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INFORMATION MEMO

The Agreement establishing an Association between Turkey
and the EEC

Signed in Ankara on September 12, 1963

S u m m a r y

I. THE ASSOCIATION AGREEMENT

A. Background and procedure

On July 31, 1959 the Turkish Government addressed to the Commission an application for association with the Community under Article 238 of the Treaty of Rome. This followed a similar application submitted by Greece on June 8, 1959. In December, 1959 exploratory talks were held between the Commission and the Turkish Government, but were broken off on account of internal political difficulties in Turkey. Negotiations were not resumed until April, 1962. Conducted on the Community side by a Commission delegation under instructions from the Council, they led to a draft agreement initialled on June 25, 1963 in Brussels by the two delegations.

The Agreement was signed in Ankara on September 12, 1963 by the members of the Turkish Government on the one hand and the President of the EEC Council of Ministers and the representatives of the six Member States on the other. It will enter into force two months after the necessary constitutional procedure has been completed in the countries of the several Contracting Parties. For the Community, a Council decision concluding the Agreement is to be adopted after the European Parliament has been consulted, and the Member States' Parliaments will then ratify.

B. Structure of the Agreement

The Agreement provides for the progressive introduction of a customs union between Turkey and the Community, with the long-term prospect of the new associate joining as a full member. However, in view of the situation of the Turkish economy and its present problems, it did not seem feasible to follow the example of the Agreement with Greece and institute machinery for progressively establishing a customs union, beginning at once. It was considered necessary to start with a "preparatory" stage during which Turkey

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would strengthen its economic situation with the aid of the Community, without making any specific concession to the Community in return. Community aid during this stage will take the form of financial assistance and commercial preferences for a few of Turkey's most important exports. This preparatory period will be followed by a "transition" stage during which the customs union will be gradually built up; this will lead to the "final" period, which will be a definitive customs union.

The advance from the preparatory period to the transition period will not be automatic. It will be decided by procedure in the Association Council, which will consider the position for the first time after four years. This procedure requires that the Contracting Parties must examine whether, having due regard to Turkey's economic situation, it is possible to make the changeover and establish ways and means of gradually bringing the customs union into being. If by this procedure the desired result is not attained by the end of the ninth year, the Association Council will decide on subsequent arrangements for the preparatory stage, still within the framework of the Association, although the Council will not be obliged to extend the arrangement previously applied.

It should therefore be stressed that the preparatory stage is an integral part of the association arrangement, and that the general clauses, notably those concerning the entry into operation of common institutions, will be applicable as soon as the Agreement comes into force. But the provisions concerning the opening of the transition stage, and particularly those concerning the customs union, which are already part of the Agreement and which are set out under Title II, will be brought into force only from the changeover to the transition stage onwards.

C. The legal instruments

The various texts concerning the association of Turkey with the Community drawn up with the Turkish Delegation are as follows:

- (i) The Agreement itself, setting out the objectives, the general framework, the principles which are to guide the future action of the associates, and clauses concerning institutions.

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Two Protocols - which are an integral part of the Agreement - contain economic and financial provisions valid for the preparatory period and specify the conditions which must be fulfilled before the Association can move on to the transition stage;

- (ii) The Final Act, to which are appended a number of declarations accepted by both Parties;
- (iii) An exchange of letters (on manpower problems in Turkey), which took place at Ankara at the time of the signing of the Agreement.

D. The content

1. The preparatory stage

During this stage, which is to last five years with possible extension to nine years, the Community will grant Turkey preferential tariff quotas for four items (representing roughly 40% of Turkish exports to the Community) and over the first five years will provide through the European Investment Bank financial aid worth the equivalent of \$175 million.

Implementing procedure for this stage is established in a Provisional Protocol and a Financial Protocol which cover the following points:

a) Tariff quotas

As soon as the Agreement enters into force the Member States will open the following annual tariff quotas for imports from Turkey:

	<u>B.L.E.J.</u>	<u>FRG</u>	<u>France</u>	<u>Italy</u>	<u>Nether-</u> <u>lands</u>	<u>Total</u>
	(in metric tons)					
i) Unmanufactured tobacco; tobacco refuse (24.01)	1,250	6,600	2,550	1,500	600	12,500
ii) Dried grapes (put up in packages containing not more than 15 kg) (ex 06.04)	3,250	9,750	2,800	7,700	6,500	30,000
iii) Dried figs (ex 08.03)	840	5,000	7,000	0	160	13,000
iv) Fresh or dried nuts, shelled or not: hazelnuts (ex 08.05)	540	14,500	1,250		710	17,000

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For (i) and (ii) each Member State will impose within the limits of these quotas the same customs duty as on imports of the same products covered by the Association Agreement with Greece.

For (iii) the Member States will impose within the quota limits their basic duties less half the reductions they have agreed on for trade among themselves. This will apply until the final alignment of national duties on the common external tariff. If the Provisional Protocol is still in force when the CET is fully applied, the Community will take steps to maintain trading advantages for Turkey equivalent to those mentioned above. For (iv) each Member State will apply an ad valorem duty of 2.5% on imports under quota. As soon as the Agreement enters into force, intra-Community customs duties on the products in question will be abolished and the common external tariff will be applied in full.

When national duties are finally aligned on the CET for all the products in question, the Community will open tariff quotas every year for a quantity of imports corresponding to the sum of the national quotas. From the second year following the entry into force of the Agreement onwards, the Association Council will be at liberty to increase the volume of tariff quotas. Further, at the end of the third year from the entry into force of the Agreement, the Association Council may take steps to encourage sales on the Community market of products other than those mentioned above. Lastly, as soon as the common agricultural policy applies to tobacco, hazel-nuts or dried figs, the Community will adopt, with due regard to its common policy arrangements, any measures necessary to preserve outlets for Turkish exports equivalent to those secured under the Protocol.

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b) Financial aid

In the five years following the entry into force of the Agreement the Community will place 175 million units of account of financial aid at the disposal of Turkey. This will take the form of loans granted by the European Investment Bank to finance investment schemes submitted to the Bank by Turkish enterprises (with the assent of the Government) or by the Turkish Government itself. These must be schemes serving to improve the productivity of the Turkish economy, contributing to the attainment of the Agreement's objectives, and fitting into the framework of the Turkish development plan (Article 1 of the Financial Protocol). The loans will be granted on consideration of the economic nature of the schemes, and special terms may be allowed (such as low interest rates, longer redemption dates, periods of grace, etc.) in cases of investments yielding only indirect or delayed benefits. Any loan to an enterprise or to an association or authority other than the Turkish State will be made only subject to Government guarantee.

The Bank can stipulate that schemes must be open to tender by any firm in the Community or Turkey. Loans may be used if necessary to cover the cost of importing material or equipment needed for the schemes.

The Bank will be at liberty to participate in the financing of schemes also financed by non-member countries or by international financial institutions.

2. The transition stage

This stage may not exceed twelve years. Provided, however, they do not protract unduly the completion of the customs union, certain exceptions may be allowed by common consent. During the transition stage, the Contracting Parties will:

- i) Gradually institute a customs union between Turkey and the Community;
- ii) Bring into alignment the economic policies of Turkey and of the Community.

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For the changeover from the preparatory stage to the transition stage, a special procedure has been provided for in Article 1 of the Provisional Protocol. It states that four years after the entry into force of the Agreement, the Association Council shall consider whether, having due regard to Turkey's economic situation, it is in a position to establish - in the form of an additional protocol - terms, conditions, and timing for the transition stage. This protocol must then be signed by the Contracting Parties and ratified by the respective Parliaments. If the Association Council decides against the changeover, the preparatory stage will be automatically extended for a period, not exceeding three years, to be fixed by the Association Council. The same procedure would then be opened once more. If the Additional Protocol is not adopted by the end of the ninth year, the Council of Association will decide on subsequent arrangements for the preparatory stage.

The object of the Additional Protocol will therefore be to bring into force the implementing rules of the transition stage by reference to the Treaty of Rome and particularly in the fields covered in Articles 10 to 21 of the Agreement, including any safeguard clauses which may be found useful.

These Articles cover the following fields:

a) Customs union

The union will cover all commodity trade (except the items controlled by the European Coal and Steel Community (Article 26)) and will involve a ban on all customs duties or equivalent charges, quantitative restrictions and any other measure of equivalent effect between the Member States of the Community and Turkey; Turkey will adopt the Community's common external tariff (Article 10).

b) Agriculture

It has been provided that the association arrangement will extend to agriculture and to trade in agricultural products "on special terms and conditions duly related to the Community's common agricultural policy" (Article 11).

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c) Other economic provisions

On the basis of the relevant Articles of the Rome Treaty, the Contracting Parties have agreed to introduce gradually the right for workers to move about freely between their territories (Article 12), and to eliminate restrictions on freedom of establishment (Article 13) and on freedom to supply services (Article 14).

As regards transport (Article 15) ways and means of extending Community measures to cover Turkey will be worked out with due regard to the geographical situation of the latter. The Agreement provides that the Treaty provisions on competition, taxation and the approximation of legislation will apply to the association arrangements between Turkey and the Community (Article 16). Article 17 extends to Turkey the obligation already accepted by the Member States to pursue an economic policy which will ensure the equilibrium of their overall balance of payments and maintain confidence in their currency, whilst ensuring at the same time a balanced and steady expansion of the economy against a background of stable prices and to pursue appropriate cyclical, and particularly financial and monetary, policies to attain these objectives. The parties to the Agreement pledge themselves to pursue a policy on rates of exchange enabling the objectives of the association to be achieved (Article 18). In addition, they will authorize payments or transfers - in the currency of the country in which the creditor or beneficiary resides - in connection with deliveries of goods, services and capital, and any transfers of capital and employees' remuneration, to the extent that the movement of goods, services, capital and persons has been liberalized as between them pursuant to the Agreement. The Contracting Parties are to consult with each other on ways and means of facilitating capital movements (Article 20). They will seek ways of attracting capital from EEC

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member countries for investment in projects which are likely to assist the development of the Turkish economy. Capital from member countries will enjoy all tax and exchange privileges granted by Turkey to any other Member State or to any non-member country. The Contracting Parties have agreed to institute procedure for consultation whereby they may co-ordinate their commercial policies vis-à-vis non-member countries (Article 21). This provision will also be applicable should other countries join or become associated with the EEC.

3. The final situation

This will be based on the customs union introduced during the preceding stage in pursuance of the Additional Protocol and it will also involve a ~~growing~~ co-ordination of the economies of the Contracting Parties.

4. Institutions

The Association Council (Article 6), which will be set up as soon as the Agreement enters into force, will comprise members of the six Governments, of the Council of Ministers and of the EEC Commission on the one hand, and members of the Turkish Government on the other. The Association Council will act by unanimous vote, each party having equal voting rights. The chairmanship will alternate every six months between the Community and Turkey. The Association Council is empowered to set up committees and decide their terms of reference.

The Association Council will from time to time examine the results achieved through the association arrangement, and will take decisions regarding any concerted action not provided for in the Agreement which may appear necessary for the attainment of the association's objectives. Both parties are required to take appropriate measures to implement the decisions adopted.

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During the preparatory stage, the powers of the Association Council are, however, limited: its periodical examination of results achieved will be confined to an exchange of views, except in cases of difficulties concerning the right of establishment, freedom to supply services, transport and competition, on which it may make recommendations.

The Association Council will later take steps to facilitate the necessary co-operation and contacts between the various Community Committees and institutions on the one hand and their counterparts in Turkey. However, only relations between the European Parliament and the Turkish Parliament will be established during the preparatory stage (Article 27).

Disputes

Any State party to the Agreement may refer to the Association Council any dispute relating to its application or interpretation. The Council may either settle the dispute by a decision or refer it to the Court of Justice of the European Communities or any other existing tribunal. The Association Council will, in accordance with Article 8, establish a procedure of arbitration or other judicial process, to which the Contracting Parties may resort during the transition stage of the Agreement and thereafter, if reference to the Court of Justice or other existing tribunal has failed to settle the dispute (Article 25).

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