

A light blue world map is centered in the background of the slide.

EU's FTAs and TURKEY

Murat YAPICI
DG for EU Affairs
Ministry of Economy
yapicim@economy.gov.tr

Istanbul, 26 November 2012



OVERVIEW

1. EU's Free Trade Agreements
2. Turkey's Free Trade Agreements
3. Towards New Generation FTAs: Context and Challenges
4. FTAs and TR-EU Customs Union

1-EU'S FREE TRADE AGREEMENTS

Change in EU's FTA Policy

- Doha Round in stalemate
- Global Economic Downturn: trade is part of solution
- US- Korea negotiations → Need for equal market access conditions
- Many countries started negotiating FTAs
- Huge impact: Prospective FTAs to increase GDP by 2%

Result: focused more on bilateral FTAs after 2006.

Note: the EU ignored its Customs Union with Turkey.

EU's FTAs

- Before 2006: *EFTA, Israel, Tunisia, Morocco, Palestine, Jordan, South Africa, Mexico, Egypt, Lebanon, Algeria, Macedonia, Croatia*
 - Economic size, GDP: 3.8 trillion \$
 - Size of Import Market: 1.1 trillion \$

- After 2006: *Albania, Syria, Montenegro, Serbia, Bosnia-Herz., Chile, Mauritius, Korea, Andean, Central America*
 - Economic size, GDP: 2,2 trillion \$
 - Size of Import Market: 850 billion \$

EU's FTA Agenda

Negotiations/attempts to launch negotiations with:

India, Canada, MERCOSUR, Singapore, Malaysia, ASEAN, ACP Countries, GCC, Vietnam, Ukraine, Georgia, Moldova, Libya, Armenia, Japan, U.S.

These countries represent (including U.S.):

an economic size of 32 trillion\$

an import market worth 5.3 trillion \$

EU's FTAs: Coverage

- Before Lisbon: Trade in Goods
- After Lisbon: Global Europe Strategy
 - Comprehensive / New Generation FTAs

- Trade in Goods
- TBT
- SPS
- Trade Policy Measures
- Customs and Trade Facilitation
- RoO
- Dispute Settlement
- Institutional provisions

- Trade in Services
- Investment
- Public Procurement
- IPR
- Competition
- Trade & Sustainable Development
- Economic & Technical Cooperation



2-TURKEY' S FTAs

Why Turkey Negotiates FTAs?

Legal:

Requirements of Customs Union (Articles 16 & 54 of 1/95 ACD)

Trade Policy:

Better market access opportunity

Raw material supply strategy

Providing businesses the same competition conditions with the EU

Complementing Economic-Trade Policy Actions:

Neighbouring Countries Strategy

Africa Strategy

Latin America Strategy

Article 16 of Decision 1/95

- With a view to harmonizing its commercial policy with that of the Community, Turkey shall align itself progressively with the preferential customs regime of the Community within five years as from the date of entry into force of this Decision.
- This alignment will concern both the autonomous regimes and preferential agreements with third countries.
- To this end, Turkey will take the necessary measures and negotiate agreements on mutually advantageous basis with the countries concerned.
- The Association Council shall periodically review the progress made.

Article 54 of Decision 1/95

- In areas of direct relevance to the operations of the Customs Union, and without prejudice to the other obligations deriving from Chapters I to IV Turkish legislation shall be harmonized as far as possible with Community legislation.
- Areas of direct relevance to the operation of the Customs Union shall be commercial policy and **agreements with third countries** comprising a commercial dimension for industrial products, legislation on the abolition of technical barriers to trade in industrial products, competition, industrial and intellectual property law and customs legislation.

Turkey's FTAs in force

	Country / Union	Signature	Entry into force
1	EFTA	10.12.1991	01.04.1992
2	Israel	14.03.1996	01.05.1997
3	Macedonia	07.09.1999	01.09.2000
4	Croatia	13.03.2002	01.07.2003
5	Bosnia and Herzegovina	03.07.2002	01.07.2003
6	Palestine	20.07.2004	01.06.2005
7	Tunisia	25.11.2004	01.07.2005
8	Morocco	07.04.2004	01.01.2006
9	Syria (<i>suspended</i>)	22.12.2004	01.01.2007
10	Egypt	27.12.2005	01.03.2007
11	Albania	22.12.2006	01.05.2008
12	Georgia	21.11.2007	01.11.2008
13	Montenegro	26.11.2008	01.03.2010
14	Serbia	01.06.2009	01.09.2010
15	Chile	14.07.2009	01.03.2011
16	Jordan	01.12.2009	01.03.2011
17	Lebanon	24.11.2010	-
18	Mauritius	09.09.2011	-
19	Rep. of Korea	01.08. 2012	-

Turkey's FTA Agenda

Ongoing

1. Ukraine
2. Colombia
3. Ecuador
4. Malaysia
5. Kosovo
6. Moldova
7. Dem. Rep. of Congo
8. Ghana
9. Kameroon
10. Sychelles
11. Gulf Cooperation Council*
12. Libya
13. MERCOSUR
14. Faroe Islands

Planned

1. Canada
2. Japan
3. India
4. Indonesia
5. Vietnam
6. Other ASEAN countries
7. Peru
8. Central America Community
9. Other African, Carribean and Pacific
10. Algeria
11. Mexico
12. Republic of South Africa

() negotiations suspended.*

Turkey benefits from the FTAs

Turkey's 16 FTAs in force represent:

- 222 million population
- GDP of 2.3 trillion \$
- 674 billion \$ import market

■ Trade volume: increased by 412% with FTA partners, while total foreign trade increased by 357% in 2000-2011.

■ Exports: increased by 508% with FTA partners, while total exports increased by 386% in 2000-2011.

■ Share of EU (2011): 46% in exports, 38% in imports.

■ Share of FTA partners (2011): 10% in exports, 5% in imports.



3-TOWARDS NEW GENERATION FTAs: CONTEXT & CHALLENGES

- Agriculture: sensitive
- Government Procurement: TR is not party to GPA
- Services: Turkey has relatively an open market
- Investments: existing BITs cover only post-establishment
- Turkey is still a developing country

4-FTAs & TR-EU CUSTOMS UNION

TURKEY'S FTAs WITH EU's HIGH-PROFILE FTA PARTNERS OR NEGOTIATING PARTNERS

COUNTRY/ GROUP	TURKEY	EU	SIZE of IMPORT MARKET (billn.\$)
ALGERIA	Turkey could not launch negotiations.	Entry into force: 2005	46
S. AFRICA	Turkey could not launch negotiations.	Entry into force: 2000	100
MEXICO	Turkey could not launch negotiations.	Entry into force: 2000	351
INDIA	Turkey could not launch negotiations.	11 rounds of negotiations held	264
CANADA	Turkey could not launch negotiations.	9 rounds of negotiations held	451
MERCOSUR	Turkey can not hold negotiations effectively.	8 rounds of negotiations held	352
JAPAN	1st JSG meeting: 20-21 November 2012	Negotiations to start in 2012	855
MALAYSIA	8th round: 20-23 November 2012	8 rounds of negotiations held	188
UKRAINE	4th round: 6-7 September 2012	Initialed in July 2012	83
COLOMBIA	6st round: 31 May- 2 June 2012	Signed on 26 June 2012	55
LEBANON	Signed	Entry into force: 2003	17
KOREA	Signed	Entry into force: 2011	524
MAURITIUS	Signed	Entry into force: 2012	5

Problem

- Moving target problem, leading to:
 - Unfair competition conditions in 3rd country markets
 - Unfair competition conditions within the Customs Union due to disadvantaged conditions of access to raw materials
 - Trade deflection
- No say in trade policy formation of the EU:
 - Turkey was not considered in Global European Strategy
 - Reluctance of FTA partners of EU to negotiate with Turkey

GATT Article XXIV

- (...) customs unions, free trade areas and interim agreements leading to formation of a customs union or a free trade area shall be consistent with the provisions of Article XXIV of GATT (**substantially all trade, reasonable length of time, review**)
- A customs union shall be understood to mean the substitution of **a single** customs territory for two or more customs territories ...
- (...), **substantially the same duties** and other regulations of commerce are applied by each of the members of the union to the trade of territories not included in the union;

1/95 Customs Union Decision Article 56/2

- Where there is a problem for Turkey in adopting the corresponding legislation, **the Customs Union Joint Committee** shall make every effort to find a mutually acceptable solution maintaining **the proper functioning of the Customs Union.**

Part of Solution: Sharing the Responsibility

- **Both Parties** are obliged to comply with GATT 1994 Article XXIV

- **The EU must feel shared responsibility** to find a mutually acceptable solution.

Providing better functioning of Customs Union is a common responsibility of the EU and Turkey.

The EU supports Turkey's efforts. However problem is systemic and requires common actions.

Andorra model could be a solution.

The Case of Andorra

■ Joint Declaration concerning the Principality of Andorra

Products originating in the Principality of Andorra falling within Chapters 25 to 97 of the Harmonized System shall be accepted by the Andean Community as originating in the European Community within the meaning of [Part..., Title...] of this Agreement.

Annex [...] shall apply *mutatis mutandis* for the purpose of defining the originating status of the above-mentioned products.

Towards Solution: Action Plan

■ Aim:

- to enable Turkey to take place in EU's decision making process
- to ensure the application of a common commercial policy by both parties to the Customs Union

■ Instruments:

- Enhanced bilateral dialogue
 - Participation in the Trade Policy Committee
 - Consultation with Turkish Experts
- Parallel negotiations with the EU FTA partners
 - Sending invitation letters simultaneously
 - Participation of Turkey in the exploratory talks
 - Reinforced Turkey Clause

A light blue silhouette of a world map is centered in the background of the slide.

THANK YOU

Murat YAPICI
DG for EU Affairs
Ministry of Economy
yapicim@economy.gov.tr

Istanbul, 26 November 2012