

# EUROPEAN COMMUNITY

BACKGROUND INFORMATION

EUROPEAN COMMUNITY INFORMATION SERVICE

2100 M Street NW, Washington DC 20037 Telephone (202) 872-8350

New York Office: 277 Park Avenue, New York NY 10017 Telephone (212) 371-3804

BACKGROUND NOTE

No. 14/1974

August 26, 1974

## THE EUROPEAN COMMUNITY'S RELATIONS WITH TURKEY, GREECE AND CYPRUS

The three antagonists in the Cyprus crisis -- Turkey, Greece, and Cyprus itself -- have all signed association agreements with the European Economic Community, although Greece's agreement is under suspension. This means that all three countries may eventually be full members of the European Communities, although Cyprus' tiny economy and Turkey's low per capita gross domestic product means that in those two cases, at least, accession is still a long way off.

The Greek treaty, signed in Brussels on September 25, 1961, was suspended in 1967 following the military coup. (EC members and associates must all subscribe to basic democratic systems.) Now that a civilian government has been restored in Athens, reactivation of the 1961 agreement is under consideration.

This pact called for creation of a customs union between Greece and the EC over a 12-year transitional period. A 10 per cent mutual reduction in tariffs came into effect at the outset, with six more equal reductions due to follow at 18-month intervals, then three more at 12-month intervals.

For certain products, tariffs were to fall in 5 per cent segments over 22 years. Escape clauses enabled Athens to delay tariff cuts if the Greek economy should be in serious difficulties or to protect or promote new Greek industries over the 12-year period. At the conclusion of this transition phase, Greece was to align its external customs tariffs on the EC's, except for a few specified imports.

The Community and Greece agreed to lift quotas on each other's imports over the 22-year period. Other nontariff barriers (NTB's) were to go during the 12-year phase, subject to escape clauses protecting the fragile Greek economy. Greece and the Community agreed to "harmonize" their agricultural policies and liberalize agricultural trade and to harmonize their antitrust, tax, and some other laws.

Free movement of labor and services was to be achieved in 12 years. There were clauses against dumping and another ensuring consultation about changes in currency exchange rates. The agreement was to be supervised by an EC-Greece Council of Association and provision was made for the arbitration of disputes between the two partners.

The 1961 agreement, which does not apply to European Coal and Steel Community (ECSC) products, also looked forward to EC technical and financial assistance to Greece.

The original agreement with Turkey, which also precludes ECSC products, was signed in Ankara on September 12, 1963. This pact, similarly supervised by a Council of Association, provided for a five-year "preparatory stage" to enable Turkey to strengthen its economy, followed by a 12-year transitional phase leading to customs unions and "aligned" economic policies. A final stage, the duration of which is to be fixed later, would implement full customs union subject to protective clauses for Turkey's developing economy.

By the end of the final stage, Turkey would have adopted the EC common customs tariff for trade with third countries and an "approximation to other Community rules on external trade." There would be progressive freedom of labor, establishment, and services. Turkey, a considerable exporter of migrant labor to Germany and other EC countries, would be able to receive remittances from migrants, and could be eligible for earned EC pensions on return home.

On November 23, 1970, an additional protocol was signed in Brussels, implementing the transitional stage, during which duties are being reduced in ten 10 per cent stages over 12 years. Quantitative restrictions between the partners will also be abolished during the period, and antitrust fiscal, and other laws harmonized.

The agreement with Cyprus dates only from May 14, 1973. A first stage runs until June 30, 1977. Negotiations on a second five-year phase are scheduled to begin in January, 1976.

The terms of the first stage, supervised by an EC-Cyprus Council of Association, call for the removal of duties on fixed quotas of Cypriot exports to the EC, while reducing duties on un-quotaed goods. Cyprus, subject to protective escape clauses, also agreed to cut duties progressively on its imports from EC countries.

The second stage of the agreement will bring about customs union between the partners, starting with a 35 per cent reduction in remaining duties, and the removal of quotas. Customs union is to be achieved "as early as possible and to the extent compatible with the proper development of the economy of Cyprus." Where Cyprus, a Commonwealth country, enjoyed better trade terms with Britain and Ireland under "imperial preference," these terms would continue until eventually the agreement's prospective terms overtook the existing advantages.

After seven years of suspension, fresh negotiations for the reintroduction of the progressive terms of the "transitional" phase of the Greek agreement are now necessary. In time terms, Turkey has now almost overtaken Greece in moving toward customs union with the EC, but clauses in the treaty with Greece make it possible to speed up implementation if Greece feels its economy is strong enough.

Most of Turkey is in Asia, with only the area west of the Bosphorus in Europe, but the Muslim country has always been Europe-oriented. In the eighteenth century, Turkey still occupied modern Greece, most of modern Yugoslavia and other European territory, as well as most of North Africa as far as Algeria. It was then known as the Ottoman Empire.

Greece has an estimated 1974 population of over 9 million people. Its 1971 gross domestic product (GDP) was \$10.717 billion, giving a per capita GDP then, of \$1,211. The then six European Community countries exported goods worth \$1.159 billion to Greece, and imported Greek products worth \$471 million.

Cyprus has an estimated current population of just over 700,000. Its 1971 GDP was \$604 million, giving a per capita GDP, then, of \$944. Exports by the "Six" to Cyprus then totaled \$93 million. Greek exports to the EC--mostly fruit other foods, fibers and garments--were then worth \$32 million.

Turkey has an estimated 1974 population of 40 million and a 1971 GDP of \$11.816 billion, giving a per capita GDP of \$327 -- lower than that of any European country except Albania. EC exports to Turkey then totaled \$616 million while imports from Turkey into the six totaled \$348 million.

An EC country, Britain, is -- along with Greece and Turkey -- one of the three guarantee powers of Cypriot independence. The crisis on Cyprus was precipitated by a coup d'etat against President Makarios. Britain declined to intervene and Greece's military inability to prevent Turkish forces going in under the Guarantee Treaty led to the fall of the Greek junta and the restoration of civilian government in Greece. The coup d'etat in Cyprus then collapsed also.

Greece and Turkey belong to the North Atlantic Treaty Organization. Britain, as a guarantee power and headquarters of the Commonwealth, and the United States, as principal NATO power, have been mediating the crisis through their respective foreign ministers-- Foreign Secretary James Callaghan and Secretary of State, Henry A. Kissinger.