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INFORMATION MEMO

Initialling of the draft Association Agreement between
Turkey and the EEC

1. On June 25, representatives of the Turkish Government and of the EEC Commission initialled in Brussels the draft Association Agreement between Turkey and the EEC.

This draft will very shortly be tabled in the Council of Ministers of the Community, which will make its decision by unanimous vote after consulting the European Parliament. The Agreement will then be submitted for ratification by the Parliaments of the Member States and of Turkey.

2. The draft Agreement is based on Article 238 of the Treaty of Rome and its aim is Turkish participation in European integration. The negotiators chose a customs union between Turkey and the Community as the most suitable instrument for attaining this objective.

They acknowledged, however, that the very strict commitments a customs union demands of all parties could not be accepted at once by Turkey without danger of undermining the efforts for economic recovery which that country has been making for some years.

It was therefore deemed appropriate that the objectives of the Agreement should be reached in three distinct and successive stages. This gradual approach mainly concerns the practical aspects of the association link, the continuity of which is however assured from the very beginning by the immediate establishment of the institutional machinery of the Association. The most important cog in this is the Association Council, a joint body which will supervise and implement the Agreement.

3. In the first, "preparatory", phase, which in principle will last five years, Turkey, aided by the Community, will continue efforts to put its economy on a sound footing, with a view to moving on afterwards to the establishment of the customs union.

In working out details of Community aid the negotiators bore in mind the main needs of the Turkish economy in coming years, namely increased export income and the participation of external sources in financing new investment under the first Turkish development plan (1963-1967).

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- a) Export income will be improved by the trade preferences the Community will grant Turkey for products representing a large share (roughly 37%) of her exports to Europe: tobacco, raisins, dried figs and nuts. These concessions will take the form of yearly tariff quotas calculated at the outset on the basis of the current pattern of trade, with an option left to the Association Council to increase the quantities originally agreed from the second year onwards.

At the end of the third year after the Agreement enters into force, the Association Council may also decide on measures to encourage the marketing of other Turkish exports in the Community.

- b) Financial assistance up to a maximum of 175 million units of account will be granted to Turkey through the European Investment Bank in the form of loans for investment schemes forming part of the Turkish development plan.

In certain cases, notably for schemes yielding indirect or delayed economic results, the interest charges on these loans and the repayment arrangements will be particularly favourable.

4. In addition to these specific measures of aid to Turkey, the negotiators thought it advisable to specify, particularly in the interests of the Community, that difficulties concerning the right of establishment, the right to supply services, transport and competition, arising between the contracting parties may be referred to the Association Council, which is empowered to make recommendations.

5. The preparatory phase will be followed by a transitional period in which the customs union between Turkey and the Community will be gradually introduced.

The negotiators felt that they could hardly set down here and now such detailed arrangements for this period as time-limits within which both parties must discharge commitments, safeguard clauses, etc. Precise provisions of this kind could only be drawn up in the light of the economic and legal situation of the parties at the time of transition from one period to the other.

6. However, it was deemed essential that the main outlines of the arrangements for this period should be stated at the outset as regards both trade and other economic aspects.

- a) In the field of trade, both the principles of the customs union and the time limits for its introduction have been agreed. The customs union covers trade in all commodities, with Turkey adopting the Community's common external tariff, and is to be completed in twelve years, subject to exceptions that may be agreed on but must not in any case prevent its introduction within a reasonable period. Special arrangements have been made for farm produce to take account of the Community's common agricultural policy.

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b) In the other economic fields covered by the Treaty of Rome - free movement of workers, freedom of establishment and right to supply services, transport policy, antitrust rules, and economic policy - Turkey will align its economic policy on that of the Community. A special procedure will ensure the co-ordination of the contracting parties' trade policies vis-à-vis non-member countries.

7. Implementing details for the transitional period are to be adopted by the Association Council - in principle five years after the entry into force of the Agreement, or, if this time-limit cannot be complied with, after a maximum extension of a further four years - in the form of a Supplementary Protocol which, on ratification, will replace the Provisional Protocol and the Financial Protocol now annexed to the Agreement and which specify arrangements for the preparatory phase. : these both specify arrangements

The negotiators felt that they must bear in mind the possibility of the Supplementary Protocol not being established even after the maximum time-limit of nine years thus laid down: they have therefore given full latitude to the Association Council in this event to make arrangements for the period after the preparatory phase. These would apply from the tenth year onwards.

8. The last and definitive phase will be based on the customs union introduced in the preceding phase by the application of the Supplementary Protocol and will also involve increasingly close co-ordination of the economies of the parties to the Association.

This phase will therefore represent the conclusion of the process by which Turkey will be integrated with the Community in an association framework. However, the possibility has been left open of a further step later, when Turkey will be able to apply for full membership of the Community and accept all^{the} obligations of the Rome Treaty.

The Agreement provides for an Association Council comprising members of the Turkish Government on the one hand, and of the EEC Council, Commission and Member States' Governments on the other; each side will have one vote. This Council will be empowered to take decisions in the cases specified in the Agreement. It may also make recommendations.

Disputes arising from the application of the Agreement will be referred to the Council. From the preparatory phase it may settle them itself or transmit them to another tribunal such as the Court of Justice of the European Communities; when the implementing details for the transitional phase are being worked out, an arbitration procedure will be written into the Supplementary Protocol.

As soon as the Agreement enters into force the Association Council will also have the task of adopting all necessary measures to promote contacts between the European Parliament and the Turkish Parliament. From the beginning of the transitional phase these contacts may include the Community's other organs, such as the Economic and Social Committee, and their Turkish counterparts.