



EU-TURKEY JOINT PARLIAMENTARY COMMITTEE

**Draft recommendation
of the EU-Turkey Joint Parliamentary Committee
on Customs Union and Free Trade Agreements**

Draftspersons:

Mr Metin Kazak
Mr Afif Demirkiran

The EU-Turkey Joint Parliamentary Committee,

– having regard to the Agreement of 12 September 1963 establishing an Association between the European Economic Community and Turkey,

– having regard to the Additional Protocol to that Agreement of 23 November 1970,

-having regard to European Parliament's report on trade and economic relations with Turkey of 21 September 2010,

– having regard to the Decision No 1/95 of the EC-Turkey Association Council of 22 December 1995 on implementing the final phase of the Customs Union (96/142/EC),

– having regard to the latest WTO Trade Review on Turkey,

A. whereas the Customs Union (CU) with Turkey remains one of the most advanced and close commercial relationships that the EU has with any non-EU country,

B. whereas Turkey has a dynamic international trade strategy and has already signed 16 Free Trade Agreements (FTAs), 10 of which have been concluded with new EU members following the enlargements of May 2004 and January 2007,

C. whereas Turkey has become the EU's seventh largest trade partner and the EU is Turkey's largest trading partner,

D. whereas Turkey is the seventeenth largest economy in the world, according to World Bank statistics, and the sixth largest economy in Europe, with industrial goods amounting to over 90% of its exports;

E. whereas Turkey ranked as the world's twentieth largest receiver of FDI in 2008 and its FDI inflow amounted to 18 billion US \$, two-thirds of overall FDI coming from the EU,

1. Welcomes the fact that the EU's trade relations with Turkey are at an advanced level; stresses the importance of continuous and constructive dialogue between the EU and Turkey in order to further improve these relations;

2. Calls on the Commission to continue its engagement and dialogue with Turkey on trade, particularly within the Joint Consultative Committee, the EC-Turkey Customs Union Joint Committee and EC-Turkey Customs Cooperation Committee; encourages EU and Turkey to use these platforms more effectively, by rapidly resolving outstanding issues such as road quotas applied to vehicles registered in Turkey;

3. Notes the need for the effective implementation and strengthening of existing provisions on decision making and consultation mechanisms between the two parties in the field of trade policy;

4. Stresses that the CU would greatly benefit from the establishment of a joint decision making and consultation mechanism between the two parties, which would allow for a swift and fair resolution of pending issues;

5. Underlines the importance of encouraging the participation of Turkish experts in EU Committees of technical nature, especially Trade Policy Committee and GSP Committee as Turkey has a functioning Customs Union with the EU unlike other candidate states;
6. Notes Turkey's long-term growth potential and demographic specificities; encourages both the EU and Turkey to pay due attention to their interlinked economies, to maintain open trade and investment regimes and their ability to withstand domestic protectionist pressures in line with their commitments in various international platforms, and to use trade defense instruments in compliance with the WTO;
7. Welcomes the establishment of the Customs Union in 1996 as the last phase of Association before full membership, which has also provided for increased market access and allowed for trade volumes between the EU and Turkey to reach EUR 100 billion per annum at their peak in 2008;
8. Welcomes the extensive alignment of Turkish legislation with the EU acquis in the fields related to the Customs Union, such as trade policy, competition, taxation, customs and IPR.
9. Calls for the removal of all unnecessary technical barriers to trade between the EU and Turkey in compliance with the WTO; also calls on the Commission to share good regulatory practice in this area;
10. Acknowledges the difficulties faced by Turkey in concluding Free Trade Agreements with third countries, which has negative effects on the Turkish economy by enabling unilateral preferential access to the Turkish market for the EU's FTA partners with which Turkey has not yet been able to sign FTAs; calls on the Commission and the Council to ensure that Turkey is included in the impact assessment studies of prospective FTAs between the EU and third countries and to further strengthen the transmission of information on the EU's position and the state of play of the FTA negotiations; encourages the Commission to take account of the Customs Union in the FTAs and to provide further support for Turkey to start and conclude the negotiations with the EU'S FTA partners as soon as possible; stresses that Turkey has serious concerns with regard to trade diversion effects stemming from the establishment of the Customs Union, as well as unfair competition from EU's FTA partners;
11. Notes Turkey's dynamic international trade strategy and its conclusion of 16 FTAs to date; encourages the EU and Turkey to work together to deepen trade relations with Turkey's neighboring markets including Central Asia;
12. Notes the increasingly important role of Turkey within regional platforms such as the Black Sea Economic Cooperation Organisation, the Black Sea Trade and Development Bank and the South East European Cooperation Process;
13. Notes that while the EU remains Turkey's largest trade partner, Russia, China, the United States and Iran were amongst Turkey's main trade partners as of 2009; notes also that Turkey is diversifying its trade partners;
14. Notes that Turkey and the EU face similar challenges in energy supply; underlines the importance of the Nabucco project for the security of energy supply;

15. Stresses the need to define a common external energy strategy and the opening of the energy chapter that would further increase cooperation in the field of energy; and encourages Turkey to invest in the enormous potential of its renewable energy sources;

16. Notes that road quotas applied to vehicles registered in Turkey impedes the development of bilateral trade; and violates Articles 5 of the Customs Union Decision which envisages the elimination of customs tariffs, quantitative restrictions having equivalent effect between the parties for the purpose of free movement of goods ; as well as Article 5 of General Agreement on Trade and Tariffs and Article 41 of Additional Protocol;

17. Notes that the recurrent visa problems under Article 41 (1) of Additional Protocol and Association Council Decision No: 1/95 substantially limit the movement of Turkish businessmen and lorry drivers into the EU; underlines the successive ECJ rulings on this matter and calls on the Commission to ensure that Member States respect these rulings; calls on the Commission and the Council to re-examine visa procedures with a view to eliminating non-tariff barriers to trade;

18. Calls on the EU Council to give a clear mandate to the EU Commission to initiate the process which would gradually lead to a visa-free regime for Turkish citizens;

19. Notes that Turkey experiences market access problems in the EU for its agricultural exports such as exportation of poultry products, increased frequency of controls for certain fruits and vegetables as well as aflatoxin analysis;

20. Notes the lack of efficient utilization of existing consultation mechanisms, the visa problems for Turkish traders entering the EU, as embodied by the Soysal case, the problems experienced during the adoption of free trade agreements of the EU, the application of restrictive quotas for road vehicles registered in Turkey, classification of borates and boric acid as toxic substances and non-tariff barriers for Turkey's agricultural exports constitute the main problems experienced by Turkey in the area of trade;

21. Instructs its President to forward this resolution to the Council, the Commission and the Government of Turkey.