

## **EU and Turkey – it's a two-way process**

- **EU accession talks possibly shorter than expected**
- **EU and Turkey will each benefit from Turkey's integration**

Turkey is presently at the top of the EU agenda, both amongst politicians and the electorate. EU governments are gradually becoming aware of the fact that Turkey has firmly placed itself on a reform path. "We are convinced that EU accession negotiations will provide Turkey with the necessary framework for securing foreign investments, helping promote EU-Turkish integration", said Willi Hemetsberger, Member of the Board of Bank Austria Creditanstalt, on the occasion of an international investors conference hosted by CA IB in Istanbul.

### **Accession talks may be shorter than widely expected**

A number of European governments believe that Turkish EU accession may not come before 2025, if at all. Market consensus sees EU accession of Turkey in 2015. However, Turkey is in an advantageous position, given its much stronger market-oriented economic background than many new EU members. Besides, Turkey and the EU have been in a customs union for several years now. "We see Turkey well placed to conclude accession talks shortly after the end of this decade and to join the EU before 2015", said Willi Hemetsberger. Up to now, the maximum period for accession talks with any candidate country has been almost 5 years, in the case of Romania. The longest period between the start of talks and actual EU accession will have been 7 years, if Bulgaria and Romania join the EU as planned in 2007.

### **A dynamic economy**

Turkey will have one of the fastest growing economies in the region in the coming years. It will also become an increasingly important strategic and economic partner, with its abundant water reserves and its geo-political positioning along the path of future oil and gas pipelines.

The population of Turkey will remain young in comparison to the rest of the EU, with the median age rising to just 33 by 2025 from 25 in 2000 according to UN forecasts, compared to a median age of 48 in Germany for example by 2025.

The employment structure in Turkey compares less than favorably to the EU of today. However, Turkish per capita GDP is higher than levels in Bulgaria and Romania. In addition, over 50% of the population has a per capita GDP of € 4,200 compared to € 5,100 for the whole of Poland for example.

### **Maastricht levels within reach**

The government's restrictive fiscal policy and the central bank's prudent monetary policy will help bring down the debt/GDP level under the Maastricht 60% mark within the next 2-3 years and the inflation rate to levels below 5%. Indeed, if the government keeps to its reform path, the country will stand as an example providing incentives for EU governments to keep to their Maastricht fiscal targets. From a purely economic point of view, the European Union would stand to benefit further from the growth dynamics Turkey has shown. Turkey is already the sixth largest importer of EU goods.

### **The EU can afford it**

According to calculations made by the European Commission and BA-CA's estimates of Turkish GDP, the total net annual cost to the EU of Turkish accession would amount to between 0.07% and 0.21% of EU-25 GDP in the year 2025, similar to levels seen for the 10 new EU member states. This would mean levels of around 19% of the EU budget, assuming it increases at the same rate as EU-25 GDP. Until then, however, changes to EU financing can be expected, especially in the area of agriculture, with the EU seeking to increasingly control expenditures.

"The EU can afford to take on Turkey as a member", Hemetsberger emphasized. The accession to the EU would not be a one-way process benefiting just Turkey. Indeed, the EU will have the luxury to choose from a young and increasingly qualified workforce in Turkey at a time when its own workforce is diminishing drastically in size.

**About Bank Austria Creditanstalt**

Bank Austria Creditanstalt (BA-CA), a member of HVB Group, operates the largest banking network in Central and Eastern Europe, with EUR 36 billion total assets, more than 1,000 offices and 4.7 million customers in CEE. During the past years, BA-CA has received more than 250 awards in recognition of its achievements in Central and Eastern Europe. In 2004, BA-CA was named “Best Bank in Austria and CEE” by Euromoney and “Bank of the Year in Austria and CEE” by The Banker.

**About CA IB in Turkey**

CA IB, the investment banking unit of Bank Austria Creditanstalt, is a leading player in Central and Eastern Europe. It has a well established position on the Turkish equity market, accounting for over 10% of the non-domestic transactions on the Istanbul Stock Exchange. It has played a leading role in larger capital markets transactions of the past years, amongst them the further privatisation of Turkish Airlines (THY), of Petkim and placements of shares in many Turkish companies such as Garanti Bank, TSKB, Isleasing, and Sabanci. CA IB is also one of the leading pioneers in the Turkish equity derivatives market.

**About the Conference**

CA IB held its annual Investors Conference “Meet Eastern Europe in Turkey” for the second time in Istanbul. It is one of the largest annual investor conferences in Turkey. Like last year the response to this event has been tremendous: equity fund managers from all over the world, representing assets amounting to USD 150bn, had accepted CA IB’s invitation. The conference’s purpose is to bring together companies from Central and Eastern Europe (CEE), Turkey and Austria and financial investors, which are investing money into convergence countries’ equity markets.

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