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Industry groups call for action to upgrade the EU-Turkey Customs Union

The European Commission presented its proposal to modernise the EU's Customs Union with Turkey in December 2016.¹ This proposed upgrade of the EU-Turkey trade relationship forms a key pillar of efforts made by the EU and Turkey to deepen relations in key areas of joint interest, as identified at the EU-Turkey Summit of 29 November 2015 and in the EU-Turkey statement of 18 March 2016. It is the broad view of the business community that modernising the Customs Union to reflect the current state of trade relations would bring substantial economic benefits to both parties.

We, the undersigned associations, urge the EU and Turkey to do their utmost to advance discussions to improve their economic relationship and prioritise the removal of tariff and non-tariff barriers that presently hinder further economic growth. This will benefit workers and consumers on both sides.

We urge the European Council and the European Parliament to take action to support the Commission's request – currently on hold – for a negotiating mandate at the earliest possible opportunity, preserving conditionality in line with the EU's broader trade policy objectives

The EU-Turkey Customs Union agreement is widely accepted to be outdated and in need of modernisation. When the agreement entered into force in 1995, the trading environment was very different. Bilateral trade between the EU and Turkey in that year stood at approximately EUR 23 billion.² Meanwhile, the EU enlarged from 12 to 15 Member States in 1995, and further enlargement – which has since seen the EU almost double in size – was in progress.

Over 20 years after the agreement's entry into force, the enhanced EU-Turkey trading framework has significantly improved economic ties. Supply chains are vastly more integrated, while entire industry sectors are substantially dependent on the free flow of goods and services within the Customs Union. E-commerce is also transforming the way that goods are traded across borders. Trade between Turkey and the EU reached approximately EUR 145 billion by 2016, a six-fold increase, making Turkey the EU's

¹ http://europa.eu/rapid/press-release_IP-16-4468_en.htm

² http://europa.eu/rapid/press-release_MEMO-96-52_en.htm?locale=EN; <http://www.gmfus.org/publications/why-eu-turkey-customs-union-upgrade-good-turkey>

sixth-largest trading partner, and the EU now Turkey's largest.³ Remaining barriers seriously deprive both economies from the potential growth that a modernised agreement could bring.

It is natural that the framework for EU-Turkey trading relations is modernised to reflect today's more robust commercial environment. To that end, an upgraded agreement should include modern components such as a strong, effective dispute settlement mechanism, improved customs cooperation and market access for goods, services and public procurement, a progressive sustainable development chapter, provisions for small- and medium-sized enterprises (SMEs) and state-owned enterprises and an innovative structure for the process and implementation of FTAs by both sides. It should also include elements that reflect the increasing digitisation of commerce across borders and the need for regulatory cooperation mechanisms. From a broader policy perspective, the update should address the emerging trends in the strategic fields of digital economy, security and energy.

We recognise the current challenging environment for EU-Turkey relations. However, we emphasise that the economic imperatives of an upgrade should be seen as a vehicle to improving bilateral relations. There remains an immediate need to resolve a number of key trade and investment issues between Europe and Turkey, including the trading relationship with third countries. Failure to move forward with this process would represent a missed opportunity to modernise an agreement that is to some extent no longer fit for purpose, preventing both the EU and Turkey from achieving enhanced trade and economic integration and reaping the accompanying benefits.

The European business community stands ready and willing to assist in this exercise, including by providing constructive business input to both parties. We look forward to engaging with all stakeholders in support of this process.

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– European Branded Clothing Alliance (EBCA) – European Services Forum (ESF) – Federation of the
European Sporting Goods Industry (FESI)***

³ http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113456.pdf