



REPUBLIC OF TURKEY
MINISTRY OF TRADE

UPDATE OF THE CUSTOMS UNION

22 November 2021



Four Main Pillars of Turkey-EU Association Relations

- Ankara Agreement (1963)
- Additional Protocol (1970)
- Customs Union (1995)
- Accession Negotiations (2005)





CUSTOMS UNION DECISION (NO.1/95)

FREE MOVEMENT OF GOODS (TR&EU)

- ABOLITION OF CUSTOMS & OTHER DUTIES
- ELIMINATION OF QUANTITATIVE RESTRICTIONS

COMMON COMMERCIAL POLICY

- COMMON CUSTOMS TARIFF
- COMMON RULES FOR IMPORTS
- COMMON RULES FOR EXPORTS
- EU'S PREFERENTIAL REGIMES
- RULES OF ORIGIN

APPROXIMATION OF LEGISLATION

- COMPETITION RULES (Competition, State Monopolies)
- INDUSTRIAL & INTELLECTUAL PROPERTY RIGHTS
- TAXATION

TECHNICAL REGULATIONS

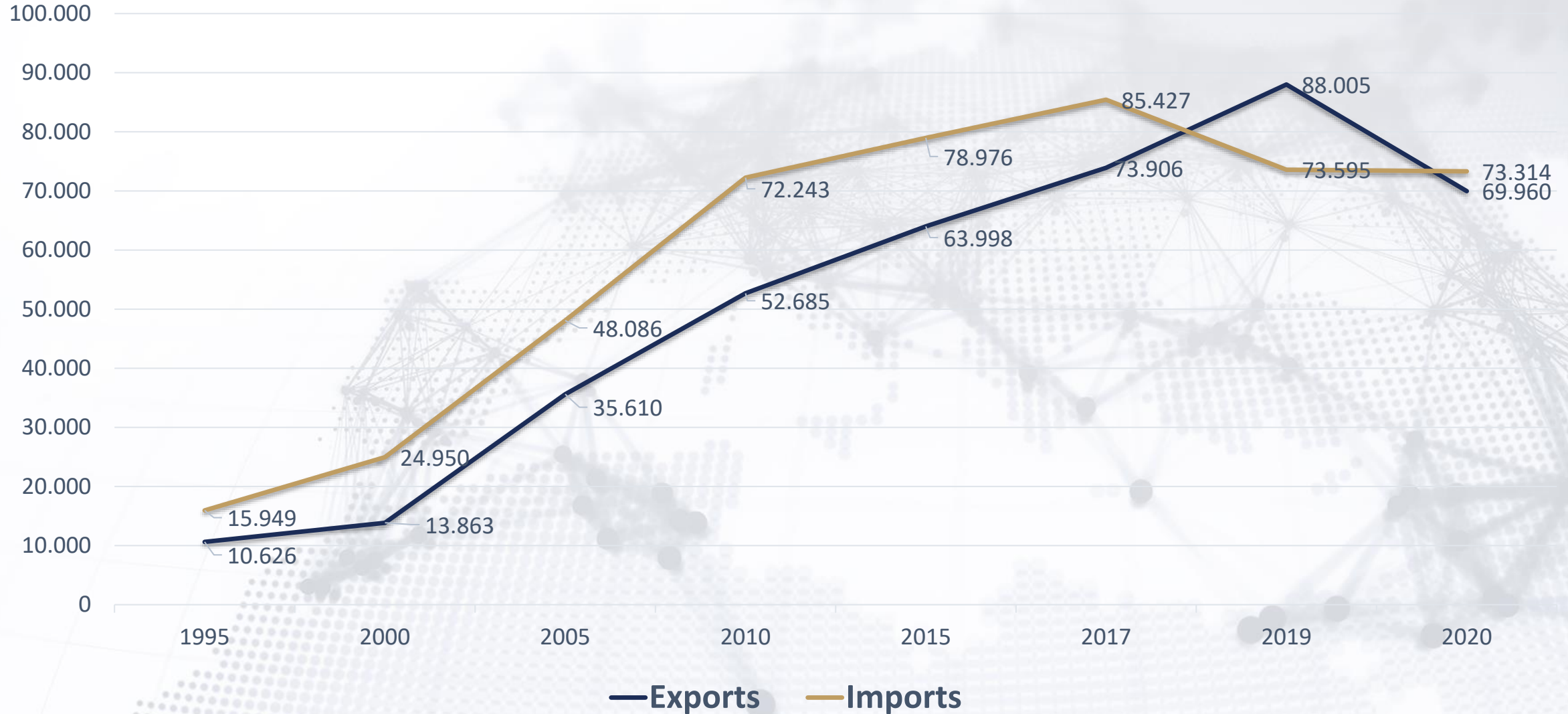
- HARMONISATION OF STANDARDS AND TECHNICAL LEGISLATION
(Standardization, metrology and calibration, quality, accreditation, testing and certification)

OTHER PROVISIONS: Institutional Provisions, Consultation and Decision Mechanisms, Settlement of Disputes



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Turkey's Trade with the EU-27 (Million \$)





Turkey's Trade with the EU-27 (Million \$)

YEAR	EXPORT	IMPORT	VOLUME
2019	88.005	73.595	161.600
2020	69.960	73.314	143.274
2020/9	48.935	50.061	98.995
2021/9	67.157	63.284	130.441



Turkey-EU Customs Union

Turkey's
41,3% of Exports and
33,4 % of Imports
is with the EU (in 2020)

Increasing share of sectors
having middle/high technology
in exports to the EU (1995-2020)
(Automotive: %2,5 -> %20,8
Machinery: %2,7 -> %10,9)

CUSTOMS UNION

Increasing Foreign Direct
Investments from the EU
(Almost 72% of FDI inflow to Turkey
came from the EU between 2002-
2020)

Improvement in
Competitiveness,
Productivity,
Quality Infrastructure,
Integration with the EU Value
Chains



Strenghts

CU Decision

**integration
with EU value
chains**

**Dynamic, flexible
and innovative
manufacturing
capacity**

**geographical
proximity (near
shoring)**

**Production in line with
EU legislation and
standards**



Modernisation of the Customs Union – WHY?

An enhanced institutional structure in line with the dynamic character of the Customs Union

To address difficulties of both Parties in a spirit of mutual interest

Transformation of international trade and economy

Deepening of EU's Single Market



Consultation and Decision-Making

- Relevant Provisions of Decision 1/95 of the EC-Turkey Association Council of 1995;

Article 55 (1): *Wherever new legislation is drawn up by the Commission in an area of direct relevance to the operation of the CU, the Commission **informally consults Turkish experts.***

(3): *During the phase preceding the decision of the Council of the EU, the Parties shall consult each other again within the CU Union Joint Committee.*

(4): *The Parties **shall cooperate for the proper functioning of the CU.***

Article 56 (2): *Where there is a problem for Turkey the CU Joint Committee shall **make every effort proper functioning of the CU.***

According to Article 59, *in areas of direct relevance to the proper functioning of the CU, the Commission of the EC shall ensure Turkish experts are involved.*



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Turkey and EU FTAs



EU: 38 FTAs, 68 countries

Turkey: 22 FTAs, 25 countries

Diverging FTAs:

2,4 trillion € of import market

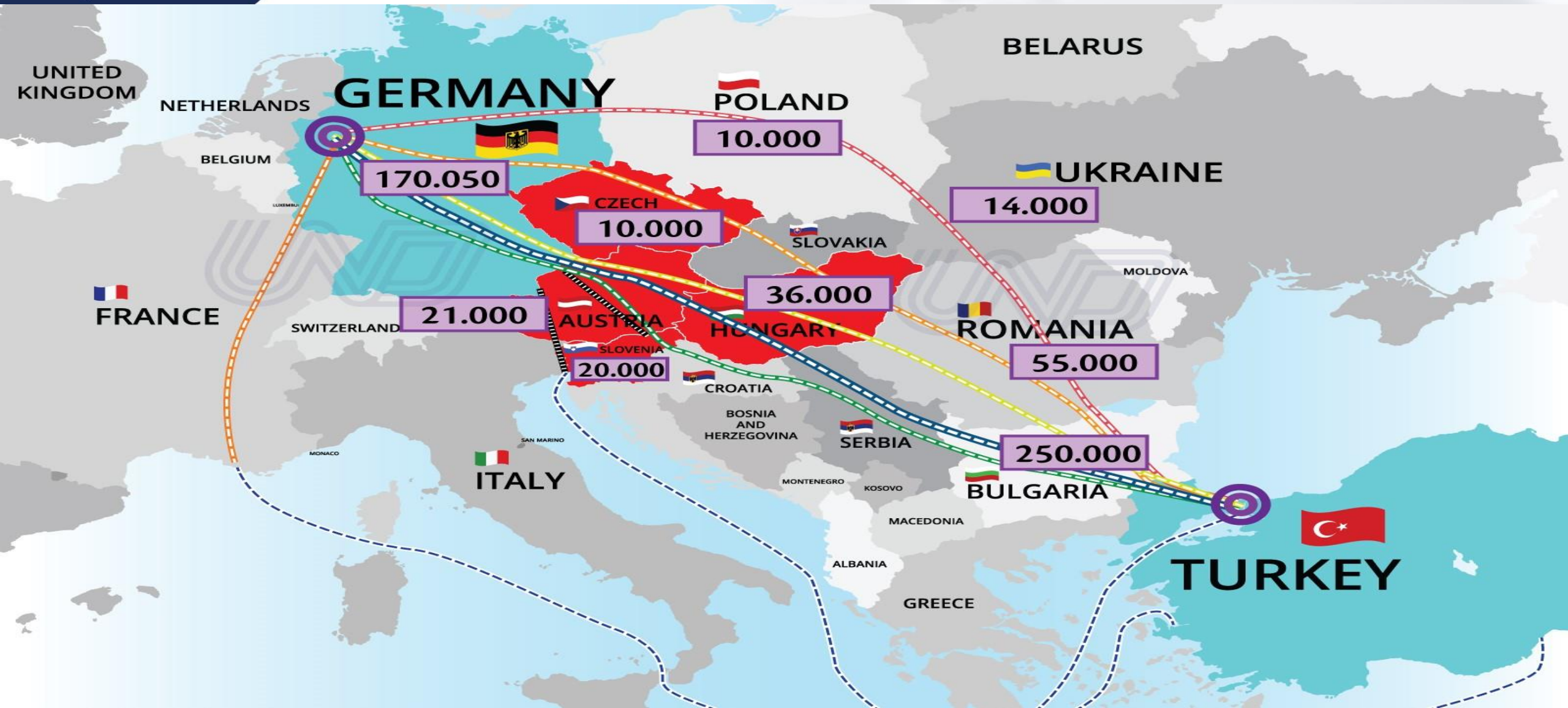
EU imports from these FTA partners, which create a risk of trade diversion:

240 billion €



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Road Quotas





Internal Reasons

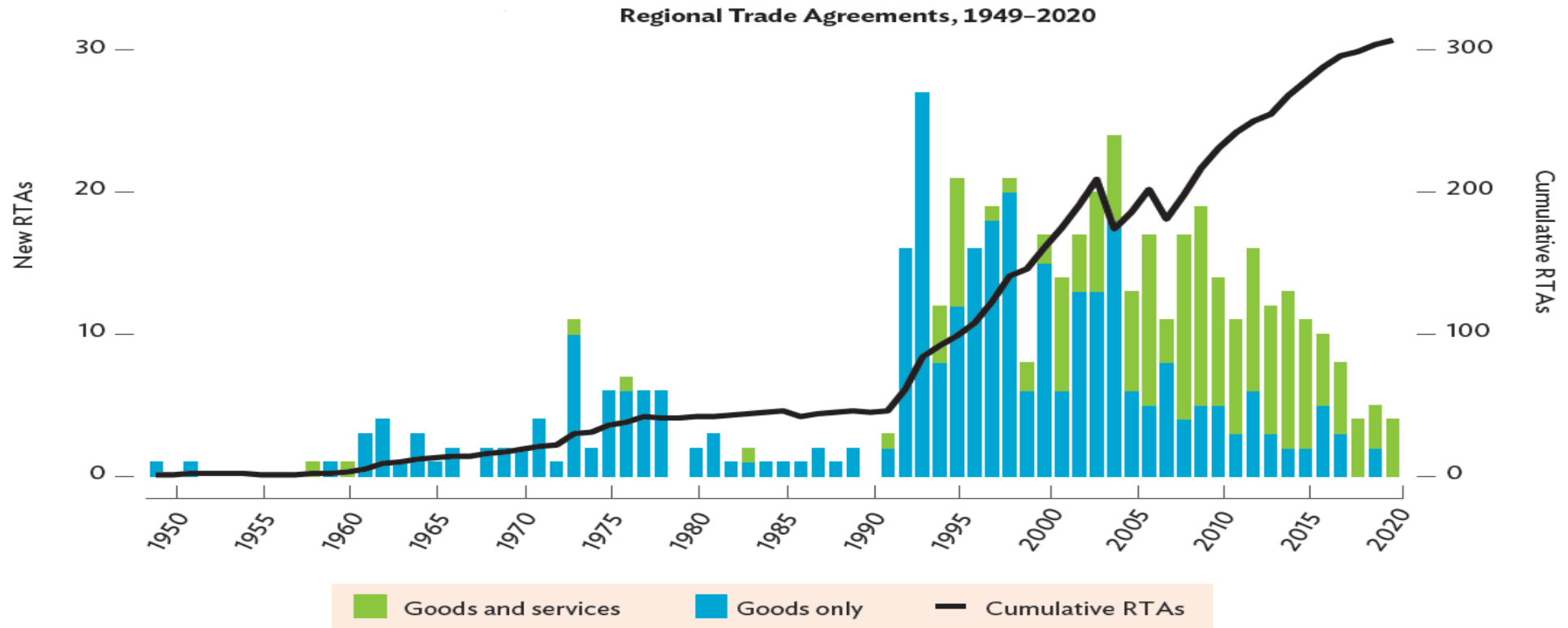
Challenges faced by Turkish business people and truck drivers in obtaining visas



- problems to obtain or renew visas
- excessive document requirements
- high visa and intermediary institution fees
- late appointments for applicants



Changing Trends in International Trade



RTA = regional trade agreement.

Notes: An RTA includes at least two economies. Cumulative RTAs are net of retired RTAs, but new RTAs are not. Accessions—economies joining existing RTAs—are excluded.

Source: World Trade Organization. Regional Trade Agreements Database. <https://rtais.wto.org/UI/PublicMaintainRTAHome.aspx> (accessed 31 July 2021).



Regional Trade Agreements

Inter- and Intra-Regional Trade Agreements, 2020								
Regions	Asia and the Pacific	South Asia	Central Asia	Middle East and North Africa	Sub-Saharan Africa	Europe	North America	South America
Asia and the Pacific	42							
South Asia	12	7						
Central Asia	7	2	15					
Middle East and North Africa	3	3	9	2				
Sub-Saharan Africa	1	1	2	42	6			
Europe	13	1	20	19	7	38		
North America	8	2	1	10	1	6	1	
South America	26	4	2	4	2	9	28	26

Notes:

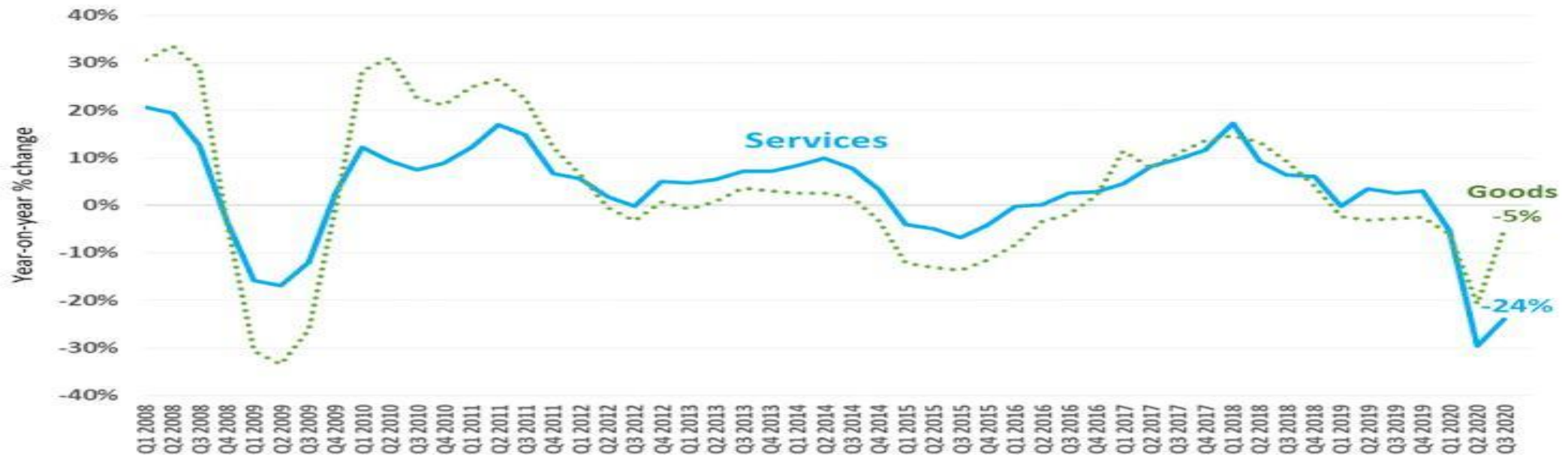
1. Data as of 31 December 2020.
2. Regional trade agreements involving more than two regions are counted for each region pair. Because of this, the figures do not sum to total agreements.

Source: World Trade Organization. Regional Trade Agreements Database. <https://rtais.wto.org/UI/PublicMaintainRTAHome.aspx> (accessed 31 July 2021).



Trade in Services

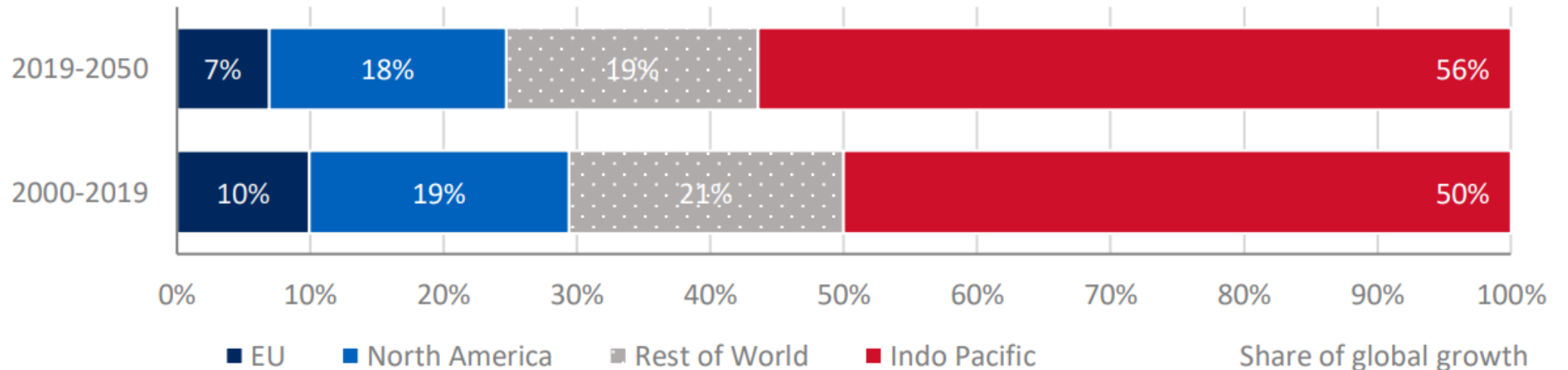
- The share of trade in services within global trade is %30. In value-added terms the share of services within world trade is %50.
- In 2019 the world trade in services amounted to almost 5 trillion dollars. Together with Mode 3 (investment) trade in services totalled to 14 trillion dollars





Global Developments

Regional drivers of global economic growth in real terms



Sources: IMF World Economic Outlook April 2021 and DIT calculations

Notes: Figures show the contribution of different regions to global GDP growth in real terms (expressed in constant 2019 prices and exchange rates). The Indo Pacific region is defined as three DIT HM Trade Commissioner regions: South Asia, Asia Pacific and China & Hong Kong. 'Rest of world' includes the UK, non-EU Europe, Eastern Europe & Central Asia, Latin America, Middle East and Africa.



Digital and Green Transition

**First Carbon
Neutral
Continent
2050**

**2030 Emission
Reduction
Target
(%55)**

**Digital Single
Market**

**Digital and
Green Twin
Transition**



Negotiation Framework

Systemic Problems

- Conclusion of parallel FTAs
- Effective consultation and decision making mechanism
- Road Quotas

Enhancing the functioning of the CU

- Dispute Settlement Mechanism
- Enforcement of IPRs
- Customs cooperation
- Technical barriers to Trade

Deepening Trade Relations

- Further agricultural trade concessions
- Services and e-commerce
- Public Procurement



Modernisation of Turkey-EU Customs Union - BENEFITS

Mutual solution of problems deriving from the current structure of the CU:

- enhanced institutional structure
- elimination of trade asymmetric implementation problems

Deepening of trade relations more compatible with recent changes in the EU Single Market & international trade arena

Increased competitiveness and enhanced functioning of value chains



The Way Forward

- ❖ The modernisation of the CU will provide a win-win situation and will equip the CU with the necessary tools to address the challenges of the 21st century.
- ❖ Strong interest for a modernised CU from Turkish and EU businesses.
- ❖ There is a window of opportunity to launch modernisation talks.
- ❖ A modernised Customs Union will also be compatible with the vision put forth by our Association Agreement.
- ❖ Technical work should be started without delay between the EU and Turkey.



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THANK YOU