



## FIVE DECADES PLEDGE FOR TURKEY: ANKARA AGREEMENT AND BEYOND

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**Abstract:** *The Association Agreement between Turkey and the European Community set the goal of establishing a Customs Union between the Parties in a 3-stages process, with the hope of Turkey's eventual membership to the European Economic Community. Despite Customs Union envisages elimination of all barriers to free movement goods between the Parties and adoption of the common customs regime by Turkey, it requires further alignment with other freedoms such as free movement of services, capital, people and adoption of competition policy, for proper running of the Agreement. Decision No 1/95 of the Association Council that took effect by January 1, 1996 and resulted in a complete Customs Union in industrial goods, excluding agriculture, services and public procurement. The next step is integrating Turkey with the internal market of the European Union which entails free movement of not only the goods but also the services, people and capital as well. This paper aims at discussing the pros and cons of the Customs Union with the European Union in view of Turkey, with reference to past and prospective welfare results of the Agreement. In order to achieve this end, a qualitative research is carried out analysing relevant literature and statistics on the issue, and policy recommendations for both Parties are provided.*

**Keywords:** Customs Union, Accession, Turkey, the EU

### Introduction

The EU – Turkey relations date back to late 1950s when Turkey applied to the newly established European Economic Community (EEC) as an associate member with reference to Article 238 of the EEC Treaty envisaging that “*The Community may conclude with a third State ..... agreements establishing an association involving reciprocal rights and obligations, common action and special procedures*”. Following a 4-years negotiation at three intervals, the EU-6 and Turkey came up with signing of *the Agreement Establishing an Association between European Economic Community and Turkey* (Ankara Agreement in short). Ankara Agreement of 12 September 1963 set the goal of establishing a Customs Union between the Parties in a 3-stages process, with the intention of Turkey's eventual membership to the European Economic Community. Following the preparatory and transitional stages, the Association Council Decision No 1/95 took effect by January 1, 1996 resulting in a Customs Union in industrial goods, yet excluding agricultural goods and services, heralding the final stage as precluded in the Agreement.

A second application made in 1987 with reference to Article 237 of the EEC Treaty that defined the conditions for a full membership to the Community, unfortunately resulted in an avis by the Commission (Commission of the European Communities, 1989) preaching consolidation of the Customs Union between the Parties and postponing accession of Turkey



until an internal market is established within the EU-12. Remitting the course actually to the Copenhagen process, nevertheless, the European Summit of 10-11 December 1999 granted Turkey with the status of a candidate state “*destined to join the Union on the basis of the same criteria as applied to the other candidate states*” (European Council Presidency Conclusions, 10-11 December 1999) and paved the way for further integration with the European Union (EU). Tugged by two consecutive accession partnership documents presented by the EU and two national programmes for the adoption of the Acquis submitted by Turkey respectively, the European Summit of 16-17 December 2004 harbingered opening negotiations by 3 October 2005 under the framework of 35 chapters with the “*shared objective of accession*” (Council of the European Union Presidency Conclusions, 16-17 December 2004). Nevertheless, accession talks have been suspended with the attempts of a number of Member States seeking national interests.

As foreseen in the Presidency Conclusions and in the Negotiating Framework Document of 2005, negotiations with Turkey is actually justified to be “*an open-ended process, the outcome of which cannot be guaranteed*” even now and then, actually “*depending on the Union's capacity to absorb Turkey.*” In fact, the accession process is driven by two factors: primarily technical issues regarding harmonization with the Acquis, secondarily political issues regarding the will to “*unite in diversity*”. Once the political considerations supersede the technical matters, it may end up with welfare losses on both Parties. In this context, the aim of this paper is to discuss the pros and cons of the Customs Union with the EU in view of Turkey, with reference to past and prospective welfare results of Ankara Agreement and beyond. To this effect, first of all the conceptual background is provided and a set of selected provisions of Ankara Agreement constitutive of the past and future relations of Turkey with the EU is foregrounded. Then, the economic integration level is analyzed with reference to pre and post Customs Union era, and finally policy recommendations are developed in the light of possible scenarios.

### Conceptual Background

Economic integration is a “*process in which two or more states in a broadly defined geographic area reduce a range of trade barriers to advance or protect a set of economic goals*” (Encyclopaedia Britannica, no date). Seeking for national interests in a globalized environ, the involved states choose among a set of options ranging from a loose association to a much more sophisticated, deeply integrated and transnational model. It is common to classify integration of states in five additive levels, each founded on the substantive features of former models as given below (Ertürk, 1998: 9-13):

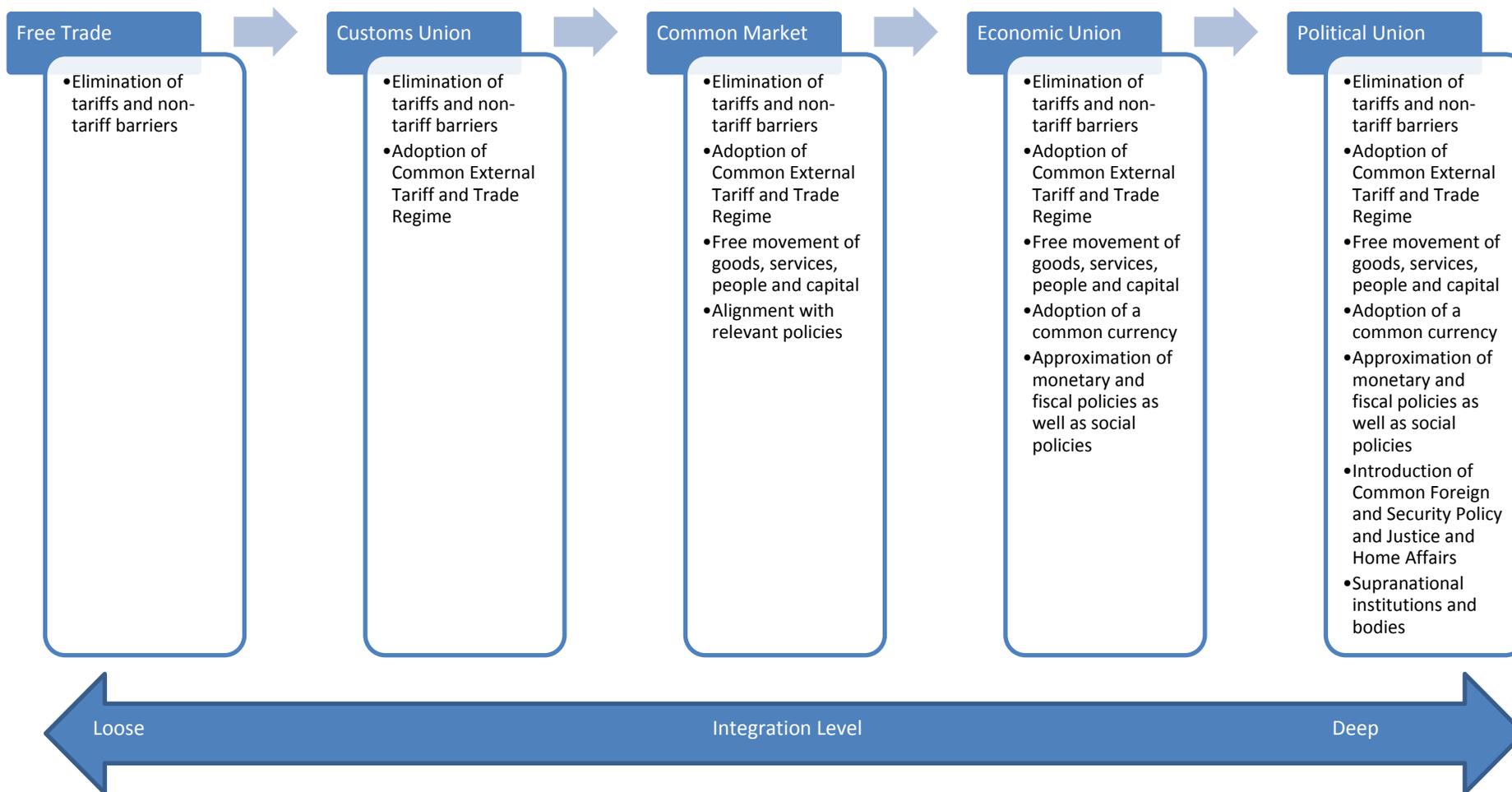
- 1) *Free Trade Area (FTA)*, is a geographic field whereby tariffs and non-tariff barriers (i.e. quotas and quality standards) to the trade of goods are eliminated and member states are given the freedom to take control over their own commercial policy in their trade with third countries. Serving the goal of securing domestic firms' access to foreign markets, the outcome of free trade is essentially achieving economies of scale, comparative advantages and economic efficiency in the long run.
- 2) In addition to establishment of a free trade zone among the member states as defined in the former integration model, *Customs Union (CU)* sets a common external tariff to be applied to the third Parties and entails adoption of a common trade regime, implying that harmonization of national rules and regulations pertaining to the flow of goods is achieved.



- 3) Built upon the features of the former integration model, in a *Common Market* free movement of people, services and capital within the boundaries of the integrating economies are secured in addition to free circulation of goods without confronting any type of physical, technical and financial barriers, requiring further regulatory convergence in certain policy areas such as competition, taxation, consumer protection, mutual recognition of qualifications, transport, and so on.
- 4) Adding onto the common market, an *Economic Union* requires either permanent fixing of exchange rates or adoption of a common currency accompanied by harmonization of monetary and fiscal policies anchored by thresholds, and convergence of macroeconomic performances of the member states.
- 5) *Political Union*, forming the last but not the least integration model, is associated by adoption of a common foreign and security policy plus cooperation in justice and home affairs, in addition to establishment of an economic union, all facilitated through the creation of an overarching legislative and legal system that trumps national laws and rules, undermining sovereignty of the nation states in favour of supranational institutions and bodies.



Figure 1: Additive Integration Models



Source: Illustration by the authors themselves.



### **Ankara Agreement of 12 September 1963 and Its Annexes**

Consisting of 33 articles and a number of protocols and declarations either annexed simultaneously or added in the course of time, the Ankara Agreement (AA) established an association between the Parties in view of article 238 of the EEC Treaty, with the aim of developing Turkish economy and of improving the employment level and the living conditions of Turkish citizens by means of enhanced trade and economic relations between the Parties. To this end, the AA envisaged establishment of a Customs Union in 3 stages of preparatory, transitional and final in nature. Set out in the Provisional and Financial Protocols annexed to the Agreement, the preparatory stage lasted for nine years during which time the EEC removed barriers to trade with Turkey on voluntary basis. While, governed by the rules defined in the Additional Protocol of 30 June 1973, the transitional stage lasted for 22 years gradually establishing a Customs Union between the Parties and aligning the economic policy of Turkey with that of the EU, safeguarding “*mutual and balanced obligations*” as stipulated in article 4 of the AA.

The final stage took effect by the *Decision No 1/95 of the EC-Turkey Association Council of 22 December 1995 on Implementing the Final Phase of the Customs Union (96/142/EC)* [mostly referred to as the Decision No 1/95]. As explicitly defined in article 10 of the AA, the Customs Union involved:

- *the prohibition between Member States of the Community and Turkey, of customs duties on imports and exports and of all charges having equivalent effect, quantitative restrictions and all other measures having equivalent effect which are designed to protect national production in a manner contrary to the objectives of this Agreement [Ankara Agreement];*
- *the adoption by Turkey of the Common Customs Tariff of the Community in its trade with third countries, and an approximation to the other Community rules on external trade.*

Prohibiting any sort of discrimination on the grounds of nationality (the AA, article 9), Customs Union is based on free movement of industrial goods and processed agricultural products by securing elimination of all sorts of barriers hindering trade between the Parties. Nevertheless, in securing three other freedoms of internal market – i.e. freedom of movement for workers (the AA, article 12), freedom of establishment (the AA, article 13), freedom to provide services (the AA, article 14) – the Agreement gives cross references to the corresponding articles in the EEC Treaty, indicating that the missing issues would be interpreted in line with the relevant policy frame. Furthermore, including a number of articles on other economic provisions (i.e. provisions on transport – article 15 of the AA, provisions on competition, taxation and approximation of laws – article 16 of the AA, provisions on balance of payments, price stability, sustainable development – article 17 of the AA, provisions on exchange rate – article 18 of the AA, provisions on liberalization of payments – article 19 of the AA, provisions on non-discrimination of foreign direct investment – article 20 of the AA) the Agreement may be considered as a simplified version of the EEC Treaty signed by the EU-6. In fact, each article of the AA complements the Customs Union with a view of broader and deeper integration between the Parties.

The AA clarifies the position of Turkey in view of prospective membership by the very first sentence in Preamble. The Agreement starts by the determination of Contracting Parties “*to establish ever closer bonds between the Turkish people and the peoples brought together in the EEC*”. Involvement in a broader and deeper integration is further reinforced by article 28 of the AA, indicating that upon full acceptance by Turkey of the obligations



arising out of the EEC, the contracting Parties should examine the possibility of the accession of Turkey. In addition to Customs Union already established by 1996, prospective membership of Turkey have been secured by a standstill clause (article 7 of the AA) inserted in the Agreement stating that both Parties would take all appropriate measures to fulfill their obligations and refrain from any measures contrary to the objectives set therewithin.

### **Stocktaking: Customs Union's Impact on Trade and Foreign Direct Investments**

Table 1 shows foreign trade performances of both Parties between 1994-2014. Figures regarding 2015, 2016 and 2017 are omitted on purpose, during which time internal and international developments (i.e. coup attempt in Turkey, rising tension with the EU as a result of refugee crisis faced at the wake of national elections, as well as estrangement from the Russian Federation due to conflicting attitudes towards Syrian issue) interfered with the rising trend of the trade volume between Turkey and the EU. Prior to the Decision No 1/95, total export value of the EU was 2,189,103 million US\$, of which only 0.53% was geared towards Turkey (11,643 million US\$ in absolute terms). Whereas total export value of Turkey was recorded 18,106 million US\$ of which 9,376 million US\$ was generated from the trade with the EU, representing 51.79% of the overall. On the other hand, total import value of the EU was recorded 2,087,844 million US\$ of which only 0.45% was with Turkey. While Turkey's total import value was set at 23,270 million US\$ of which 50.4% (amounting to 11,643 million US\$) was generated from the EU-28. The overall trade volume was set at 21,019 million US\$ by 1994. All these figures are indicative of dominance effect of the EU over Turkey.

Two decades later in 2014, rising more than seven times, the total trade volume between the the EU and Turkey rose upto 157,298 million US\$, while Turkey's overall trade volume took a fora to reach 399.794 million US\$. Thanks to Turkey's strategic decision on diversifying its target countries for its export items, the share of Turkish exports to the EU-28 in total exports of Turkey fell down to 43.47%, amounting to 68,514 million US\$ in absolute terms, still dominating its foreign trade in general. While, the share of Turkish imports from the EU-28 in total imports of Turkey also fell down to 36.66%, amounting to 88,784 million US\$ in absolute terms. Whereas, the situation in the EU was completely different. The share of member states' exports to Turkey in total exports of the EU rose upto 1.11%, amounting to 88,784 million US\$ in absolute terms. At the same time, the share of member states' imports from Turkey in total imports of the EU increased to 0.92%, amounting to 68,514 million US\$ in absolute terms. These figures are still indicative of dominance of the EU over Turkey and asymmetrical market penetration despites liberalization of trade in goods and in industrial components of agricultural products, as weell as market access secured by the Decision No 1/95.

Table 2 shows foreign direct investment (FDI) inflow/outflow between the Parties during 1999-2014 period. According to the table, total FDI inflow to Turkey rose upto 12,763 million US\$ in absolute terms in 2014 from the level of 783 million US\$ in 1999. The rising trend in FDI inflow is indepted to membership status granted as well as the opening of accession talks. Ranging between 33% and 72% over time, the share of FDI from the member states to Turkey in Total FDI inflow to Turkey reached its peak value (14,489 million US\$) in 2006 owing greatly to the screening process prior to negotiations. On the other hand, the share of FDI from the member states to Turkey in total FDI outflow from the EU ranges between 0.19% and 2.31% over the stated time frame. In short, both tables clearly exhibits the driving force of the Customs Union in increasing bilateral trade volume and reinforcing mutual



JSEG

www.jseg.ro ISSN: 2537-141X

## *JOURNAL OF SMART ECONOMIC GROWTH*

Volume 2, Number 4, Year 2017

foreign direct investments. Despite a number of anomalies, the economic integration has increased dramatically over the last two decades, resulting in welfare effects for the benefit of both Parties.



Table 1: Foreign Trade Between Turkey and the European Union (1994-2014, million US\$)

YEAR	TURKEY						EUROPEAN UNION					
	Total Exports (1)	Exports to the EU-28 (2)	% Share (3=1/2)	Total Imports (4)	Imports from the EU-28 (5)	% Share (6=4/5)	Total Exports (7)	Exports to Turkey (8)	% Share (9=7/8)	Total Imports (10)	Imports from Turkey (11)	% Share (12=10/11)
1994	18,106	9,376	51.79	23,270	11,643	50.04	2,189,103	11,643	0.53	2,087,844	9,376	0.45
1995	21,637	12,188	56.33	35,709	18,006	50.43	2,681,725	18,006	0.67	2,540,495	12,188	0.48
1996	23,224	12,590	54.21	43,627	24,349	55.81	2,776,094	24,349	0.88	2,619,101	12,590	0.48
1997	26,261	13,471	51.30	48,559	26,128	53.81	2,782,151	26,128	0.94	2,613,171	13,471	0.52
1998	26,974	14,837	55.01	45,921	25,297	55.09	2,898,381	25,297	0.87	2,769,883	14,837	0.54
1999	26,587	15,454	58.13	40,671	22,538	55.41	2,920,600	22,538	0.77	2,840,970	15,454	0.54
2000	27,775	15,688	56.48	54,503	28,552	52.39	3,000,598	28,552	0.95	2,973,845	15,688	0.53
2001	31,334	17,576	56.09	41,399	19,841	47.93	3,038,280	19,841	0.65	2,968,087	17,576	0.59
2002	36,059	20,458	56.73	51,554	25,698	49.85	3,246,128	25,698	0.79	3,108,349	20,458	0.66
2003	47,253	27,479	58.15	69,340	35,157	50.70	3,877,665	35,157	0.91	3,744,750	27,479	0.73
2004	63,167	36,699	58.10	97,540	48,131	49.34	4,657,962	48,131	1.03	4,494,103	36,699	0.82
2005	73,476	41,533	56.53	116,774	52,781	45.20	5,070,699	52,781	1.04	4,961,898	41,533	0.84
2006	85,535	48,149	56.29	139,576	59,448	42.59	5,738,246	59,448	1.04	5,668,885	48,149	0.85
2007	107,272	60,754	56.64	170,057	68,472	40.26	6,742,668	68,472	1.02	6,642,268	60,754	0.91
2008	132,027	63,719	48.26	201,964	74,513	36.89	7,433,753	74,513	1.00	7,405,863	63,719	0.86
2009	102,143	47,228	46.24	140,928	56,616	40.17	5,934,715	56,616	0.95	5,771,649	47,228	0.82
2010	113,883	52,934	46.48	185,544	72,391	39.02	6,539,073	72,391	1.11	6,399,072	52,934	0.83
2011	134,907	62,589	46.39	240,842	91,439	37.97	7,584,829	91,439	1.21	7,395,957	62,589	0.85
2012	152,462	59,398	38.96	236,545	87,657	37.06	7,347,136	87,657	1.19	7,014,295	59,398	0.85
2013	151,803	63,040	41.53	251,661	92,458	36.74	7,709,920	92,458	1.20	7,238,018	63,040	0.87
2014	157,617	68,514	43.47	242,177	88,784	36.66	7,977,474	88,784	1.11	7,464,410	68,514	0.92

Source: Dawar, K. and Togan, S. (2016). EU-Turkey Customs Union and Scope to Bring EU-Turkey Trade and Investment Relations up-to Date, in Bringing EU-Turkey Trade and Investment Relations Up To Date, Workshop by European Parliament DG for External Policies, Belgium, p.21.

**Table 2: FDI Inflow/Outflow Between Turkey and the European Union (1999-2014, million US\$)**

Year	Total FDI Inflow to Turkey	FDI Inflow from the EU Countries to Turkey	Total FDI Outflow from the EU	Share of FDI from the EU Countries to Turkey in Total FDI Inflow to Turkey	Share of FDI from the EU Countries to Turkey in Total FDI Outflow from the EU
1999	783	NA	728,140	NA	NA
2000	982	NA	793,657	NA	NA
2001	3,352	NA	294,473	NA	NA
2002	1,082	455	234,469	42.05	0.19
2003	1,702	565	260,956	33.20	0.22
2004	2,785	1,027	346,119	36.88	0.30
2005	10,031	5,006	530,741	49.91	0.94
2006	20,185	14,489	652,271	71.78	2.22
2007	22,047	12,601	1,182,922	57.16	1.07
2008	19,851	11,077	743,403	55.80	1.49
2009	8,585	4,942	352,388	57.57	1.40
2010	9,099	4,737	459,366	52.06	1.03
2011	16,176	11,495	519,862	71.06	2.21
2012	13,282	7,303	316,726	54.98	2.31
2013	12,457	5,272	285,133	42.32	1.85
2014	12,763	5,517	280,124	43.23	1.97

**Source:** Dawar, K. and Togan, S. (2016). EU-Turkey Customs Union and Scope to Bring EU-Turkey Trade and Investment Relations up-to Date, in Bringing EU-Turkey Trade and Investment Relations Up To Date, Workshop by European Parliament DG for External Policies, Belgium, p.23.



### Reinvigorating the Customs Union

The Customs Union between the EU and Turkey has taken effect on due course of time as stipulated in the AA, and much has changed since its first inception in 1996. In an extremely globalized economic environment, the EU has enlarged to comprise a total of 28 states and concluded comprehensive Free Trade Agreements (FTAs) with major economic actors, urging Turkey to extend its obligations arising from AA to cover not only the newly joined Member States, but also a number of overseas countries and territories, as well. However, reluctance of the FTA trading partners of the EU to grant Turkey market access resulted in trade deflection with welfare losses on behalf of Turkey. Furthermore, having an ineffective dispute settlement mechanism and a limited scope simply covering the trade in industrial goods, yet excluding agriculture, services trade and the public procurement the design of the existing EU-Turkey bilateral preferential trade regime fell short in realizing the trade potential of both Parties.

Based on the findings of the World Bank (2014) suggesting that a new, more balanced and ambitious trade framework would result in additional welfare gains, an EU-Turkey Senior Official Working Group (SOWG) has been mandated to explore the options beneficial for both Parties in view of the changing global trading environment. In its report of 27 April 2015, the EU-Turkey SOWG recommended 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.*

Nevertheless, no progress has been made until now in shade of the ongoing elections in the EU surrendered by populist rhetoric.

### Scenarios for the Future of the EU-Turkey Relations

All the Parties world-wide encouraged research on costs and benefits of the Customs Union in order to identify the scenarios for the future orientation of the EU-Turkey Relations. Ranging from “*grim isolation of Turkey*” on the one extreme to “*full membership of Turkey to the EU*” on the other, researchers identified a number of pinpoints in between.

The report by Stiftung Mercator (no date) identifies four scenarios for 2018. Scenario 1 foregrounds Cyprus issue as a catalyst rather than being an obstacle and recommends all actors work for this scenario. Scenario 2 involves triumph of nationalism and Turkey’s pivot



towards Russia, while Scenario 3 puts the grim isolation of Turkey as the worst case for Turkey, and Scenario 4 defines adjusted membership as a new opportunity for the EU-Turkey relations.

In a policy paper written on behalf of Brookings, Tocci (2014) defines three scenarios. Scenario 1 involves a growing competition and conflict between Turkey and the EU; Scenario 2 envisages the EU and Turkey reaching a new framework for cooperation based on respective complementarities, Scenario 3 involves Turkey's convergence with the EU through full membership, and concludes that *"the future trajectory of the EU-Turkey relationship remains highly uncertain"*.

In a study by Yalçın et. al. (2016) carried out on behalf of BertelsmannStiftung four scenarios are analyzed in view of welfare effects. Scenarios are named as follows: (1) Effects of the EU's new free trade agreements on Turkey (2) Deepening the EU-Turkey Customs Union (3) Comprehensive Customs Union between the EU and Turkey plus EU free trade agreements, (4) Rolling back the Customs Union and implementing a free trade agreement between the EU and Turkey. It is found that the rollback of the Customs Union to a Free Trade Agreement would result in a fall in welfare in Turkey, decreasing GDP by 0.81%, while deepening of the Customs Union and the conclusion of Free Trade Agreements with the EU's new trading partners could result in a 2.13% rise in welfare for Turkey.

During the workshop organized by the European Parliament DG for External Policies (2016), choices facing the EU are gathered under six headings such as; (1) Baseline scenario: Do nothing, (2) Turkey gains full EU membership, (3) Modernise the current CU, (4) Complement the current CU with a new comprehensive FTA, (5) EEA Membership, (6) Replace the current CU with a new comprehensive FTA. The workshop report concludes that *"the EU-Turkey Customs Union of 1995, limited to industrial goods, should be modernised and modified to take into account the various and growing criticisms of the CU"*, and that *"there is no evidence that either Turkey or the EU and its Member States wants to unilaterally break with Turkey's accession process because of the various interdependencies, as well as the high potentials of their partnership in terms of politics and security, economy, trade and energy, as well as socio-cultural relations"*.

Last but not least, in its impact assessment working document the European Commission (2016) identifies three options. Option A (baseline scenario) entails status quo having the risks of deterioration of the bilateral trade relationship while not achieving the objectives. Option B entails extension of trade preferences to new areas notably in services, agriculture and public procurement. Option C envisages replacement of the existing Customs Union with a Free Trade Agreement for industrial goods currently covered and also the extension of trade preferences to new areas. It concluded that Option B is supported by both Parties, with the expectation that the initiative would modernise the functioning and design of the Customs Union and extend the scope of trade preferences.

## **Conclusion**

Integration of states spans through a number of models ranging from a loose association at the one end to a binding union at the other end. The critical point is that; as the structure of initial integration model changes in time by enlarging and deepening, the economic integration takes the form of a political one, having undesirable repercussions of crowding out effect on candidates as a matter of political interests. Set by the EU-6 in early 1960s, both the EU and Turkey agreed to eliminate all customs duties, quantitative restrictions and charges with equivalent effect on their bilateral trade in line with the



provisions of Ankara Agreement. The Agreement not only envisaged elimination of all barriers in free movement of goods between the Parties and adoption of the common trade regime by Turkey, but also required further alignment with other European norms such as the free movement of services, capital, people, and the like. What is overlooked is that; five decades later, these provisions turned out to be the obligations of the entire EU-28 with a view to fulfilling the requirements of article 7 of AA on standstill clause without recouring to national interests.

Now that Turkey realized its obligations in establishing a Customs Union, it is time to remove all asymmetries and deepen the integration between the Parties if the EU is really pledged “to promote the continuous and balanced strengthening of trade and economic relations between the Parties, while taking full account of the need to ensure an accelerated development of the Turkish economy and to improve the level of employment and the living conditions of the Turkish people” as put in article 2 of AA. The recent impact assessment work carried out by the European Commission (2016) estimated that “the EU’s real GDP would increase by close to 0.01%, its economic welfare would rise by EUR 5.4 billion, and EU exports to Turkey would increase by EUR 27.1 billion ..... [On the other hand,] Turkey’s real GDP would rise by 1,44%, and its welfare by EUR 2.5 billion, while its exports to the EU would grow by EUR 5.0 billion”. However, this calls upon amendment of the outmoded Customs Union between the Parties to remedy the flaws in decision making and dispute settlement mechanisms and widen the scope to help Turkey proceed with the accession negotiations that would end up with full EU membership. In fact, the accession process is driven by two factors: technical issues regarding harmonization with the Acquis on the one hand, and political issues associated with the absorption capacity of the EU on the other hand. Once the political considerations supersede the technical matters, and the accession talks are not put back into track, the new trajectory of the EU-Turkey relations will be one of a “trade irritant” resulting in significant welfare losses on both sides.

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