



2016/2031(INI)

10.1.2017

DRAFT REPORT

on ‘Towards a new trade framework between the European Union and Turkey
and the modernisation of the Customs Union’
(2016/2031(INI))

Committee on International Trade

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MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

**on ‘Towards a new trade framework between the European Union and Turkey and the modernisation of the Customs Union’
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The European Parliament,

- having regard to the Agreement establishing an association between the EEC and Turkey, signed in Ankara on 12 September 1963, and the protocols thereto,
- having regard to the Additional Protocol to the Ankara agreement of 23 November 1970,
- having regard to Decision 1/95 of the EC-Turkey Association Council,
- having regard to Decision 1/98 of the EC-Turkey Association Council,
- having regard to the World Bank report of 28 March 2014 on the EU-Turkey customs union,
- having regard to the report of the Senior Officials Working Group on the update of the EU-Turkey customs union of 27 April 2015,
- having regard to the opinion of the European Economic and Social Committee on ‘Enhancement of the EU-Turkey bilateral trade relations and the modernisation of the Customs Union’ of 15 December 2016,
- having regard to the working document ‘Towards a new trade framework between the European Union and Turkey and the modernisation of the Customs Union’ presented in the INTA committee on 18 October 2016,
- having regard to the declarations following the summits of EU heads of state and government with Turkey of 29 November 2015 and 18 March 2016,
- having regard to the European Parliament resolution of 24 November 2016 on EU-Turkey relations (2016/2993(RSP)),
- having regard to the European Parliament resolution of 14 April 2016 on the 2015 report on Turkey (2015/2898(RSP)),
- having regard to the 2016 annual report on Turkey, published by the Commission on 9 November 2016 (SWD(2016)0366),
- having regard to the Council conclusions of 18 July 2016 on Turkey,
- having regard to the Commission communication of 8 December 2016 on the Fourth Report on the Progress made in the implementation of the EU-Turkey Statement (COM(2016)0792),
- having regard to the Commission communication of 14 October 2015 entitled ‘Trade

for All' (COM(2015)0497),

- having regard to Articles 3 and 21 of the Treaty on European Union,
 - having regard to Articles 207 and 218 of the Treaty on the Functioning of the European Union,
 - having regard to Rule 52 of its Rules of Procedure,
 - having regard to the report of the Committee on International Trade (A8-0000/2017),
- A. whereas Turkey is the EU's fifth trading partner and the EU is Turkey's main trading partner; whereas the value of trade has increased fourfold since the entry into force of the Customs Union;
- B. whereas the Customs Union has shown that it clearly fails to meet the requirements of trade relations between the parties;
- C. whereas Turkey has been implementing an ever increasing number of tariff and non-tariff barriers over time;
- D. whereas sectors that are currently excluded from the customs union, such as agriculture, services and public procurement, are important;
- E. having regard to the will of the parties to expand and improve trade relations and the decision to launch negotiations to modernise the Customs Union and extend its scope;
1. Addresses, in connection with the trade negotiations between the EU and Turkey, the following recommendations to the Council and the Commission:
- (a) *regarding the general background and scope:*
- (i) while recognising Turkey's strategic role due to its geographical proximity and to its historical, cultural, political and commercial ties with the EU, the development of a new trade framework has to be an integral, albeit specific, part of the EU's global policy and, in particular, of the principles and objectives of its external action;
 - (ii) the strengthening of trade relations between the EU and Turkey should be set against the background of the common will of the parties to share the set of values and principles laid down in the EU's founding treaties, including the Charter of Fundamental Rights, and to work together to implement them fully and comprehensively;
 - (iii) with a view to the start of the negotiations, the economic, social, political and legal conditions under which they are to take place and which, in any case, will determine the effects of those negotiations on citizens' lives, should be specifically and carefully considered;
 - (iv) the current structure of the Ankara agreement should be considered inadequate in terms of the evolution of the EU's trade policy, in that: (a) it does not consider

specific issues such as sustainable development, protection of social rights and labour, gender equality, protection of food safety and health, SMEs or the protection of foreign investments; (b) it does not take account of the specific role of the European Parliament and of the national parliaments; (c) the provisions concerning the settlement of disputes reflect the political nature of the agreement;

- (v) the agreement on the modernisation of the Customs Union and the strengthening of trade relations between the EU and Turkey will have to be applied fully and equally to all Member States;
- (vi) the entire negotiating process should be based on the principles of transparency and full access to the proceedings;

(b) *regarding the modernisation of the Customs Union:*

- (i) a prerequisite for the modernisation of the Customs Union is that Turkey should refrain from adopting any protectionist or restrictive measures, such as the unilateral imposition of customs duties and non-tariff barriers on goods produced in the EU, including goods released for free circulation, or government policies to reduce imports;
- (ii) the proper functioning of the Customs Union is closely linked to the harmonisation and alignment of Turkish legislation with the *acquis communautaire*, in particular with regard to protection of intellectual property, competition and state aid;
- (iii) the fight against counterfeiting, piracy, the trade in wild animals and food fraud are important aspects of the Customs Union;
- (iv) the harmonisation of customs systems is vital for the development of trade between the EU and Turkey; to that end, the Commission should strengthen customs cooperation and the exchange of information between the Member States and Turkey;
- (v) it is important to introduce a dispute settlement mechanism that is able to operate within a framework of impartiality and legal certainty in keeping with the rules and practice of the WTO;
- (vi) in order to enable Turkey to become more involved in the decision-making process related to the EU's trade policy, and provided there is significant progress in terms of convergence and legislative harmonisation, it would be helpful to allow Turkey access as an observer;
- (vii) in relation to the negotiation of trade agreements between the EU and third countries in which Turkey does not participate, methods of involvement that respect the sovereignty and negotiating independence of the EU need to be considered;

(c) *regarding a new trade framework:*

- (i) when major sectors such as agriculture, services and public procurement are included in the new framework for trade relations between the EU and Turkey, it is important that the new structure is defined on the basis of Articles 207 and 218 TFEU;
 - (ii) the liberalisation of the sectors that are not currently included in the Customs Union should take place in a progressive and binding manner, by measuring its impact on businesses, particularly SMEs, consumers and the environment. To that end, parliamentary institutions, both at EU level and nationally, can play an active role in liaising and holding talks with stakeholders and civil society;
 - (iii) negotiations should focus on the active promotion of decent work for all and the effective fight against national practices which seek to undermine the social and environmental substance of work for the purpose of promoting domestic production and attracting foreign investment;
 - (iv) the liberalisation of agricultural products should be conditional upon reform of Turkish legislation on grants and export subsidies in order to avoid distortionary effects on the CAP system. Special consideration should be given to the impact on small-scale farmers regarding those categories of product that are vulnerable to competition;
 - (v) the lack of harmonisation of plant health rules is a major barrier to trade in agricultural products; removal of that barrier should, however, be contingent upon compliance with the high quality standards applied by the EU, also taking into account the risk of fraud;
 - (vi) owing to its importance and impact, the services sector should be liberalised on the basis of stringent transparency criteria, full reciprocity, non-discrimination and legislative harmonisation, with the exclusion of audiovisual services and services of general economic interest;
 - (vii) in areas such as the digital economy, telecommunications, postal services and financial services, attention should be paid to aspects relating to data protection; in the transport sector, the current quota system should be maintained;
 - (viii) rigorous procedures should be established regarding the entry and residence of professionals;
 - (ix) the new EU-Turkey trade framework should lay down specific provisions for the protection of investments;
 - (x) the inclusion of the energy and commodity sectors represents strategic added value in EU-Turkey trade relations, provided that an open, competitive and non-discriminatory economic environment is established;
2. Instructs its President to forward this resolution to the Council and the Commission and the governments of the Member States.

EXPLANATORY STATEMENT

The European Parliament is required to play a decisive role in the EU's trade policy.

Its duty to express its views on the general framework for trade relations with Turkey and on the need to modernise the Customs Union has become a particularly delicate task, as it has to operate within two constraints: on the one hand, it has to safeguard the specific features of a trade agreement within the EU's global strategy, as interpreted by the founding Treaties, while on the other, it needs to be fully aware of Turkey's current specific political and institutional juncture.

These factors have been fully taken into consideration to safeguard Parliament's ultimate responsibility in terms of decisions relating to EU trade agreements and the subsequent right of Members to be kept constantly and fully informed during all the stages of negotiations, also in view of Parliament's will to consider Turkey's accession process to have been halted and to keep channels for dialogue and cooperation open.

There is also an awareness that decisions taken today will have a long-term effect and should therefore be structured in such a way as to enable adjustments to future situations to be made whilst at the same time building solid ground for cooperation between institutions.

It is therefore imperative that the agreements currently in place are actually implemented and the goal of full legislative harmonisation achieved.

Attention has also been paid to the needs of SMEs, respect for the rights of workers and consumers and sustainable growth. Consideration has been given, in addition, to issues relating to intellectual property rights, which will form a significant part of the future economy.

Lastly, this work has been motivated by and based on the will to move the specific sector in question forward whilst at the same time adding value to the entire EU strategy.

It has thus been decided to add value in institutional and political terms by putting forward specific proposals regarding the trade framework and the modernisation of the Customs Union, while strengthening support for the social and political values typical of the EU by recommending progressive, certain and meaningful negotiating tools and content.