

**REPORT OF THE
SENIOR OFFICIALS WORKING GROUP (SOWG) ON THE UPDATE OF THE
EU-TURKEY CUSTOMS UNION AND TRADE RELATIONS**

27 April 2015

MOTIVATION

EU-Turkey preferential bilateral trade relations are governed by the Association Agreement, and subsequent Decisions taken therein that include the Customs Union Decision (limited to goods only), and trade concessions in the agricultural sector. Furthermore, a Free Trade Agreement covering most coal and steel products has also been signed. The instruments that regulate those trade relations were agreed in 1995-1996-1998, even though some additional limited amendments were made later on.

Since 1999 Turkey is a candidate country; accession negotiations started in 2005.

Since those agreements took effect, important developments have taken place:

- the EU has enlarged three times since, moving from 15 Member States to 28
- the EU has concluded and intends to further conclude deep and comprehensive FTAs with the world major economies, such as South Korea, India, Canada, Japan, ASEAN Countries, USA.
- the world economy has become increasingly globalised and interlinked.

In this respect, a study regarding the “Evaluation of the EU-Turkey Customs Union” was conducted by the World Bank and financed by the European Commission. The study put forward that resolving systemic problems in the framework of the Customs Union and extending the association relations into new areas would increase the benefits of the Customs Union for the Parties.

Indeed, the EU-Turkey Customs Union that was a unique agreement in its ambition and depth has been progressively overtaken by other, much broader trade agreements. Furthermore, the fact that some important EU FTAs partners are reluctant to negotiate an FTA with Turkey is likely to increasingly strain the functioning of the CU. Therefore, a new, more balanced and ambitious trade framework is to be envisaged in line with the association relations between

Turkey and the EU and the accession process. Such an arrangement would no doubt further increase Turkey's integration to the EU in relevant areas.

MANDATE

Against this background, the EU Commissioner for Trade, and the Turkish Minister of Economy, met in Istanbul on 28 February 2014 and decided to set up a Senior Official Working Group (SOWG) to explore the possibilities to resolve current concerns relating to the structure and the functioning of the Customs Union as well as to further deepen and widen bilateral preferential trade relations, and to report back.

MEETINGS OF THE SOWG

The SOWG met on April 29-30, on June 11, on Sept. 10, 2014 and on March 6 and April 27, 2015. It discussed extensively how to improve the functioning of the existing trade instruments, and which areas could be further covered in a new agreement. The discussions took place in an open and positive spirit and allowed to understand better each other's views, interest and concerns. The SOWG considered that the enhancement of the bilateral trade relations should be done as a package, as described in the following section.

JOINT RECOMMENDATIONS FROM THE SOWG

1. Better implementation and/or amendment of the CU - Decision 1/95

Agree on the implementation and amendment, where necessary, of certain provisions in order to improve the functioning of the CU, notably, but not limited to:

- Develop a legally binding provision that should enable Turkey to benefit simultaneously from the FTAs concluded by the EU with third countries
- Improve dispute settlement mechanism under modalities to be defined by both parties
- Improve joint decision making mechanism to bring about the proper functioning of the CU, including consultation mechanisms, in particular in advance on legislation that may impact on the functioning of the Customs Union
- Participation by Turkey to EU committees and specialised agencies relevant to the Customs Union

- Communication by the Commission to Turkey of the new acquis that Turkey has to incorporate in its domestic legislation
- Communication by Turkey of the acquis incorporated in its domestic legislation
- Improve the framework for the implementation of TBTs commitments
- Improve the framework for the implementation of the existing IPR commitments
- Better customs cooperation to improve the free movement of goods
- Review-assess the effective implementation of certain provisions that pointed to a future rendez-vous: see Articles 44 to 47 of the CU

NOTE: The Parties will engage in good faith in improving the functioning of the CU and/or amend the Customs Union Decision where necessary. Furthermore, as indicated in the point 2. below, the Parties will also consider taking additional commitments in other areas than that of the Customs Union. It is therefore expected that during this process the Parties try to find a solution to current trade issues under the CU

2. Areas to be covered in the enhancement bilateral relations

- services, including issues such as mutual recognition of qualifications to achieve the objectives set out in the Association Agreement in this area. Negotiations would go beyond what both sides are negotiating in TiSA. The Commission notes that, for Turkey, road transportation is considered an integral and essential part of the package and that the resolution of road transport quota restrictions faced by Turkey is urgent.
- public procurement
- further bilateral concessions in agricultural products, together with strong SPS provisions and enhanced cooperation on G.I.s.

Other areas may also be addressed with the agreement and mutual interest of both Parties.

STRUCTURE OF THE NEW RELATIONSHIP

- The current general structure set up under the Association Agreement will be kept.
- The Customs Union Decision will be kept and amended as mentioned above.
- The instruments to formalise new areas under point 2 should be concluded either as Association Council Decisions or – if necessary- by way of new Protocols as part and parcel of the Association Agreement.

CONCLUSION

The SOWG recommends that negotiations be launched to achieve the above goals.

This document is without prejudice to either party's future negotiating position and subject to the internal procedures of each party.