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TURKEY AND EEC INITIAL DRAFT ASSOCIATION AGREEMENT

WASHINGTON, D.C., June 27 -- Representatives of the Government of Turkey and of the Common Market Commission initialed a draft association agreement between Turkey and the European Economic Community on Tuesday (June 25) in Brussels.

The draft will be presented for approval to the Community's Council of Ministers, which must 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.

The draft agreement is based on Article 238 of the Treaty of Rome. 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.

Objectives In Three Stages

It was therefore decided 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 assured by the immediate establishment of the institutional machinery of the association -- principally an Association Council, a joint body which will supervise and implement the agreement.

Terms of the draft agreement:

1. 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 afterward to the establishment of the customs union.

In working out details of Community aid, the negotiators took into account 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 (1963-67).

Export income will be improved by the trade preferences the Community will grant Turkey for products representing a large share (roughly 37 per cent) 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.

Financial assistance up to a maximum of \$175 million will be granted to Turkey through the European Investment Bank in the form of loans for investment projects forming part of the Turkish development plan.

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

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.

Customs Union To Be Gradual

2. 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 did not think it feasible to set down now such detailed arrangements for this period as time limits within which both parties must discharge commitments, safeguard clauses, and other measures. Precise provisions of this kind could only be drawn up, they said, in the light of the economic and legal situation of the parties at the time of transition from one period to the other.

It was considered essential, however, that the main outlines of the arrangements for trade and other economic aspects for this period should be stated at the outset.

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. It is to be completed in 12 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.

In the other economic fields covered by the Treaty of Rome -- such as free movement of workers, freedom of establishment and right to supply services, transport policy and antitrust rules -- 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-a-vis non-member countries.

Implementing details of 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 met, after a maximum extension of a further four years. The transitional arrangements will take the form of a supplementary protocol which, on ratification, will replace the provisional protocol and financial protocol now annexed to the agreement to specify arrangements for the preparatory phase.

The negotiators felt that they should bear in mind the possibility of the supplementary protocol's not being established even after the maximum time limit of nine years. They therefore gave 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.

3. The last 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. The possibility has been left open, however, for a further step later, when Turkey will be able to apply for full membership in the Community and accept all the obligations of the Rome Treaty.

Association Council To Be Formed

The Association Council provided for in the agreement will be composed of members of the Turkish Government on the one hand and of the EEC Council of Ministers, Commission, and member states' governments on the other. Each side will have one vote. This Council will be empowered to take decisions in cases specified in the agreement and may also make recommendations.

Disputes arising from the application of the agreement will be referred to the Council. During 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 settled, 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.

An association agreement between the EEC and Greece went into effect last November 1.