze whether the ERT could be considered to have formed an international historical bloc. There were some signs that may imply that the ERT achieved to form a historical bloc. We have seen that it allied with organic intellectuals and tried to promote its own interests as the common interests of all classes. It used FDI flows as a coercive tool and reports as a means to get the consent of other social forces, as a hegemonic class is expected to do. However, the topic of this thesis was only limited to the ERT's effects on enlargement. Therefore, it is necessary to conduct further research to see whether the ERT has achieved to form an international historical bloc.

Third, by analyzing the role of transnational capital on EU's accession to Turkey, the findings of this thesis brought in a new dimension to the reason why Turkey has been excluded from the EU membership. This is a question that has puzzled all the theories of EU enlargement as Turkey's EU accession follows a very different path when compared to other applicants'. This thesis showed the problems related to the arguments of Liberal Intergovernmentalism and the constructivist approaches by showing the theoretical and empirical problems associated with them, and it provided a new argument for Turkey's exclusion from membership by linking it with European transnational capital's apathy that stem from Turkey's failures to comply with the necessities of Copenhagen economic criteria and Customs Union Agreement

Finally, as the findings of this thesis brought in a new dimension for the reasons why Turkey has been excluded from the EU, they also have practical implications. Since these findings showed that European transnational capital enjoys at least a privileged role on enlargement politics by affecting the Commission and the member states, it emerges that Turkey should make more progress in realizing Copenhagen economic criteria and in other policy recommendations put forward by the ERT. Whether Turkey should become an EU member is a normative question and it mainly depends on one's position in the structure of production to support Turkey's EU membership. Yet, if this is the aim, then the policy-makers in Turkey are advised to conduct much closer relationship with the ERT so that the ERT would push the Commission and the member states for Turkey's accession to the EU.

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# APPENDIX:

## TABLE 2 CONCERNING THE COMMISSION REPORTS

**Table 2: The Commission's evaluation of applicants' compliance with the Copenhagen economic criteria**

| Year<br>Country | 1998 | 1999 | 2000 | 2001 |
|---|---|---|---|---|
| Bulgaria | Some progress achieved but not a functioning economy in mid-term and reform process need to be reinvigorated | Some progress achieved but not a functioning economy, and further steps to be taken for membership in mid-term | Some progress achieved but not a functioning economy and further steps to be taken for membership in mid-term | Close to a functioning economy but reforms should be sustained for membership in mid-term |
| Estonia | A functioning economy, but reforms to be expanded for membership in mid-term | A functioning economy, but reforms to be expanded for membership in mid-term | A functioning economy, but reforms to be expanded for membership in near term | A functioning economy, but reforms to be expanded for membership in near term |
| Poland | A functioning economy, but reforms to be expanded for membership in mid-term | A functioning economy, but reforms to be expanded for membership in mid-term | A functioning economy, but reforms to be expanded for membership in near term | A functioning economy, but reforms to be expanded for membership in near term |
| Slovakia | Little progress achieved and decisive commitment to reforms needed for membership in mid-term | Near to a functioning economy, , but reforms to be expanded for membership in mid-term | A functioning economy, but reforms to be expanded for membership in mid-term | A functioning economy, but reforms to be expanded for membership in near term |
| Turkey | Some progress achieved but critical weaknesses remain and strong reforms for membership in mid-term | Some progress achieved but reforms to be sustained and expanded (no time-line for membership is given) | Some progress achieved but reforms to be expanded for membership in mid-term | Little progress achieved due to crises and reforms should aim at achieving membership in mid-term |

**Table 2 Cont'd**:

| Year / Country | 2002 | 2003 | 2004 | 2005 |
|---|---|---|---|---|
| Bulgaria | A functioning economy, membership can be achieved in mid-term but reforms to be sustained and expanded | A functioning economy, membership can be achieved in near term and reforms to be sustained and expanded | A functioning economy is achieved but reform to be sustained and expanded | Treaty of accession is signed and reforms to be sustained |
| Estonia | A functioning economy is achieved with sustained reform process | Treaty of accession is signed and reforms to be sustained | — | — |
| Poland | A functioning economy is achieved with sustained reform process | Treaty of accession is signed and reforms to be sustained | — | — |
| Slovakia | A functioning economy is achieved with sustained reform process | Treaty of accession is signed and reforms to be sustained | — | — |
| Turkey | Some progress is achieved but reforms to be sustained and expanded (no time-line for achieving membership is given) | Some progress is achieved but reforms to be sustained and expanded (no time-line for achieving membership is given) | Considerable progress is achieved but reforms to be sustained and expanded (no time-line for achieving membership is given) | A functioning economy is achieved but reforms to be sustained (no time-line for achieving a functioning of market economy is given) |

Source: The European Commission, Regular Reports from 1998 to 2005 on Bulgaria, Estonia, Poland, Slovakia, and Turkey.