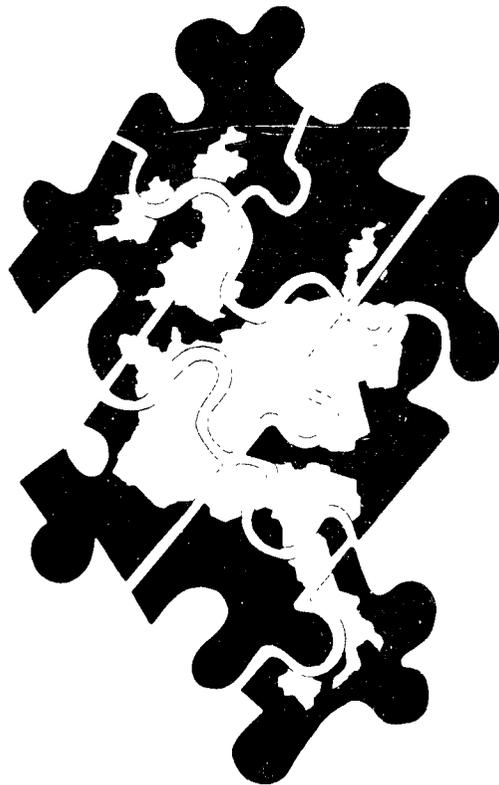


TURKEY-EEC RELATIONS 1963-1977



Introduction

The idea behind this book has been to assemble information on the various elements of Turkey-EC relations in a single, convenient volume. This idea grew out of the number of requests which have been received for information. These have come from researchers, Embassies, the Press etc. It also grew out of a realisation that existing sources were very scattered and difficult to use.

This book recently appeared in Turkish under the title " Türkiye-A.E.T. İlişkileri"(1). The text which follows has been revised to take account of developments up to March 1977.

The book has been produced under the auspices of the European Community Commission Office in Ankara.

This views expressed here, however, should not necessarily be considered as those of the Commission. Rather they represent the views of various experts from Turkey and the Nine, who have worked together to produce a convenient handbook on the subject.

We hope this volume will be of use to researchers and others interested in Turkey and its relations with the Community. We trust also that it will contribute to the ongoing dialogue concerning the development of co-operation between Turkey and the Community.

Gian Paolo Papa

Head of the Ankara Office

Commission of European Communities

March 1977

(1) The Turkish edition includes also some extra annexes, notably the text of the Association Agreement and the Additional Protocol; a chronology of Turkey-EC relations; statements from Government Programmes and leading Turkish politicians on Turkey-EC relations, etc.

L I S T O F C O N T E N T S

SECTION I : The Foundations of the Association Agreement

Chapter 1: The Ankara Agreement. Its objectives : a step towards the integration of Turkey into Europe	page 1
Chapter 2: Stocktaking of the Preparatory Stage : the progressive implementation of the provisions of the Association	page 8
Chapter 3: The Passage to the Transitional Stage : Negotiation of the Additional and Supplementary Protocols	page 11
A. The Decision to move from the Preparatory Stage to the Transitional Stage	11
B. The Debate in Turkey about the Additional Protocol	
C. The Course of the Negotiations	15
D. The Extension of the Association to the three new Member States by the Supplementary Protocol	17

SECTION II : The Agreement in Operation

Chapter 4 : The Organs of the Association	page 25
Chapter 5 : Economic Relations	page 36
I. The Existing Pattern of Trade	36
II. The Goal of the Association : Customs Union	41
III. Trade in Industrial Products	45
IV. Trade in Agricultural Products	64
V. The Freedom of Establishment, the Freedom to provide services and the Free Movement of Capital	77
Chapter 6 : Social Questions : Migrant Workers and the European Community	page 80

Chapter 7	: Co-operation	page 93
	A. Financial Assistance	93
	B. Food and Emergency Aid	115
	C. The Fight against Foot and Mouth Disease	116

Chapter 8	: The effects of certain Foreign Policy Questions	page 117
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Annexes :

I	Statistical Annex	page 127
II	Community Statement on the development of the Association	page 140

SECTION I

THE FOUNDATIONS OF THE ASSOCIATION
AGREEMENT

CHAPTER I

The Ankara Agreement. Its objectives : a step towards the integration of Turkey into Europe

The Agreement creating an association between the European Economic Community and Turkey was signed in Ankara on September 12th 1963 by the delegates of the Community and of the Six member states on the one side and by those of Turkey on the other. Thus Turkey became the second country of Europe (after Greece on July 9th 1961) to associate itself to the E.E.C.

Turkey had requested the conclusion of an association agreement with the Community on July 31st, 1959. Greece had made her request to the Community on June 8th.

After examining the Turkish request the Council of the Community decided on September 11th, 1959 to give the Commission of the EEC a mandate to undertake negotiations with Turkey. These negotiations lasted four years. It was on the 25th of June, 1963 that the representatives of the Commission and of the Turkish Government initialed the Association Agreement in Brussels. The agreement was signed at Ankara on the 12th September, 1963; and entered into force on the 1st December 1964.

During the four years of negotiations there were ten negotiating sessions between the Community and Turkey. Without going into technical details one could divide the negotiations into three distinctive phases in order to indicate the differences of view which become apparent as to the object and the form of the Association.

The first phase covered the first three negotiations and extended from September 28th 1959 to October 21st 1960. During this phase the Parties were agreed on the goal of the Association which was the progressive establishment of a customs union. However, there were some differences of opinion over the details of the transitional stage. Turkey was asking for a preparatory stage of 10 years and then a second, transitional stage of 15 years. On the other hand she did not want to assume more than the minimum of obligations during the first phase. By contrast the Community held out for a single transitional stage of 22 years, during which Turkey would already assume some obligations.

The second stage corresponds to the fourth negotiating session which took place from the 10th to the 22nd of April 1961. This stage represented a turning point in the progress of the negotiations. In effect the Community took up a completely different position. She maintained that a customs union was not the only possible form for the association; and that the essential point was to find the formula which was most appropriate to the economic situation of the future associate state. Thus she proposed a simple aid and co-operation agreement aimed at preparing Turkey for association. By contrast Turkey did not want the agreement to have co-operation as its only goal. The Turkish delegation insisted on an association agreement which provided for the progressive establishment of a customs union.

The third and final stage covers the last five negotiating sessions. These began on June 18th 1962 and were concluded on June 25th 1963 with the initialing of the accord. The dominant theme of this stage was the agreement of the Member States of the Community to include in the text of the accord the principle of a customs union, albeit at a future date.

Turkish association has two principle objectives. In the short term it aims to reduce the gap between the economy of Turkey and those of the member States of the Community. Although this objective represented a future commitment of a political nature, we could nevertheless say that economic concerns were dominant. In the long term the accord envisages Turkey's accession to the Community. This clearly represents a political objective. Moreover, the first of these objectives is justified by the second. For all the economic provisions of the Association Agreement are directed to ease the ultimate accession of Turkey.

The Economic objective to which the parties put their signatures is the first point stressed in the preamble to the agreement.

The second paragraph of the Preamble states that the contracting parties are resolved " to ensure a continuous improvement in living conditions in Turkey and in the European Economic Community through accelerated economic progress and the harmonious expansion of trade and to reduce the disparity between the Turkish economy and the economies of the Member States of the Community". The parties equally expressed their determination to take into consideration both " the special problems presented by the development of the Turkish economy and of the need to grant economic aid to Turkey during a given period" (1)

(1) See paragraph 3 of the Preamble.

Also in the Preamble the link existing between the economic and the political objectives is affirmed by the Contracting Parties as follows : " Recognizing that the support given by the European Economic Community to the efforts of the Turkish people to improve their standard of living will facilitate the accession of Turkey to the Community at a later date " (paragraph 4 of the Preamble).

As regards the political aspect of the Association, this is developed in the first and last paragraphs of the Preamble, " to establish ever closer bonds between the Turkish people and the peoples brought together in the European Economic Community"; they are also " resolved to preserve and strengthen peace and liberty by joint pursuit of the ideals underlying the Treaty establishing the European Economic Community". Turkey's Association thus involves a participation in the final objective of the EEC, the objective of an eventual political integration of the Member countries.

In signing the agreement, Turkey thus made a political choice.

The two objectives enumerated above come together in the gradual extension to the relation between the EEC and Turkey of the provisions of the Treaty of Rome relative to a Customs Union (subject to the necessary adaptations). The first paragraph of article 2 states the object of the agreement as being : "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". Paragraph 2 of article 2 of the agreement provides for the progressive establishment of a Customs Union between Turkey and the Community . In order to achieve this principle of progressivity, the agreement provided for three successive stages. The stages of the Association are independent one of another; or, in other words, there is no automatic passage from one to the other. But throughout all these stages, the realisation of the objectives set out above always remains tied to the principle of the progressive establishment of a customs union. It is possible to summarise the essential content of the agreement in three points :

- First, Institutions, set up on a basis of parity, were charged with the task of taking steps for the establishment of a customs union.
- The main lines and principles of the customs union were fixed in the Association Agreement.
- The immediate opening by the member states of the Community of tariff quotas in favour of Turkish exports of certain agricultural products, as well as financial aid of 175m dollars were stipulated under the terms of Protocols annexed to Agreement.

This legal formula of an association contains some features which are new and original from the point of view of international commitments. This chapter will be devoted to the examination of the legal aspects of the Association created between Turkey and the EEC.

The general nature of the Association as provided for by article 238 of the Treaty of Rome.

The Association established between the EEC and Turkey-as that with Greece- was concluded under the terms of article 238 of the Treaty of Rome. This article sets out the rules governing association and also lays down the procedure for concluding association agreements.

The Treaty establishing the European Economic Community did not create a closed system. To be sure, the opening of the Community towards the outside world does not have a universal application. Above all it concerns a "European" Community. The Preamble of the Treaty of Rome underlines the determination of the Contracting Parties" to lay the foundations of an ever closer union among the peoples of Europe".

It sets out also their resolution" to call upon the other peoples of Europe who share their ideal to join in their efforts". It is in this context that article 237 of the Treaty of Rome provides the opportunity for any European State to become a member of the Community. The method of accession to the Community is defined in article 237 as follows : "Any European State may apply to become a member of the Community. It shall address its application to the Council, which shall act unanimously after obtaining the opinion of the Commission",

"The conditions of admission and the adjustments to this Treaty necessitated thereby shall be the subject of an agreement between the Member States and the applicant State. This agreement shall be submitted for ratification by all the Contracting States in accordance with their respective constitutional requirements".

Thus accession to the Community is reserved in principle to European States. For a non-European State to be able to become a member of the Community, it would be necessary first to revise the Treaty of Rome.

However, as we have seen above, as well as Accession the Treaty of Rome laid down another formula designed to establish a permanent link between the Community and a third international entity- association. This concerns an opening of wider application. Thus article 238 of the Treaty of Rome stipulates that "the Community may conclude with a third State, a union of States or an international organisation agreements establishing an association". In contrast to accession it follows from this article that, any State, be it European or non-European, may become associated.

We leave aside here the Association of African States provided for in articles 131 to 136 of the Treaty of Rome. The achievement of independence by the majority of the countries and territories in question resulted in the opening of new negotiations to establish a new convention. The Yaoundé convention between the EEC and eighteen African and Malagasy States was initialled on December 20th, 1969. It was replaced by "the Convention of Lomé between the EEC and the ACP", (46 African, Caribbean and Pacific States) signed on 28th February 1975.

This convention was also concluded from the Community side on the basis of art. 238 of the Treaty of Rome; but the ACP states preferred not actually to use the term "Association". The co-operation agreements between the Community and Morocco, Algeria and Tunisia concluded in 1976 were similarly concluded from the Community point of view - under art. 238 but without the use of the term "association". The Association of Turkey was effected on the basis of article 238. In examining art. 238 we see that Association is not reserved exclusively for States. The Community may establish an association link with international bodies other than states, that is to say with groups of States or international organisations(1).

In the case of Turkey, as for Greece, the Association formula of art. 238 was used as a form of "pre-accession". Article 28 of Turkey's Association Agreement provides that the Contracting Parties will examine the possibility of Turkey's accession to the Community. Or to put it differently, association is considered as a preliminary to an eventual accession. This is explained by the fact that the two European countries, which have associated themselves to the Communities, cannot, by reason of their lower level of economic development vis-à-vis the member states, assume the obligations flowing from the Treaty of Rome without endangering their economic and commercial position. Therefore by the nature of things the accession laid down in article 237 of the Treaty of Rome is reserved for industrialised European States of a level of economic development comparable to that of the original member states.

It is useful to examine now in legal terms the principal themes of the Association.

Article 238 of the Treaty of Rome gives a concise definition of Association. It speaks of an association "involving reciprocal rights and obligations, common action and special procedures".

(1) see the Text of article 238

It is recognised in general that association under art. 238 is distinct from international commitments providing for the exchange of mutual benefits. In effect the common action spoken of by the Treaty implies something more than a simple exchange of mutual benefits. It supposes a sharing by the associated state in the objectives of the Community. This Association has been defined as " a permanent, general and institutionalised bond for co-operation representing a participation by the third country in the objectives of the Communities ". We are thus brought to consider another aspect of Association which differentiates it from other contractual relations. The Greek and Turkish associations have their own organisations: Council of Association: the Association Committee: the Joint Parliamentary Committee (see below).

Apart from its objective and its institutional character, the association laid down by article 238 has two other important characteristics.

The first is its bilateral and equal nature. The relation between the Community and the associated State does not contain the objective of integration. The associated State does not cede any of its sovereignty. The relations established between the Community and the associated State are bilateral relations between equal partners. In the institutions of the association and their functioning legal parity is strictly observed. This principle is guaranteed in the decision-making procedure which is based on unanimous voting . Both Turkey and the Community possess one vote.

We must therefore underline the progressive character of the Association. This characteristic is one of the principle themes of the rules of the European Economic Community itself. Article 8 of the Treaty of Rome stipulates that, " The Common Market shall be progressively established during a transitional period of twelve years. This transitional stage shall be divided into three stages of four years each ... " This principle of progressivity is adopted equally in the Association Agreements with Greece and Turkey. The reason for this is clearly the level of economic development of these two countries. The Association with Greece contains a transitional period of twelve, and in certain cases, twenty-two years. As for Association with Turkey, it lays down three successive stages.

The Progressive character of the Association

The Ankara Agreement lays down the progressive establishment of a customs union between the EEC and Turkey. The agreement

./..

contains the main points about the content of this union; the principles which will guide it; and the objectives which it should attain. This Agreement is unlike that concluded with Greece, which lays down the progressive establishment of a customs union beginning with its entry into force. For it did not ipso facto provide for the launching of a customs union. The current economic situation of Turkey was not judged by the Contracting Parties to be such as to allow the immediate establishment of a customs union, even if it was to be realised gradually. Indeed the Agreement stipulated that the association would comprise three stages; preparatory, transitional and final (article 2/3). The effect of the Association was to vary according to the stages. The customs union between the Community and Turkey was not to begin to be established until the second stage (ie. the transitional stage) and then only gradually. Moreover, the passage from the preparatory stage to the transitional stage was not to take place automatically. At the end of the preparatory stage the parties were free to decide whether or not they wanted to establish a customs union amongst themselves. In other words the extent of Ankara's commitment is relative as regards the establishment of a customs union. The Contracting Parties only signed a commitment to seek the basis for an eventual, future agreement to establish a customs union amongst themselves. The Ankara Agreement established a framework for negotiations whose object was to fix the conditions of the transitional stage. The rules of Turkey's association were to be set out in a new agreement, the Additional Protocol.

CHAPTER 2

Stocktaking of the Preparatory Stage : the progressive implementation of the provisions of the Association

a) The legal basis of the Association Agreement

As we have seen the goal of the Association Agreement was defined as being : " 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 ." Accordingly the Community undertook to aid Turkey to strengthen her economy during the Preparatory stage without expecting any reciprocal concessions. This aid took the form of financial aid (see chapter 7) and unilateral commercial concessions.

b) The development of Commercial concessions during the Preparatory Stage

With effect from the entry into force of the Association Agreement in December, 1964, the Community introduced tariff quotas (1) for four of Turkey's largest traditional agricultural exports. These were respectively for 12 500 tons of tobacco; 30 000 tons of raisins; 17 000 tons of hazelnuts; and 13 000 tons of dried figs.

Article 4 of the Provisional Protocol annexed to the Association Agreement provided that the volume of these quotas could be extended from the second year following the entry into force of the Agreement. The quotas were therefore increased for 1966 to 13 615 tons for tobacco; 33 000 tons for raisins; and 14 300 tons for dried figs. The following year they were further increased to 17 615 tons for tobacco; 38 570 tons for raisins; 18 700 tons for hazelnuts; and 18 900 tons for dried figs.

Article 6 of the Provisional Protocol also laid down that from the end of the third year after the entry into force of this Agreement the Council could take measures to help sales of other Turkish products on E.C. markets.

(1) for the meaning of tariff quotas see footnote on p. 49 of the Chapter on Economic Relations

Therefore tariff concessions were made on hand-made carpets, fresh grapes, lemons, oranges and "small fruits" (tariff position 08.02 B of the BTN) with effect from December 1st 1967. Tariff quotas were also introduced for certain other categories of textiles; certain fish, crustaceans and molluscs (of Chapter 3 of the B.T.N.); and certain wines.

The tariff rates payable within the original quotas at first varied between Member States as the Six were themselves still working towards customs union. However, the achievement of customs union meant that the Six began to employ the Common Custom Tariff on imports from third countries; and within these quotas from 1968, Turkish tobacco and raisins were allowed into the Community dutyfree, whilst the preferential rate was 2.5% for hazelnuts and 4.7% for figs.

On the expiry of the Preparatory Stage at the end of November 1969 the Community maintained the commercial concessions listed above in Turkey's favour pending the entry into force of the commercial provisions of the Additional Protocol.

c) Utilisation of quotas

Table I below shows the development of Turkish exports of hazelnuts, tobacco, raisins and dried figs to the Six between 1963 and 1970. Actual exports are compared with the tariff quotas opened in Turkey's favour by the Community. This comparison shows that Turkish exports of hazelnuts to the Community have consistently exceeded the tariff quota; whereas for tobacco, raisins and dried figs in most years Turkey did not fill these quotas.

Of the other products for which tariff quotas were opened in 1967, Turkey exported more "other woven fabrics of cotton" (tariff position 55.09 in the B.T.N.) than was covered by the tariff quota; but failed to fill the quotas for other textile items, fish (of position 03.01) and wine.

Table I : Turkish exports to the Six of four of her major agricultural exports and the quotas opened for them 1963-1970

		metric tons							
EXPORT		1963	1964 ^x	1965	1966	1967	1968	1969	1970
TOBACCO	Quota	-	5735	12500	13615	17615	17615	17615	17615
	Actual Exports	5359	8353	8773	15488	11533	16334	15153	23745
RAISINS	Quota	-	15250	30000	33000	38570	38570	38570	38570
	Actual Exports	24490	19752	29715	28659	29942	31308	31740	34148
HAZELNUTS	Quota	-	10815	17000	17000	18700	18700	18700	18700
	Actual Exports	23051	28022	41263	29099	47001	40713	58195	42845
DRIED FIGS	Quota	-	7585	13000	14300	18900	18900	18900	18900
	Actual Exports	13891	13353	15736	16394	17076	18005	15311	15518

x Quota opened for the month of December on the entry into force of the Agreement

For export figures Source: Ministry of Trade - Ankara

d) Development of Trade

Nevertheless, as we see in Table 3 b of the Statistical Annex, exports of hazelnuts, raisins, tobacco, dried figs and textiles to the E.E.C. all registered a rising trend between 1963 (the year before preferences took effect) and 1970 (the year before the commercial provisions of the Additional Protocol entered into force). Exports of these five products to the Community rose respectively 84%, 49%, 205%, 12% and 900% between these years. Exports of the same products to the Rest of the World rose respectively by 30%, 11%, -6%, 45%, 680%. Thus the proportions of Turkish exports of tobacco, hazelnuts, raisins and textiles, which were directed to the Six, all rose over these years. This would suggest that the preferences given by the E.E.C. did contribute to the development of Turkish exports during the Preparatory Stage.

At the same time trade in the other direction also increased, as Turkey's imports from the Six increased from \$ 195.2 m in 1963 to \$ 325.2 m in 1970.

CHAPTER 3

The Passage to the Transitional Stage : Negotiation of the Additional and Supplementary Protocols

A. The Decision to move from the Preparatory stage to the Transitional Stage

According to the provisions of the Ankara Agreement the passage to the transitional stage was not automatic. Rather " Four years after the entry into force of this Agreement, the Council of Association shall consider whether, taking into account the economic situation of Turkey, it is able to lay down, in the form of an additional Protocol, the provisions relating to the conditions, detailed rules and timetables for implementing the transitional stage " (Article 1, Provisional Protocol). When the Council of Association decided to start negotiations for the passage to the transitional stage on December 9th 1968, it acted at the earliest time provided for in the agreement.

In taking this important decision the Council of Association stated that " it had considered not only progress achieved in the Turkish economy following the entry into force of the Agreement; but also projections about the future, whether these would permit Turkey to sustain the burdens she would face in the Transitional Stage.

"On this point it is possible to observe firstly that important results have been achieved in the first five-year Plan period and to expect the same progress to continue during the period of the second Plan.

"Furthermore the operation of the Ankara Agreement during the first four year of the Preparatory phase was considered a success both from the point of view of the operation of the commercial and financial provisions; and from the point of view of the mutual co-operation and understanding shown by both sides.

"Moreover the passage to the Transitional Stage would provide the Turkish economy with a new framework which would stimulate economic activity during this period ".

B. The Debate in Turkey about the Additional Protocol

During the negotiations of the Additional Protocol the debate within Turkey turned primarily on the difficulties of Turkey's position as a developing country; and the need to arrive at an Additional Protocol which would not hinder but rather facilitate her development.

Although divided on their value, public opinion did accept that some immediate benefit would accrue to Turkey through the agricultural concessions offered under the Protocol. Similarly it was hoped that in the social field the Protocol would protect the rights of Turkish workers already in the Community and open the way for more to join them. This possibility held the prospect of relief to domestic unemployment and to Balance of Payments difficulties with increases in remittances. Furthermore, although Turkey would have preferred a larger figure, the financial aid contained in the Second Financial Protocol (which was negotiated in parallel with the Additional Protocol) was favourably received.

Turkish concern centred mainly on the prospects for Turkish industry following the introduction of a Customs Union with the E.E.C. For the gradual removal of all barriers on industrial imports from the Six and the application of the Community's Common Customs Tariff on imports from third countries would expose Turkish industry to a degree of competition hitherto unknown. Opinions varied as to how Turkish industry would cope. Some were most pessimistic. The Society of Mechanical Engineers forecast that the final terms of the Additional Protocol would mean the speedy collapse of Turkey's existing industry and would prevent the establishment of new industries (1).

Concern was expressed also about some of the other commercial provisions of the Additional Protocol. Thus Prof. Dr. Zaim (2), for example, argued that, when Turkey agreed to adopt the CCT by the end of the Transitional Stage, she was making an undefined commitment. For the Community was free to change the CCT in the meanwhile without consulting Turkey. Similarly he argued that the Protocol reduced Turkey's freedom to foster economic relations with third countries. For, whilst the EEC was at liberty to negotiate preferential agreements at will, Turkey was obliged to apply the most-favoured-nation clause in favour of the Six (Art. 14) (3).

(1) "Ortak Pazar ve Türkiye" Makina Mühendisleri Odası 1970 p.251

(2) Özel Galatasaray Yüksek İktisat ve Ticaret Okulu 1970, p.3

(3) In practice this has not been the case. When Turkey signed the Protocol for tariff reductions negotiated by 16 developing countries under GATT auspices in 1971, the Community agreed to her derogating from the most favoured nation clause (see Association Council Decision 1/72). Thus the Community accepted that imports of the industrial products involved from the other 15 developing countries should enter the Turkish market on better terms than her own goods.

Others were much more positive about the Additional Protocol. Thus the Ankara, Istanbul and Aegean Chambers of Industry stated that it would give the Turkish economy in general and Turkish industry in particular a great opportunity for development. One of their expectations was that the Protocol would facilitate the development of Turkish exports. A study commissioned by the Economic Development Foundation (I.K.V.) (1) isolated some of the better prospects for Turkish exports. We quote some of the conclusions about the textile and leather industries by way of example. (Compare actual trade figures in Table 3b of the Statistical annex).

" In the context therefore of roughly static demand for cotton in the EEC, the pressure of competition in the EEC is likely to increase as more developing countries endeavour to sell part of the output of their new textile industries to the affluent markets of Western Europe. In this situation, the provisions of the Annex Protocol should be of considerable help to Turkish textile exporters. Out of the 32 textile positions in the foreign trade statistics, 29 are immediately exempted from EEC customs duty. Amongst the articles which have duty-free access are fabrics or blends of man-made and natural fibre, and ready-to-wear garments....

These provisions of the Annex Protocol offer Turkish textile manufacturers the greatest comparative advantages in just those sectors of the textile industry where the greatest growth in import demand is likely to occur, namely blended fabrics and ready-to-wear garments.

(1) " Development of the Turkish Economy in the light of EEC entry" Istanbul 1972. The Report was made by P.A. International Management Consultants. The quotations are from Vol . 3.p. 185 and p 210 respectively.

" In our view the leather industry is an attractive one to develop from the point of view of using scarce resources , because it requires comparatively little imported machinery. It uses Turkish natural resources in the form of hides and skins, and the labour needed to process them into finished or semi-finished articles. Moreover the industry is labour-intensive and the lower wage rates in Turkey should enable the industry to be highly competitive in the EEC in view of the preferential access under the Annex Protocol".

I.K.V. also gave another viewpoint on protection (1) : 'If our industry cannot become competitive within the 22- year transitional stage, the most beneficial solution from the national point of view is rationalisation beginning at once. Sooner or later the consumer will rise up against an industry that lives behind tariff barriers. Even if we don't enter the Common Market, there remains the question of the efforts of international organisations like GATT, Kennedy Round and UNCTAD to increase world trade by removing tariffs and other barriers to it. As is realised in the West, uncompetitive industry is nothing other than a burden on the nation.

" In our industrialisation from every point of view it is necessary that we abandon the policy of supporting industries which are shielded behind tariff walls and are confined to the boundaries of the domestic market.

" There is a point of view put forward by industry that if we become full members it will be impossible to establish profitable industries which require protection at the beginning.

" When we do not know what future technical developments will be, this anxiety is out of place. Rather if a new industry is to be set up and is profitable, it will be more successful if there is a wide market. Its capacity, and hence its costs, depend on the market.

(1) " Avrupa Topluluğu- Türkiye Ortaklığı " IKV İstanbul 1969
p. 59

" If we become full members we should not forget the healthy air which competition will bring. Under today's protection, industry is growing lazy."

In spite of such divergences of opinion there was general agreement at least as to the need to spread the reduction of tariffs and quantitative barriers over a substantial transitional period to facilitate the adjustments which Turkish industry would have to make.

This overriding concern for industry was expressed by the Turkish side at the beginning of the negotiations. The Community side accepted the Turkish view; and joined in issuing a statement that the Transitional stage should not expose the Turkish Economy to harm by any sudden opening to competition with the Six. Nevertheless adequate protection of her industry remained a prime concern of the Turkish side throughout the negotiations.

Thus attention in Turkey during the negotiations was centred on economic questions; and relatively little was said about the broader political question of Turkey's future role vis-à-vis the creation of Europe.

C) The Course of the Negotiations

Following the decision in December 1968 to begin negotiations, extensive talks were conducted throughout 1969, centring on three meetings of the Council of Association. At the third of these, held in Brussels on December 9th 1969, the Community side made a global offer aimed at achieving a final compromise. The Turkish side was not able to pronounce on the new offer immediately and referred it to the Turkish Government.

" Turkey gave her reply on May 13th 1970 and requested an improvement in the Community propositions on certain points. The unresolved questions were settled during the meetings of the Council of Association of July 22nd and November 19th 1970; and the signature of the Additional Protocol took place on November 23rd 1970. On the same date two other documents were also signed : the second Financial Protocol concerning the loans to be accorded by the Community for a further period; and an Agreement on products within the province of the European Coal and Steel Community intended to permit in due course the definition of a preferential régime for those products which are not covered by the Association Agreement.

The Additional Protocol was intended to regulate the conditions, detailed rules and timetables for implementing the transitional stage. Thus following the principles set out in the Ankara Agreement, it fixed the rules for the establishment of a customs union and of closer economic cooperation between Turkey and the EEC (1) over a transitional period of 22 years prior to the final period which should witness the accession of Turkey with the status of a full member.

To become effective the protocol had to be ratified by Turkey and the member states of the Community. Taking account of the delays caused by ratification procedures, the Turkish government expressed the wish to conclude an interim Agreement with the Community to allow the commercial provisions of the Additional Protocol to be implemented in advance. This agreement was signed on July 27th 1971 and entered into force on September 1st of the same year. From that date the tariff and quota provisions of the Additional Protocol began to be applied. However, the calendars laid down for the subsequent progressive realisation of a customs union were not effected by it.

The Additional Protocol fully entered into force on January 1st 1973-----

(1) For a detailed treatment of these provisions see Chapter 5

D. The Extension of the Association to the three new Member States by the Supplementary Protocol

At the beginning on 1971 upon a request from Turkey the two parties agreed to analyse the consequences for the association of the enlargement of the Community. At the end of the same year the Six instructed the Commission to start negotiations with Turkey for the conclusion of a supplementary protocol. This was to constitute the legal instrument necessary to allow the association with Turkey to be extended to the new member states when the enlargement of the Community took place.

Whilst the Community wanted to deal only with the technical and legal aspects of the problem , Turkey from the beginning of the negotiations asked to follow a more global approach which would take account of the general economic consequences for her of the enlargement of the Community.

Apart from the unfavourable impact which a new opening to the outside world was likely to produce on her/^{efforts}to industrialese, Turkey maintained that the equilibrium of the agreement could be upset for the following reasons :

- The extension to new states of the advantages granted to the Community by Turkey could constitute too heavy a burden for her, particularly in the realm of liberalisation.
- Turkish agricultural products enjoyed more favourable conditions of access to the markets of the new member States than under the preferential régime accorded by the Community Therefore the simple application of the Community régime to these markets would entail the risk of considerable losses for Turkey in this sector.
- The general structure of Turkish trade with the new member states was different from that of its exchanges with the Six. The Turkish Balance of Trade was in larger deficit vis-à-vis the Community as originally composed. Therefore there was every

reason to fear that after the enlargement the trade deficit with the enlarged Community would increase considerably.

Three negotiating sessions took place during 1972. The two problems which were most strongly debated were the following: the flexibility measures demanded by Turkey in the industrial field and the question of the adaptation of the basis of calculation of the consolidated liberalisation list to the new conditions created by the enlargement. Finally two other negotiating sessions were required in the spring of 1973 before the negotiators were able to record their agreement on the content of the Supplementary Protocol.

The signature of this Supplementary Protocol, ^{that} on products within the province of the ECSC, as well as that of the Interim Agreement allowing the application in advance of the commercial provisions of the Supplementary Protocol took place in Ankara on June 30th 1973.

The Content of the Supplementary Protocol

The provisions of the Supplementary Protocol, which is intended to extend the EEC-Turkey Association to the three new member States, are essentially of three types : transitional measures, adaptation measures and flexibility measures introduced in favour of Turkey.

a) The Transitional Measures are those which will apply only temporarily and will disappear by 1 July 1977 at the latest. These include in particular the provisions governing the mechanisms whereby the new Member States of the Community on the one hand, and Turkey on the other, will gradually bring their respective import arrangements into line with the preferential arrangements of the Association.

The three new Member States agreed upon the entry into force of the Supplementary Protocol to grant total exemption from duty to Turkish industrial products, with a few exceptions.

For its part Turkey was to reduce in favour of the new Member States the difference between the customs duties and taxes of equivalent effect which she applies towards third countries and those which-in virtue of the Association Agreement- she applies towards the Community as originally constituted, in steps of 20% according to the following timetable :

- The first step was to be effected when the Interim Agreement entered into force.

- The following steps were then to be effected on January 1st 1974, January 1st 1975, January 1st 1976 and January 1st 1977.

Originally the Community proposed that the three new Member States should reduce their customs duties over five years, following a timetable which was inspired by that of the treaties of accession. However, Turkey opposed this formula stating that it would result in a discrimination against Turkish products on the market of the Three compared with the products of countries benefitting from generalised preferences.

b) The adaptation measures are those measures of a permanent nature designed to make adaptations to the existing agreements necessitated by the fact that the Association henceforth includes nine instead six Member States on the Community side.

The tariff quotas opened by the Community in favour of Turkey under the Additional Protocol have thus been increased from 200.000 to 340.000 metric tons for petroleum products, from 300 to 390 metric tons for cotton yarn and from 1,000 to 1,390 metric tons for other woven fabrics of cotton. Similarly, the additional contributions from the new Member States make it possible to increase the financial aid granted to Turkey under Article 3 (2) of the second Financial Protocol from 195 million to 242 million UA.

c) Flexibility Measures During the course of the negotiations of the Supplementary Protocol Turkey had expressed deep concern as to the new burdens which could result for her from the extension of the Association Agreement to the three new Member States, particularly in the realm of liberalisation. It was for this reason, with the aim of not imperilling her industrialisation goals, that she made certain demands designed to give flexibility to her obligations in this realm.

The overall compromise reached at the end of the negotiations (see Article 4 of the Supplementary Protocol) provided that the consolidated liberalization list deposited in 1970 (equivalent to 35% of Turkish imports on private account from the Six in 1967) should first be extended as it stands to the three new Member States. However, at the time of the first increase in this list, (1 January 1976) the liberalization rate which was then ^{to} rise to 40% would be calculated on the basis of Turkey's imports from the Nine during the reference year of 1967.

Also another important measure of flexibility was introduced in favour of Turkey. This consisted of authorizing her to modify - subject to certain restrictions- the composition of this list, i.e. to deconsolidate some products.

The relevant conditions which are laid down in art 4 paragraph 2 of the Supplementary Protocol are as follows :

- These modifications should not effect more than 10% of the value of imports from the Community in 1967.

- The total value of imports from the Community of all the products on the Consolidated Liberalisation List should not be reduced. (For this purpose too the 1967 figures are used)

For the products taken off this list, quotas must be opened. In each case the quota must equal at least 60% of the imports of the product in question from the Community during the previous year. This, however, does not prejudice Turkey's right to apply to these products the provisions of Art. 22 para 5 of the Additional Protocol. (i.e. The right to introduce quantitative restrictions on the importation of liberalised- but not consolidated- products on condition that quotas are opened in favour of the Community equal to at least 75% of the average imports from the EEC during the course of the last three years before this reintroduction).

Moreover, Article 3 of the Supplementary Protocol introduced another important flexibility measure in favour of Turkey. By virtue of Article 12 paragraph 3 of the Additional Protocol, Turkey may reintroduce, increase or introduce customs duties on imports of products subject to the 12 year tariff-reduction timetable, in order to protect the development of a processing industry which does not exist in Turkey or to ensure the expansion in accordance with her development plan of an existing processing industry. This is subject to a ceiling of 10% of imports from the Community in 1967. To this existing authorization the Supplementary Protocol adds the possibility of introducing quantitative restrictions for the same products. In this case Turkey was to open a quota equal to at least 60% of the imports of this product from the Community during the year preceding the introduction of these measures. These quantitative restrictions should not effect more than 5% of imports from the Community (as originally comprised) in 1967.

If the Council of Association has not taken any decision under the preceding provisions within six months of her lodging the request, Turkey may, after informing the Council of Association and not earlier than one year after the lodging of her request, reintroduce quantitative restrictions.

Turkey can use this facility until the end of the period for which the 40% level of liberalisation is applicable, that is to say until January 1st 1981, or possibly until January 1st 1983. Moreover, it is specified that Turkey should simultaneously add new products to the consolidated liberalisation list in order that the total value of imports from the Community of all the products on the list should not fall.

Finally, in a desire to express their mutual concern for the industrialisation of Turkey, the Contracting Parties annexed to the Supplementary Protocol a declaration in which they stated that they were resolved to devise and take measures which, within the framework of the Association Agreement and the Additional Protocol, would seem to be the ones most likely to promote the industrialisation of Turkey under its Development Plan.

In agriculture, the Supplementary Protocol (see Article 6 and the Joint Declaration on that Article) provides that additional concessions requested by Turkey in order to compensate for its expected losses, when the three new Member States adopt Community arrangements for agricultural imports, will be adopted on the occasion of the first agricultural review provided for in Article 35(3) of the Additional Protocol; it was agreed that this first review- which should normally have taken place on 1 January 1974- would be brought forward and would begin as soon as the Supplementary Protocol had been signed and would therefore cover the Community concessions consequent upon enlargement.

As agreed, this review began on June 30th 1973 during the session of the Council of Association which took place in Ankara. In this context the Community accorded Turkey new concessions covering some twenty tariff positions. These concessions took effect under the Interim Agreement on January 1st 1974 (1).

(1) See also Ch.5

For the Supplementary Protocol to enter into force it is necessary for it to be approved by the Turkish Grand National Parliament and the Parliaments of the Nine. On the Turkish side the Protocol has not yet been ratified. However, an Interim Agreement, which implements the commercial provisions of the Protocol in advance, entered into force on Jan. 1st 1974. As, however, the "flexibility measures" contained in Art 3 and 4 (paragraph 2) of the Supplementary Protocol contain revisions of the Additional Protocol, they could not be implemented in advance under the Interim Agreement. For they require the ratification of the Parliaments of Turkey and the Nine. Similarly the increase in the funds made available under the second Financial Protocol requires Parliamentary ratification. The fact that the Turkish Parliament has not yet ratified the Supplementary Protocol means that Turkey has not as yet been able to profit by these provisions, which were made at her request.

S E C T I O N

II

THE AGREEMENT IN OPERATION

C H A P T E R 4

THE ORGANS OF THE ASSOCIATION

A. THE STRUCTURE AND LEGAL CHARACTERISTICS OF THE INSTITUTIONS

In studying the general nature of Association, we indicated that this ^{included} ~~inter~~ ^{inter} ~~alia~~ the extension-albeit partial- of the institutional methods applicable within the Community to the relationship between it and the associated country. Although we are concerned here with the Association of Greece or of Turkey, all the associations established to date possess their own institutions.

The whole thrust of the Treaty of Rome was precisely to break with the traditional character of a multilateral treaty. For the performance of multilateral treaties usually suffer from a lack of executive or judicial machinery.

Because the associated State is not a member of the Community, it cannot participate in the running of the latter's institutions. Consequently it is necessary to create for the Association institutions separate from those of the Community.

The Association Agreement with Turkey provided primarily for an executive body charged with ensuring the application and progressive development of the rules of the Association. This is the Council of Association. The Agreement with Greece provided for an arbitration body as well as an executive body. The primary function of the Council of Association is the implementation of the Agreement. However, as the Ankara Agreement did not set up a separate judicial or arbitration body to remedy the absence of judicial machinery, the Council of Association was entrusted with certain functions in settling disputes between the Parties to the Agreement. Moreover, as regards the settlement of disputes the Agreement provided some possibilities of referring them to other judicial bodies

already in existence. Thus we are concerned here to study the Council of Association and the machinery for settling disputes. Also we must mention two bodies set up subsequently: the Committee of Association and the Joint Parliamentary Committee.

a. The Council of Association

The Agreement provided for the following institutions :

1. A Council of Association (articles 6,22,23 and 24)
2. A procedure for settling disputes
3. A co-operation between the European Parliament and latter the Economic and Social Committee on the one hand and the Turkish Parliament and the corresponding organs in Turkey on the other. (Article 27).

In contrast to the classical techniques for international engagements, the Parties to the Ankara Agreement established a permanent contact in order to ensure the concerted application of the objectives of their contractual connection. The Council of Association is the most important institution of the Association. It is responsible for ensuring the application and progressive development of the Association (article 6).

The composition of the Council of Association reflects the bilateral and equal nature of the Association.

As with the corresponding organs of the Association with Greece and the ACP states, the Council of Association is composed of members of the Governments of the Member States and of members of the Council and Commission of the EEC on the one hand and of members of the Government of the Associated State on the other (art. 23 para. 1). Thus in conformity with the bilateral conception of the Community, it concerns two parties: The Community and Turkey. However, on the Community side we find simultaneously members of the Governments of the Member States and Members of the Institutions of its Community

The participation of the Member States jointly with the Community in the Council of Association is explained (from the Community's point of view) by the status of the Association, status which is neither fully subject to governmental nor to Community jurisdiction. The participation in the Association's organ takes place both at the Government and the Community level.

The meetings of the Council of Association are thus normally held at Ministerial level; but there is provision for members to arrange to be represented (art. 23/2). The internal rules of the Council of Association provided a priori that the Council should meet at ministerial level at least once every six months unless there was a decision to the contrary; but that apart from these cases the Council would meet at the level of Representatives.

The Representatives mentioned above have the same powers as the accredited members. This representation is necessary in our age in view of of the very busy timetable of Ministers.

The office of President of the Council of Association is held in turn for terms of six months by the Community and by Turkey (art. 24/1).

The Council of Association has the following powers :

The competence of the Council of Association is defined by article 6 of the agreement. By reason of its composition and its method of taking decisions the Council of Association is a select international conference which allows the States involved to confer together and arrive at agreement.

This body has different types of powers :

- those of a conciliation body
- the power to recommend
- the power of decision

The Council of Association, like the Council of Ministers of the EEC, has important powers of decision, notably that of taking decisions suitable to attain one of the objectives of the agreement when the agreement did not provide the necessary powers (articles 22 and 30).

The Council of Association has two other roles : it is a review body which periodically undertakes to review the results of the Association arrangements. Each year it prepares an annual report (art. 22/2).

By the Agreement the Council of Association is also constituted as one of the means for the settlement of disputes (Art.25).

In the Council UNANIMITY is required (art. 23/3). To arrive at common positions amongst themselves, the Nine concluded an 'internal agreement' which lays down two cases :

1) For questions which concern commercial policy, the common position is obtained by the application of the rules of the Treaty of Rome, that is to say in general by decision of the Council upon propositions from the Commission (art. 149 of the Treaty of Rome).

2) On other questions, the position is adopted unanimously- after consulting the Commission- by the Council or by the representatives of the Governments of the Member States meeting within the Council. (Turkey, Internal accord, Official Journal of the European Communities, Dec. 29th 1964).

Turkey makes her decision independently and possesses one vote, the same as the Community. The Council of Association makes its decisions unanimously. These decisions principally concern the following questions :

- customs arrangements (for goods imported from third countries- art. 2/3 of the Additional Protocol; to determine methods of administrative co-operation- art.4 : authorization to introduce new customs duties on exports- Art. 7; authorization to retain customs duties of a fiscal nature - art. 16/4; the postponement of time limits for the suppression of quota restrictions- art. 22/3 : etc.)

- agriculture (information to be provided- art. 33/4; measures concerning the free movement of agricultural products between the Community and Turkey- art. 34-35)

- social questions (the free movement of workers-art. 36; social security- art. 39).

- the question of the freedom of establishment (art 41)

- transport (extension to Turkey of the Community's policies relative to transport- art. 42)

- the alignment of economic policy (the application of Community rules on competition between 1973 and 1979- art.43: where necessary recommending appropriate measures for the co-ordination of Turkish and Community economic policies- art. 49).....

Moreover, the Council of Association is the forum, which is notified of all the important unilateral decisions which may effect the functioning of the Association Agreement: and the forum within which Turkey and the Community consult over all the sectors which may interest the Association.

The Council of Association also has the power/^{to}make recommendations in various sectors.

At first sight it seems that the Council of Association only disposes of explicit powers, i.e. powers expressly conferred by the Association Agreement. Indeed article 6 of the Agreement provides for " a Council of Association which shall act within the powers conferred upon it by this Agreement". However, as we saw above, article 22/3 permits the Council as from the Transitional Stage to enjoy implicit powers. The Council will be able to take appropriate decisions in cases where, in the course of the implementation of the Association arrangements, common action by the Parties seems necessary to attain one of the objectives of the Agreement but the requisite powers are not granted in the Agreement.

The role of the Council of Association therefore becomes more important. It is the centre of all the activities which concern the Association.

To conclude our consideration of the Council of Association we must also explain the acts or legal standards of the Council of Association.

The Council of Association may make decisions or recommendations (art.22). The decisions of the Council of Association are binding. " Each of the Parties shall take the measures necessary to implement the decisions taken" (art 22/1). An important question concerns the direct application of these decisions. Unlike certain acts of the Institutions of the Community (art.189 of the Treaty of Rome), the decisions of the Council of Association cannot be applied directly to nationals of the Contracting Parties. In other words, the organ of the Association does not enjoy supranational powers. The Association set up a bilateral and equal link between the Contracting Parties; and the decisions of the Council have the effect only of creating external commitments for the Parties. Each of them takes the measures necessary to include the decisions of the Council in their domestic legal systems.

The recommendations of the Council, whilst constituting an important means of exerting pressure, do not possess a binding legal character.

It is necessary finally to stress again that the Council of Association takes its decisions by unanimity. The unanimity rule flows from the bilateral and equal character of the Association. As an Associate, Turkey does not yield any of its sovereignty to the Community.

Thus we can conclude from this that the Council of Association constitutes a body for negotiation and for the implementation of the principal decisions to be taken for the development of the Association. Its character as an effective decision-making body has been accentuated by the practice, for which the Turkish partner has particularly pressed, of not letting "the Council meet for nothing", or in the words of Mr. Çağlayanlı (July 14th 1976) of not letting the Council meet only "to make declarations of good will, promises of a general nature, and minor adaptations which only serve to maintain appearances". The Council is the place where agreement between the Community and its associate are arrived at. Therefore each meeting of the Council must lead to a strengthening of EEC-Turkey relations in conformity with the objectives of the Association.

The Council of Association has met 22 times since its creation (as of October 1976).

It publishes each year a report on the evolution of the Association. The main statistics relating to the Association and the legal texts implementing the decisions of the Council of the EEC in Community law are generally annexed to this report.

b) Bodies related to the Council of Association

1. According to article 24 of the Agreement, a body could be set up by the Council to ensure the continuing co-operation necessary between sessions of the Council.

By decision 3/64 of the Council of Association an Association Committee was established. It is composed, on the one hand, of representatives of the governments of Member States, of the Council and of the Commission of the EEC; and, on the other, by representatives of the Turkish Government.

The Association Committee assists the Council in the fulfilment of its tasks ; prepares for its proceedings; and studies all the questions which are referred to it for study. Located at Brussels the Committee meets at Ambassadorial level. Between the meetings of the Council of Association , the Association Committee constitutes an almost permanent administrative body for the Association.

The Association Committee had met 72 times from its inception until the end of July 1976.

2. Moreover, the Council of Association can decide on the creation of any other committee able to assist it in its tasks.

Thus the Council of September 15th, 1975 decided to set up a group of experts to prepare a report on means available within the framework of the Association of resolving the problem of the deficit in the Turkish Balance of Trade. Turkish and Community experts met in February 1976 in Ankara and in March in Brussels. The report was submitted to the Association Committee on March 30th.

c) The Parliamentary Body

By virtue of article 27 of the Agreement and of the resolution of the European Parliamentary Assembly dated May 14th, 1965, a Parliamentary Committee for the Association was set up by Decision 1/65 of the Council of Association. It is composed of 18 members of the Turkish Grand National Assembly and 18 members of the European Parliament.

In principle the Committee meets twice a year. The annual report of the Council of Association is placed before the Committee; and any other problem relevant to its jurisdiction may be laid before it by the European or the Turkish Parliament. The Committee may present recommendations to the European Parliament and to the Turkish Parliament.

In practice the Joint Parliamentary Committee now meets three times a year, once in the winter at Luxembourg, the seat of the European Parliament, and on two other occasions, alternately in one of the Member States and in Turkey.

The Parliamentary Committee has met 21 times since its creation. (as of July 1976)

d) The Settlement of Disputes

According to article 25 ' The Contracting Parties may submit to the Council of Association any dispute relating to the application or interpretation of this Agreement', and ' The Council of Association may settle the dispute by decision'. Given the unanimity rule in the Council of Association and in spite of the qualification about a decision, this type of rule essentially boils down to an agreement. The solution of a conflict would come from diplomatic negotiations.

The Ankara Agreement lays down an autonomous procedure for settling disputes. One might have thought of entrusting this task to the Court of Justice of the European Communities. But the very nature of the Association would not permit such a solution. For the Associated State remains outside the Community; and cannot be subjected unilaterally to the jurisdiction of the Court, which is in the final analysis part of one of the two Parties to the Agreement. Mr. Dehousse's report at the time when the European Parliament was consulted about the Association Agreement shows us that, in spite of the grave difficulties of such a solution, this possibility was contemplated by the Six.

The rapporteur Mr. Dehousse, wrote : " It is also very regrettable that in this case (Turkey), as in that of the Association with Greece, the Court of Justice of the European Communities has not been designated as the competent authority. Clearly Turkey was of the opinion that such a solution would not sufficiently guarantee the bilateral character of the Agreement's institutional system". "It would have been desirable for the Court of Justice of the European Communities to have been designated by the Association Agreements as the final legal authority. In that case it would have been possible to appoint to the Court "ad hoc" judges who were nationals of the Associated State concerned". Given that they abandoned the idea of using the legal body of the Community, it would have been possible for the Parties to set up a new judicial body especially for the Association.

Now, in as far as the Association with Greece or that with Turkey is concerned, the Council of Association acts first under the procedure for settling disputes. At first sight the procedure is simpler for the Association with Turkey. Each of the Contracting Parties may bring a disputed question before the Council of Association. The latter may settle the dispute by means of a decision. It may also decide to submit the dispute to the Court of Justice of the Communities or to any other legal body (art. 25/2). When there is a lack of agreement within the Council, the solutions envisaged by the two Association Agreements begin to differ. For Greece, when there is a lack of agreement within the Council of Association, the dispute is referred to an arbitration body whose composition is fixed by the Athens Agreement. By contrast, the Ankara Agreement did not create such a body for the Association with Turkey. However, article 25/4 states that; " Where the dispute cannot be settled in accordance with paragraphs 2 of this Article, (i.e. be resolved by the Council) the Council of Association shall determine, in accordance with Article 8 of this Agreement, the detailed rules for arbitration or for any other judicial procedure to which the Contracting Parties may resort during the transitional and final stages of this Agreement". Thus the question of the settlement of disputes will in due course be resolved by the creation of a new arbitration or judicial procedure which will supplement the activity

of the Council. In accordance with the Agreement the Council will remain the principal organ for the settlement of disputes.

We saw that the Ankara Agreement accepted in principle a solution from diplomatic negotiation and compromise, the Decision of the Council. But the principal characteristic of this system is that, as for all other decisions of the Council, the Parties possess only one vote to resolve disputes. The dispute may be resolved either in the Council or in the Court of Justice of the Communities or in any other court to which it may be referred. Even in the second case a decision of the Council, which cannot be taken without the agreement of Turkey, is indispensable.

Thus neither of the two Parties to the Association Agreement can be subjected to any method for settling disputes without its consent.

Whatever, may be the decision taken on a dispute between the two Parties , " Each Party shall be required to take the measures necessary to comply with such decisions" (Art. 25/3).

We should note that up to the present moment (October 1976) the rules relative to the settlement of disputes have not been applied in relations between Turkey and the EEC. Furthermore given that all decisions in the Council are adopted unanimously, there was no plan that its acts should be subject to appeal. It is more logical to think that this procedure could have played and will play an important role in the interpretation of the Agreement.

d) The Budget

It should be noted that the Association does not have a budget. The rule has been established that each State should finance the costs of its representatives. The costs involved in sessions (eg. the interpretation of speeches) are financed by the state in whose territory the session takes place.

C H A P T E R 5

ECONOMIC RELATIONS

I. The Existing Pattern of Trade

a. The European Community- Turkey's largest trading partner

The European Community is by far Turkey's largest trading partner accounting for almost half of her trade. The position is shown in detail in Table II. Between 1973 and 1975 the Community took on average over 45% of Turkish exports. This compares with figures of less than 10% for the USA; less than 12% for EFTA; and less than 9% for Comecon. In common with many other countries Turkey has increased her sales to Iran and the Arab countries in recent years. Nevertheless these sales still accounted for no more than 17% of exports in 1975. Hence the Community remains by far the largest market for Turkish goods. The position is almost exactly the same for imports. The Community is the largest supplier by a wide margin.

Comparison of export and import figures in Table I show that Turkish trade with the Community has been in substantial deficit in recent years. It will be observed, however, that the same is true of Turkish trade with each of the other groups of countries (viz. the USA; Japan; EFTA; Comecon; the Arab Countries plus Iran; and other countries). Such a deficit is normal for a country at Turkey's stage of development; and reflects the rapid pace of industrialisation in Turkey.

b. The Commodity Pattern of Turkish Trade (1) and the significance of this for relations with the European Community

Turkish imports are overwhelmingly composed of industrial goods and raw materials.

(1) See Statistical Annex Tables 3 a, 3b, 4a and 4 b.

TABLE II TURKEY'S TRADE WITH DIFFERENT GROUPS OF COUNTRIES 1973- '75

Source: State Institute of Statistics, Ankara

a) EXPORTS

\$ m

COUNTRY	1973		1974		1975	
	Value	%	Value	%	Value	%
EC (Nine)	611.6	46.4	717.3	46.8	615.1	43.9
USA	130.8	9.9	144.2	9.4	147.1	10.5
JAPAN	16.6	1.3	18.1	1.2	28.7	2.0
E F T A	155.8	11.8	154.4	10.1	169.7	12.1
COMECON (1)	101.5	7.7.	145.5	9.5	122.3	8.7
ARAB COUNTRIES+ IRAN (2)	173.8	13.2	222.5	14.5	234.1	16.7
OTHER	126.9	9.6	130.2	8.5	84.0	6.0
T O T A L	1317.0	100	1532.2	100	1401.0	100

b) IMPORTS

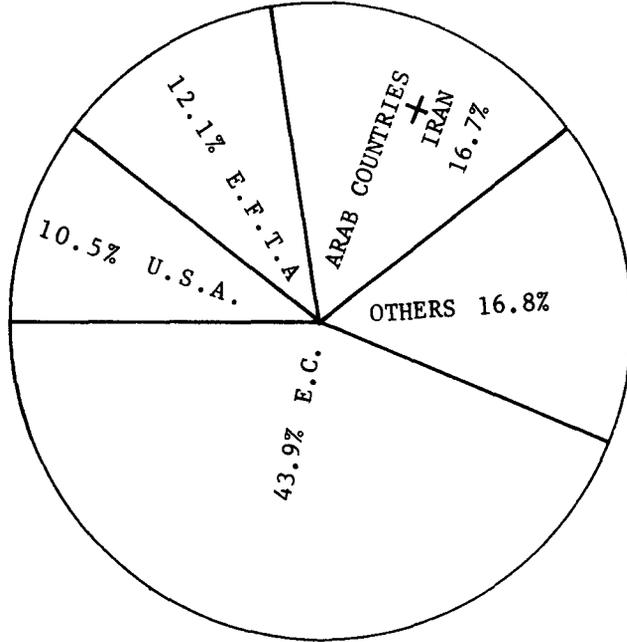
(1) European Comecon
(2) Iran, Morocco, Algeria, Tunisia, Libya, UAR, Jordan, Syria, Iraq, Kuwa S. Arabia.

COUNTRY	1973		1974		1975	
	Value	%	Value	%	Value	%
EC (Nine)	1154.8	55.00	1708.2	45.2	2338.2	49.3
USA	185.5	8.8	350.4	9.3	425.7	9.0
JAPAN	58.9	2.8	199.2	5.3	211.4	4.5
EFTA	189.7	9.0	324.8	8.6	418.8	8.8
CCMECON (1)	174.4	8.3	257.5	6.8	244.1	5.2
ARAB COUNTRIES+ IRAN (2)	216.1	10.3	728.3	19.3	839.6	17.7
OTHER	119.4	5.7	216.4	5.7	260.8	5.5
TOTAL	2098.8	100	3777.6	100	4738.6	100

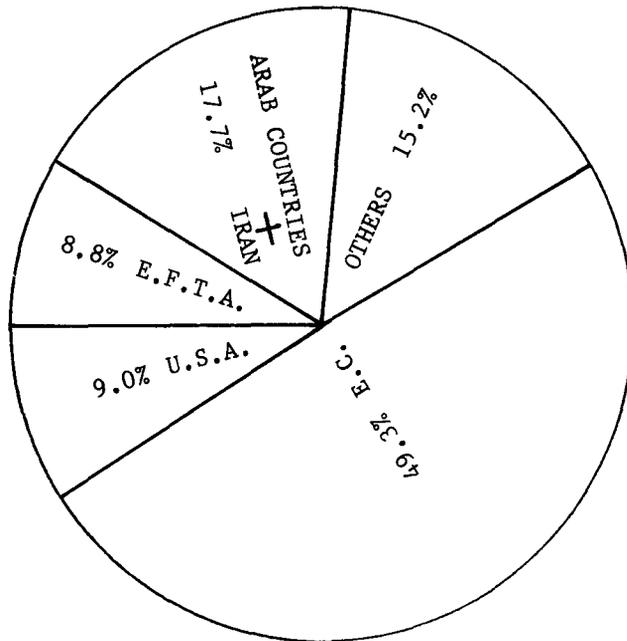
Chart : I

Proportion of Turkish Trade with different countries in 1975

A) EXPORTS



B) IMPORTS



On Turkish definitions (1) agricultural imports accounted for no more than 3.1% of total imports in 1973. The predominance of industrial imports reflects the needs of the Turkish drive to industrialize. Turkey's new industries require capital equipment, intermediate inputs and supplies of raw materials. This industrialisation is also changing the pattern of Turkish exports. The proportion of industrial exports has grown rapidly since 1970. Between 1963 and 1970 the proportion of industrial exports was very stable, averaging (on the Turkish definition) 16.7% of total exports. Since 1971, however, the trend has been upwards, reaching 35.9% in 1975. This increase owed most to large increase in the sales of the Textile, Food and Drink and Leather industries.

Nevertheless for the moment Turkey continues to rely mainly on her agricultural products for exports earnings. Agricultural exports represented 56.6% of exports in 1975, with Cotton, Tobacco, Hazelnuts and Raisins alone accounting for 42.8%.

When we turn to consider the implications of such a pattern of trade for Turkey's relations with the E.C. it is clear that, although the Community is by far the world's largest importer of agricultural products, these imports can, under certain circumstances, have potentially damaging effects upon the producers within the Community. Input costs, and notably that of labour, are considerably higher than in

(1) Turkish and E.C. definitions of what constitute agricultural and industrial products vary considerably. The Association Agreement employs the EC definition. Hence there is no confusion as to the scope of its various provisions. Complications do, however, arise in comparing Turkish and EC statistics and it is necessary to be aware that there is a difference. Broadly the difference is that those products, which the EC terms 'Agricultural Products', are divided by the Turkish definition between Agricultural and Processed Agricultural Products (the latter being classified as industrial products). Moreover Turkey classifies a number of products such as cotton and timber as agricultural products whereas the Community classifies them as industrial, regarding them rather as industrial raw materials. As cotton is Turkey's largest export, the choice of definition can make a very substantial difference to the figures quoted for Turkish agricultural and industrial exports. It is important to know which definition is in use in any given Table.

most other countries. This, coupled with Community Common Agricultural Policy mechanisms that for certain products rely exclusively upon the customs tariff as the regulator of external competition and bearing in mind the difficult structural conditions under which many Community farmers operate, illustrates why trade concessions upon agricultural products can be an extremely delicate matter for the EEC. Because farm incomes within the Community are low relative to other sectors one important objective of the Common Agricultural Policy is to provide Community farmers with a better standard of living. Frequently this objective is in conflict with the aspirations of agricultural producers in third countries seeking greater penetration of this market.

This conflict of interest is the cause of certain disputes which recur with for example the USA in the agricultural sector. Clearly such difficulties are most acute where the products exported to the Community are grown in the agriculturally depressed areas of the latter, for example wine, olive oil and tomato paste. As several such products are facing acute crises within the Nine, concessions to competitive produce from other countries involve a real cost to the Community.

A further problem is that the agricultural structure of much of the Mediterranean region is very similar. Thus many Mediterranean countries have the same range of products to export, notably citrus fruit, olive oil, wine and other fresh fruit and vegetables. Moreover, for historical reasons many of these countries have special ties with the EC member states and have a claim upon the Community. Thus it is that whatever concessions the EC can make in the light of the domestic agricultural situation have to be applied to a number of states. Concessions made to any single trading partner are therefore of necessity restricted.

Thus, whilst Turkey relies to a large extent on her agricultural exports and naturally desires to promote these, the Nine are also concerned about their Agriculture, regarding certain sectors as being particularly sensitive. In as far as these respective concerns relate to the same products, it

is not surprising that disputes over trade in agricultural products should sometimes occur.

II. The Goal of the Association : Customs Union

Nevertheless in spite of such difficulties over trade the object of the Association was clearly defined as being : "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" (art.2). The Agreement envisaged the progressive establishment of a Customs Union as being the principal means of achieving the growth of trade.

a. Why a Customs Union ?

1. The Experience of the Six

In setting the objective of a Customs Union both Turkey and the Community were much influenced by the success of the Customs Union then being realised between the Six. For trade within the Six multiplied very rapidly during and immediately after the establishment of the Customs Union between them. Table III shows the growth of intra and extra-Community trade between 1958 (when the Treaty of Rome entered into force) and 1972 (the last year before the Six became Nine). It shows that between these years the Six increased their imports from one another by 795%(1), while their imports from the rest of the world rose by 253%. Similarly their exports to one another rose by 790% (1) whilst their exports to third countries rose 287%. The more rapid increase in internal trade in this period occurred in spite of the liberal foreign trade policy of the Six vis-à-vis third countries, (seen in the Kennedy Round, the introduction of the Generalised System of Preferences -----

(1) Import and export figures usually differ slightly, as the former are expressed c.i.f.(including the costs of carriage insurance and freight) whereas exports are valued f.o.b.(free on board) not including these charges.

TABLE III GROWTH IN INTRA-COMMUNITY TRADE

a) IMPORTS

§ m

IMPORTING COUNTRY	1958		1965		1972	
	INTRA-EC IMPORTS	EXTRA-EC IMPORTS	INTRA EC IMPORTS	EXTRA EC IMPORTS	INTRA EC IMPORTS	EXTRA EC IMPORTS
BELGIUM/LUXEMBOURG	1462	1674	3473	2900	9786	5437
FRANCE	1227	4382	4015	6321	13263	13076
GERMANY	1896	5465	6660	10812	19413	13076
ITALY	687	2528	2306	5072	8679	10657
HOLLAND	1518	2107	3987	3477	9651	7505
THE SIX	6790	16156	20442	28582	60786	57028
					(+ 795%)	(+ 253%)

b) EXPORTS

EXPORTING COUNTRY	1958		1965		1972	
	INTRA-EC EXPORTS	EXTRA-EC EXPORTS	INTRA EC EXPORTS	EXTRA EC EXPORTS	INTRA EC EXPORTS	EXTRA EC EXPORTS
BELGIUM/LUXEMBOURG	1377.3	1675.2	3947.1	2434.6	10770	4942
FRANCE	1135.6	3984.9	4114.7	5933.4	12711	12769
GERMANY	2406.0	6401.3	6306.3	11586.0	18431	27780
ITALY	608.3	1968.7	2892.8	4306.9	8393	10206
HOLLAND	1336.8	1880.6	3561.3	2832.0	10775	5842
THE SIX	6864	15910.7	20822.2	27092.9	61080	61539
					(+790%)	(+ 287%)

Sources : Foreign Trade by Country
1953-8
Brussels SOEC 1959
Foreign Trade Monthly
Statistics
Luxembourg SOEC April 1973

etc.). Rather the implementation of the Customs Union opened the way for far greater integration between the economies of the Six. And it was this growing integration which caused the proportion of intra-EC trade in the total trade of the Member states to rise from 30% in 1958 to 51% in 1973.

2. The gains anticipated from a Customs Union between Turkey and the EC

Even as this growth in trade between the Six contributed greatly to their growing prosperity, so both Turkey and the Community looked for similar benefits from the establishment of a Customs Union between themselves. They realised that the freeing of trade would entail sometimes painful adaptations (see, for example, the previous section). Yet they foresaw that the gains, which would accrue from closer trading and economic links and the resulting greater integration of their economies, would far outweigh the initial costs of the establishment of a Customs Union.

b. How the Customs Union is to be realised

If the Association Agreement of 1963 contained the commitment to establish a Customs Union, it was the Additional Protocol which specified the programme for bringing it into being. It contained timetables for removing barriers on trade between the partners; and the timetables whereby Turkey would adopt the EC's Common Customs Tariff on its trade with third countries (1). For reasons which will be explained in section IV it proved necessary to specify separate arrangements for achieving Customs Unions for two different types of goods. There is a régime which applies to agricultural products (articles 32-35) and to " products which are subject, on importation into the Community, to specific rules as a result of the

1) It is, of course, the existence of a common tariff for imports from third countries which differentiates a Customs Union from a Free Trade Area (where each country retains its own separate tariffs for imports from third countries). See, for example, Articles 18 to 29 of the Treaty of Rome which laid down the process whereby the Six aligned their external tariffs.

implementation of the Common Agricultural Policy" (industrial products but with agricultural elements-article 31). There is a separate general regime which applies to trade in all other goods. This régime therefore covers trade both in industrial goods and in minerals. For the sake of simplicity, in what follows we shall refer to these régimes as those referring to agricultural and industrial products respectively. It should, however, be remembered that trade in minerals is included under trade in industrial products.

In addition to these provisions on the Free Movement of Goods (Title I of the Protocol), the Additional Protocol also provided for The Closer Alignment of Economic Policies (Title III).

This Title contains provisions on Competition, Taxation and the Approximation of Legislation (Art. 43-48); Economic Policy (49-52); and provides for the co-ordination of commercial policy vis-a-vis third countries (Art. 53-56).

Taken together with the other provisions of the Protocol these Articles provide the framework necessary for an increasing economic interpenetration between the two parties and whilst the Protocol does not specifically include a section on economic and industrial co-operation, several of these articles imply increasing co-operation between Turkey and the Community.

Today Turkey and the Community are already in the fifth year of the twenty-two year Transitional Period during which the Customs Union is to be realized. Considerable progress has already been made in suppressing tariff barriers. Progress to date and the provisions for completing the Customs Unions in the industrial and agricultural fields respectively will form the subjects of the next two sections.

III. Trade in Industrial Products

In considering ^{how} a Customs Union for industrial products is being established, we shall first outline how the EC is to remove all barriers to Turkish exports. Then we shall see how Turkey is to remove all tariffs and quantitative restrictions on EC exports and align her tariffs for imports from third countries to those of the Common Customs Tariff on the Nine.

a. Movements towards a Customs Union by the EC

1. Free Entry for Turkish goods

Art. 9 of the Additional Protocol provided that, on the entry into force of the Additional Protocol, the Community would abolish customs duties /^{and} charges having equivalent effect on Turkish industrial exports to the Six. Annexes 1+2, however, allowed for 4 exceptions. These were: some petroleum products of tariff positions 27.10 to 27.14; cotton yarn not put up for retail sale (position 55.05); other woven fabrics of cotton (55.09); and machine-made carpets of wool or of fine animal hair(part of tariff position 58.01). These exceptions will be considered in detail in section 3.

Article 24 further provided for the abolition of all quantitative restrictions on industrial imports into the Community from Turkey. Moreover, this Liberalisation was to be consolidated in respect of Turkey (i.e. the Community undertook not to re-introduce any of these restrictions). The sole exception to this consolidation is contained in Art. 2 of Annex 2 and relates to two tariff positions (50.01 silk-worm cocoons for reeling and 50.02 raw silk (not thrown)).

The Supplementary Protocol contained provisions for the Three new Member States to introduce the same concessions in favour of Turkish industrial exports. These provisions were implemented by the Interim Agreement in advance of the entry into force of the Supplementary Protocol.

2. The Significance of Free Entry

The abolition of all tariff restrictions on Turkish industrial exports to the Community (other than on the four exceptions specified above) took effect immediately the Interim Agreement entered into force on September 1st, 1971. By this abolition the Community from its side moved almost all the way to achieving a Customs Union for industrial products in one step; and that before the Transitional Period had even technically begun. (The Additional Protocol itself entered into force on January 1st, 1973). In doing so the Community gave Turkey the best treatment possible for her industrial exports. This treatment is far better, for instance, than that given under the Generalised System of Preferences, which is subject to tariff quota restrictions. Indeed in many cases Turkish products were given better treatment on EC markets than the products of member states. For, whilst the Treaty of Accession gave a five-year Transitional Period for the Six and the Three to eliminate tariffs on their trade with each other, both the Six and the Three removed their tariffs on Turkish produce at once. Thus, for example, Turkish leather garments enter both British and German markets completely freely, whilst, until July 1st, 1977, British garments will be subject to duty on entry into Germany and German ones will pay tariffs on importation into the U.K. This example should suffice to show the extent of the concessions the EC has already made to Turkey.

The significance of free entry is two-fold. Firstly it provides a definite competitive advantage for Turkey in her established export trade. In 1973 exports in chapters 25 to 99 of the Brussels Tariff Nomenclature (other than the exceptions mentioned above and cotton, for which the C.C.T. was zero anyway) were worth approximately \$ 215 million and accounted for one-sixth of total exports. Hence this concession already exempts a substantial proportion of Turkish exports from tariff duties; and gives them a competitive advantage over the products of their competitors. Of greater long term importance, however, is the opportunity, which this concession provides, for Turkey to develop the range of her industrial exports. For she is guaranteed

privileged terms of entry to the markets of the Nine for whatever new industrial exports she wishes to develop. The most successful instance to date of this development of a non-traditional export line has been the boom in exports of leather garments. The Six's imports of these from Turkey rose from 982.000 u.a. in 1971 to 44.317.000 u.a. in 1974. Progress has also been made in sales of various types of textiles. (Tariff restrictions effect only three specific tariff positions). Thus sales to the Six of women's, girl's and infants' outer garments (tariff position 61.02) rose from 201.000 u.a. in 1971 to 5.808.000 u.a. in 1974, whilst those of bed linen etc. of tariff position 62.02 rose from zero in 1971 to 4.240.000 u.a. in 1974. Such progress is the more understandable when one realises that these textile items are usually subject to tariffs ranging from 10.5 to 19%.

In summary, we can say that the Community has given Turkey a notable opportunity to develop her industrial exports by removing the tariff obstacles against them. The use Turkey makes of this opportunity naturally depends primarily on her own efforts. The Nine have played their part in providing the opportunity.

3. The Exceptions

a. Petroleum Products

The Additional Protocol laid down that imports of certain Petroleum Products of tariff positions 27.10 to 27.14 would be exempt from duties; but only within the limits of an annual quota of 200.000 tons. Beyond that figure import tariffs would be restored. The Protocol provided that these arrangements could be modified in certain circumstances, such as the establishment of a common energy policy. Moreover, if the Community did not adopt such measures within 3 years, the Council of Association was entitled to review the size of the quota.

When the Supplementary Protocol was signed in 1973 the quota was increased by 70% to 340.000 tons. This increase was designed partly to allow for Turkish exports to the Three. (These averaged 21.000 tons p.a. in the years '71 to '73). But it also increased the size of the quota for the markets of the Six, constituting the review foreseen in the Additional Protocol.

Subsequently, in the context of its renewed request to be included in the list of beneficiaries of the Generalised System of Preferences (see p.63) Turkey requested that the quota system on its exports of petroleum products to the Nine should be replaced by a system of ceilings, similar to that used for these products under the G.S.P. The Community agreed to look into this request. For 1977 the quota was increased by 15% to 391.000 tons.

The reason that the Community imposed a tariff quota on its imports of Petroleum Products is the overcapacity in this sector. Throughout the Mediterranean area and beyond there are many plans to build more refineries. To give a certain measure of protection to her market, the Community has therefore usually included quotas for refined petroleum products in her agreements with Mediterranean states (eg. those with Morocco, Algeria, Spain, Israel and Egypt).

It is extremely difficult to assess the extent of the loss which Turkey suffers through the existence of the tariff quota, not least due to the extremely volatile nature of trade in petroleum products. In this sector the principal underlying the Development Plans has been to increase domestic production sufficiently to meet domestic demand. Exports have been something of a residual factor. They have been made when refinery capacity has exceeded domestic demand. The Third Plan foresaw that for the principal existing exports (petrol, motorine and jet fuel) capacity would exceed domestic demand until 1976. Beyond that year, however, the rapid growth of domestic demand was expected to curtail exports of jet fuel and motorine particularly. In practice the sector has run into a number of problems, particularly since the oil crisis. These have hit production and exports with the result that export to the Nine were only 91.000 tons in 1974,

and in 1975 even total exports dipped below the quota level. Consequently, Turkey has in practice benefited from tariff-free entry for all her exports of petroleum products over the last two years. She may well continue to do so, at least in the short term, due to the difficulties of the sector and continually rising domestic demand. If this proves to be the case, the real loss entailed by the existence of the tariff quota would be zero. Even if it is not the case, the Common Customs Tariffs are relatively low for these products, in the range 5 to 7%.

b. Textiles

1. The treatment of the three products

The Additional Protocol laid down special treatment for three types of textile products. These, together with their tariff positions, were : 55.05 Cotton yarn, not put up for retail sale; 55.09 Other woven fabrics of cotton; and 58.01 ex A Machine-made carpets, carpeting and rugs of wool or of fine animal hair. For these products tariff reductions were to be spread over a twelve year period. A 25% reduction on the Common Customs Tariff was made on Sept. 1st, 1971 under the Interim Agreement pending the entry into force of the Additional Protocol. This reduction is to be increased to 50% on January 1st, 1977; 75% on January 1st, 1981; and 100% on January 1st 1985. In addition tariff quotas of 300 and 1000 metric tons respectively were envisaged from cotton yarn and other woven fabrics of cotton (1). Within these quotas the C.C.T. was to be reduced by 75%. Subsequently the Supplementary Protocol raised these quotas to 390 and 1390 metric tons respectively. The Supplementary Protocol also allowed for a quota for certain textile products on the British market and for Ireland temporarily to maintain duties on Turkish textile exports. These provisions, however, expired on Dec. 31st 1974 and Dec. 31st 1975 respectively. In addition to these contractual obligations, the EC has also made unilateral concessions relating to the same products following on the introduction of the Generalised System of Preferences. (See p. 63). As a result of these, the quotas actually put into effect as from September 1st, 1971 were 500 and 1000 tons for cotton yarn and other woven

(1) Tariff quotas are quotas within which a preferential tariff is applied. Once the quota is passed the normal tariff is restored. Hence these tariff quotas do not imply any quantitative restrictions on Turkish exports.

fabrics of cotton respectively. Moreover tariffs were completely suppressed within these quota limits. Following the accession of the Three and the signing of the Supplementary Protocol these unilateral concessions were further extended. The quotas for 1974 were increased by 50% to 885 tons for cotton yarn and 2085 tons for other woven fabrics for cotton. A new tariff-free quota of 160 tons was also opened for machine-made carpets of wool or of fine animal hair (tariff position 58.01 ex A). The same quotas were opened at the beginning of 1975 and increased during the course of the year by 5% to 930,2190 and 168 tons respectively, in line with the improvement made in the 1975 Generalised System of Preferences Scheme. The latter quotas were opened at the beginning of 1976. For 1977 quotas of 1026,2415 and 185 tons were opened. These figures represent increases in line with the G.S.P. increases for 1976 and 1977. (5% each year).

2. Why textiles are made an exception by the Community

The reason why some textiles have been subjected to this special régime is the difficulties which currently face the textile industries of the Nine. These difficulties are reflected particularly in the employment situation. Between 1970 and 1974 alone, employment in the textile industry fell almost 15% as some 323.000 jobs were lost; whilst employment in the clothing industry fell almost 10%, representing the loss of a further 125.000 jobs. Besides jobs actually lost, many thousands of workres have been on short-time over the last two years. The effect of such a decline in employment is accentuated by two special factors. Firstly the textile industry in the Nine is concentrated in specific regions, in some of which it accounts for as much as 30% of total employment. Hence the loss of 450,000 jobs has been largely concentrated in such regions, with severe effects on their economies. Secondly the depression following the oil crisis has meant that those put out of work in the textile industry have not been able to find work in more rapidly growing sectors of industry.

One principal reason for this decline in the textile industries of the Nine has been the increase in their textile imports. Indeed, imports by the Nine of Textile Manufactured Products (Standard International Trade Classification 65) from third countries rose 171.4% between 1970 and 1974, from \$1.268.1 m to \$ 3.441.8 m. Faced with such rapid growth in imports and corresponding falls in employment in their textile industries, the Nine have sought to regulate their textile imports within the context on the Multifibres Agreement. Accords on trade in textiles have accordingly been negotiated (or are under negotiation) with many suppliers of textiles. Some, usually those with the major suppliers, incorporate ceilings and quotas to limit the rate of growth of exports of certain textile items to the markets of the Nine. Thus, for example, India has agreed voluntarily to restrain the volume of her exports of certain textile products (notably 'other woven fabrics of cotton') to definite quota limits for the years 1975-77. Also even where there are no specific quantitative restrictions, these agreements often provide for surveillance of EC import levels from the country in question and for consultation if such imports are found to rise in such a way as to endanger the stability of the internal market.

The object is not to prevent textile imports from growing. Indeed provision is specifically made for quotas to rise. The goal, rather, is to make that growth more gradual and orderly to facilitate structural change within the Nine.

It was this reasoning also which caused London to restrict Turkish and Greek imports of cotton yarn in December 1974. For Turkish exports of cotton yarn to the U.K. had risen from 30 metric tons in 1972 to 3367 tons in 1974, whilst the overall market for cotton yarn was contracting. The British authorities felt obliged to intervene to save the Lancashire spinning industry from disaster, after 38.000 textile jobs were lost in the county in 1974 alone. Accordingly imports were temporarily restricted to 1974 levels pending agreement with Turkey.

3. The importance of the textile industry for Turkey

Whilst the above may show how important and how sensitive a sector the textile industry is for the Nine, it is equally true that it is of considerable importance for Turkey. For textile exports in 1975 totalled \$ 132.5 m or 26.3% of all industrial exports (on the Turkish definition). Of this \$ 132.5 m the sales of the three textile products listed above accounted for \$ 94.8 m or 71.6%.

Moreover, the Third Plan, which covers the years from '72 to '77, looks for considerable further expansion of the textile industry. It was planned, for instance, to increase the production of cotton yarn from 207.000 metric tons in 1972 to 342.000 tons in 1977. Exports in the same period were to be increased from 18 000 to 40 000 tons. Exports of yarn actually reached 26,457 tons in 1975.

4. The effect of the exceptions

The tariffs remaining have not prevented Turkey from rapidly increasing her sales of textiles to the Community in recent years. Sales of cotton yarn to the Six rose from zero in 1967 to 12.033 metric tons in 1970 and 24.738 tons in 1973. By 1973 Turkey accounted for 20.4% of the Six's imports from outside the Community. Progress for "other woven fabrics of cotton" was less dramatic; but sales to the Six still rose from 2.087 metric tons in 1970 to 3.490 tons in 1973. Similarly sales of carpets of wool and fine animal hair rose from 107 metric tons(1) in 1970 to 300 tons (1) in 1973.

Thus the exceptions have not prevented Turkey's expanding her exports rapidly. Indeed, given the internal difficulties the Community has had with its own textile industry, the EC may perhaps feel that it has not treated the Turkish industry too badly

(1) These figures include also exports of hand-made carpets which are tariff free.

For under the Additional Protocol all types of textiles, other than the 3 specified, have enjoyed tariff-free access to the Community market. For the exceptions there have been tariff-free quotas. Also for all sales over and beyond these quotas products have benefitted from a 25% reduction of the Common Customs Tariff. In addition the Community has committed itself to improve the treatment afforded Turkish textiles. From January 1st 1977 the tariff reduction will be increased to 50%; and tariffs will be eliminated altogether within eight years. In the meanwhile Turkey can also expect increases in the tariff-free quotas for these three products. Such treatment also appears more favourably when it is compared with the treatment afforded other textile suppliers in the developing world. For Turkey enjoys a number of important advantages over such competitors. Thus her textile exports are not subject to quantitative restrictions (or surveillance or consultative procedures- see p.51). Also Turkey enjoys preferential tariff treatment on all her textile exports, whereas the only tariff reductions which almost all (1) her competitors enjoy are those on the relatively small proportion of their exports covered by the G.S.P.

b. Concessions by Turkey

1. The Provisions of the Additional Protocol (2)

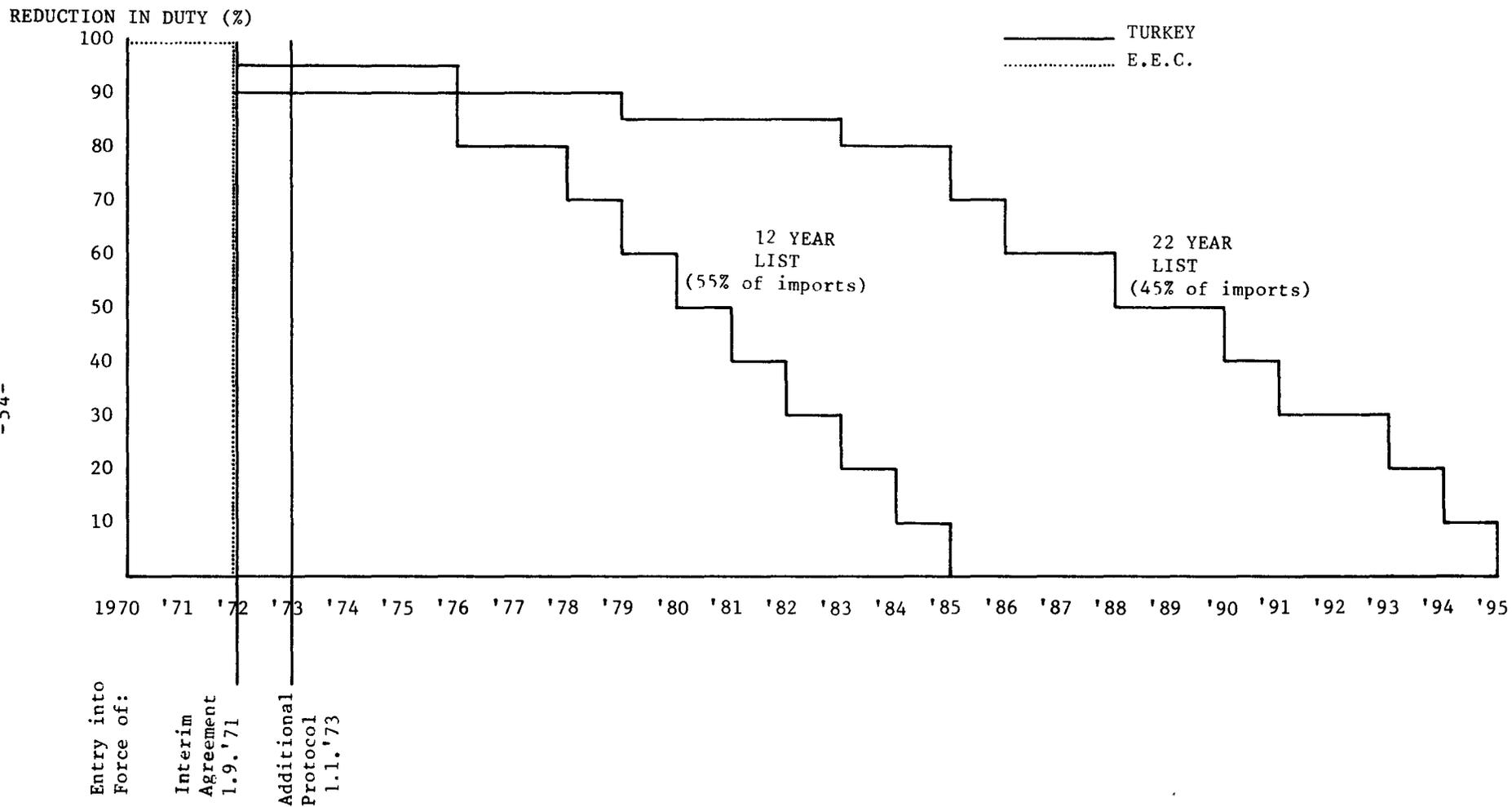
To establish a Customs Union, we have seen that the different sides have to eliminate tariffs and quantitative restrictions on their trade with one another and adopt a common tariff on imports from third countries. We shall examine in turn the Additional Protocol's provisions for Turkey to achieve these three objectives.

a) Tariff Reductions

The Additional Protocol provided that both Turkey and the Nine should refrain from introducing new import duties (or charges having equivalent effect) on their trade with each other.

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- (1) Greece, Spain and Portugal are not beneficiaries of the GSP; but enjoy treatment equal (or approximately equal) to that accorded to Turkey.
 - (2) See also Chapter 4 for the provisions of the Supplementary protocol and Annex II for the recent proposals of the Community.

Chart 2 : Timetable For Tariff Reductions on Industrial Trade



Also it laid down the timetable for Turkey to abolish her existing tariffs on industrial imports from the Nine. By Articles 10 and 11 of the Protocol two different lists of goods were established. For industrial sectors in which Turkey was more competitive, tariffs were to be eliminated over 12 years. For other goods the tariff reductions were to be spread over 22 years. The division was broadly as follows: Fertilisers; lead, zinc, tin and their products; together with products of the rubber and electronics industries fell exclusively under the 12 year list. Those of the paper, plastics and petroleum industries fell exclusively under the 22 year list. Copper, nickel and their products together with products of the chemical industries were mainly allocated to the 12 year list. Man-made fibres, mechanical engineering products, agricultural and electrical machinery and vehicles were mainly allocated to the 22 year list (passenger cars, refrigerators and other household appliances were exceptions). Metal goods were divided almost equally between the two lists (1). The timetables for tariff reductions for the two lists are shown in Chart 2.

The Protocol permitted the Turkish authorities to transfer products from one list to another within defined limits (see Article 12) during the first eight years of the transitional stage if this proved necessary to protect infant industries.

Charges having equivalent effect to customs duties (eg. Belediye Hissesi) were also to be reduced according to the same timetables, as were customs duties of a fiscal nature. In cases where Turkey found the latter duties difficult to replace by an internal tax, she was to inform the Council of Association. If the Council accepted the Turkish view, it could allow Turkey to retain the duty until the end of the transitional stage.

b. Abolition of Quantitative Restrictions

The question of quantitative restrictions on Turkish imports is of great importance and complexity due to the large use made of such restrictions in Turkey's annual Import Régimes. The

(1) For full details see Annex 3 to the Additional Protocol

principal distinction drawn under these Régimes is that between liberalised imports, goods which can be imported quite freely, and non-liberalised goods, the import of which is either forbidden or subject to quota restrictions.

In undertaking to remove quantitative restrictions Turkey accepted provisions dealing both with liberalised and non-liberalised goods. For a certain number of liberalised goods Turkey undertook that she would not reintroduce any quantitative restrictions-i.e. that these goods would continue to be freely importable into Turkey from the Community. Goods covered by this undertaking are on what is known as " the EC Consolidated Liberalisation List". Turkey, moreover, agreed gradually to increase the proportion of her imports from the EC which are covered by this undertaking. From September 1st 1971 35% of Turkish imports from the Six in the base year (1967) were to be included on the EC.Consolidated Liberation List. This proportion was to be increased in stages to 80% in 1991.

For other liberalised imports, which are not covered by this undertaking, Turkey retained the right to reintroduce quantitative restrictions, subject to the condition that, in such a case, she should open quotas in favour of the Community on the goods effected. Such quotas were to be equal to at least 75% of the average imports of these goods from the Community during the three years prior to the re-introduction.

For non-liberalised goods, the agreement provided that, one year after its entry into force, Turkey would open quotas in favour of the Community for each good in this category. Moreover, a timetable was laid down providing for the gradual extension of these quotas (see Article 25).

Within 22 years Turkey was to abolish all quantitative restrictions (and measures having equivalent effect) on imports from the Community. In particular Turkey undertook progressively to abolish import deposits on imports from the Community. Once again this was to be accomplished within 12 years for products on the one list and within 22 years for products on the other.

c. Adoption of the Common Customs Tariff

Articles 17 and 18 laid down the timetables by which Turkey was to move towards the Common Customs Tariff of the Community. Once again this alignment was to be completed within 12 years for goods on the 12 year list; and within 22 years for goods on the other list. The timetables governing this alignment for the two lists are illustrated in Chart 3.

For Turkey the reduction of her tariff to the level of the C.C.T. will require a considerable effort since the CCT is one of the lowest tariffs in the world. At present it averages 7% for industrial products; and it will shortly be reduced further at the conclusion of the multilateral negotiations in progress at Geneva.

Turkey and the Community were also to consult each other in the Association Council in order to achieve, during the transitional stage, the co-ordination of their commercial policies in relation to third countries.

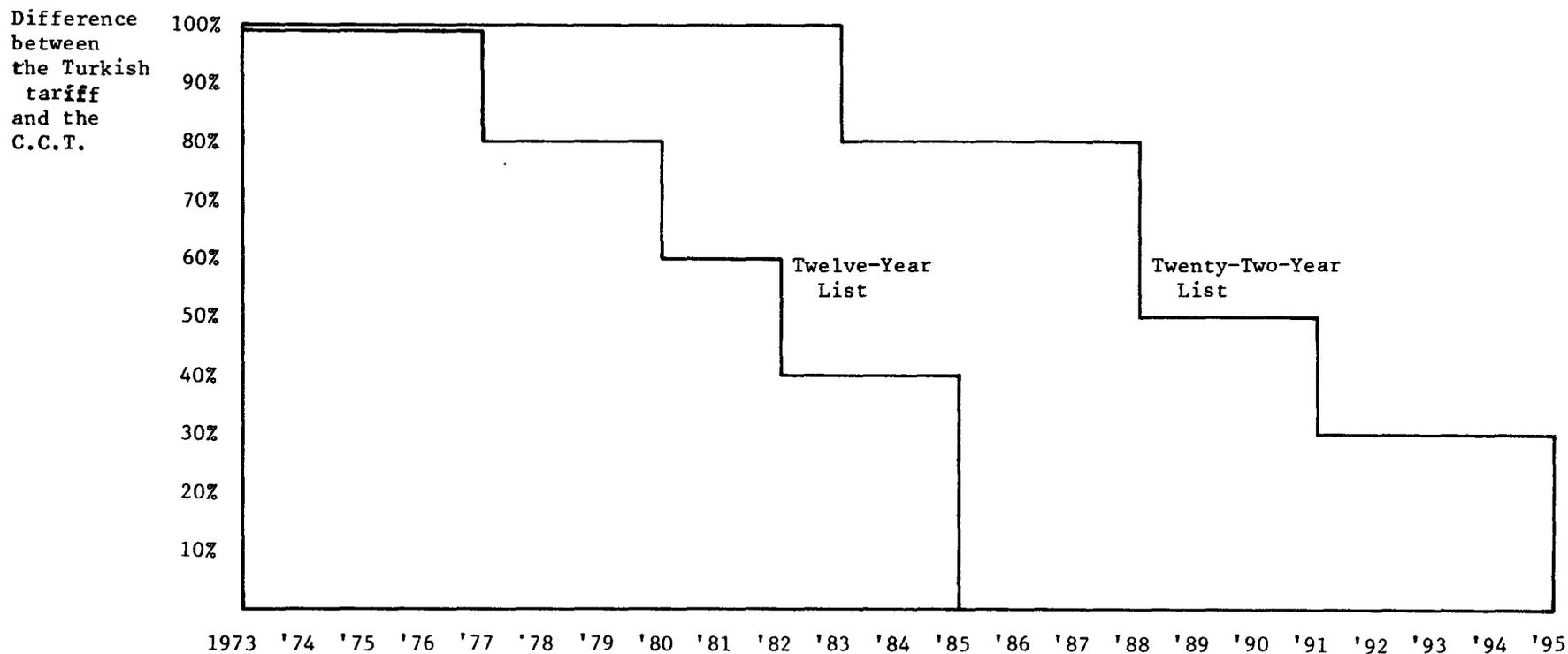
2. Progress to Date

a. Tariff Reductions

To date Turkey has made the first two tariff reductions envisaged in the Additional Protocol. Tariffs were reduced by 10% for products on the 12 year list and by 5% for products on the 22 year list when the Interim Agreement took effect on September 1st, 1971. The second reductions (again of 10 and 5% respectively) were made in January 1976. For products on the 12 year list the next 10% reduction is due in January 1978; and for those on the 22 year list in January 1979. (see Chart 2).

As regards customs duties of a fiscal nature, the Turkish authorities submitted two lists to the Association Council in October 1973. One list comprised those duties of a fiscal nature which the Turkish authorities intended henceforth to replace by an internal duty. The other list contained 24 products for which the Turkish authorities held that the replacement of customs

Chart 3 : Timetable for the adoption by Turkey of the common customs tariff



NOTE: EXCLUDES PRODUCTS ON WHICH THE DUTIES ACTUALLY APPLIED BY TURKEY AT THE DATE OF THE SIGNATURE OF THE PROTOCOL DO NOT DIFFER BY MORE THAN 15% EITHER WAY FROM THE DUTIES IN THE CCT. THESE ARE TO BE SUBJECT TO THE DUTIES OF THE CCT FROM JAN. 1st 1977 FOR GOODS ON THE TWELVE-YEAR LIST AND FROM JAN. 1st 1983 FOR GOODS ON THE TWENTY-YEAR LIST.

duties of a fiscal nature by internal taxes would give rise to serious administrative and budgetary difficulties. The Community side accepted this view for all of the items except passenger cars. In the latter case the Community argued that the 75% ad valorem customs duty-or at least a large proportion thereof-on cars should be seen as a protective duty, since cars produced in Turkey were not subject to an internal tax of the same magnitude. The Turkish side did not accept this point; and the Association Council instructed the Association Committee to examine ways of finding a satisfactory solution for the problem.

b. Elimination of Quantitative Restrictions

With effect from September 1st, 1971 Turkey introduced the EC Consolidated Liberalisation List in favour of the Six. As we have seen, this covered 35% of Turkish imports from the Six in 1967. When the Three joined the Community, a problem arose due to the somewhat different composition of Turkey's imports from the Three. In fact the goods on the E.C. Consolidated Liberalisation List represented no more than 19.4% of the Three's exports to Turkey in the base year. The Turkish authorities were reluctant to add to the List, arguing that this would undermine the protection afforded Turkish industry. Accordingly it was agreed that the existing EC Consolidated Liberalisation List should apply to the Nine but would not be enlarged. Instead, when the first increase in the list became due in January 1976, this increase would extend the list to cover 40% of imports from the Nine in the base year. Thus, when the list was increased in January '76, the proportion of imports from the Nine which were consolidated rose in practice from under 31% to 40%.

Under the terms of the Protocol Turkey was to introduce quotas in favour of the Community for non-liberalised goods one year after the entry into force of the Additional Protocol. Accordingly, Turkey opened specific quotas in 1974 for imports of a large number of non-liberalised goods. For certain non-liberalised products, however, Turkey merely introduced a single quota, for \$ 50 m., intending that this be used for imports of any non-liberalised Community product not covered by a specific quota.

Arguing that the opening of a single quota instead of specific quotas for individual products failed to comply with the relevant provisions of the Additional Protocol, the Community raised this question in the Association Committee where the problem is still being studied.

The first 10% overall increase in the value of these quotas was also effected in January 1976 in accordance with Article 25(4) of the Agreement.

c. The adoption of the Common Customs Tariff.

Turkey has yet to begin to move its customs duties towards those of the C.C.T. Under the terms of the Additional Protocol, the first step towards aligning Turkish duties with those of the C.C.T. for goods on the 12 year list is due in January 1977. For goods on the 22 year list it is not due until 1983.

3. The implications of these Concessions for Turkey

As the concessions made by Turkey to the E.C. have as yet been relatively modest and are in many cases of recent origin, it would be difficult at present to produce any authoritative estimates of their effects on Turkish-EC trade. We shall therefore concentrate rather on considering the results which can be expected, as more significant concessions are made later in the transitional stage.

The most obvious implication for Turkey of the movement towards a Customs Union with the EC is the greater degree of competition her industries will have to face. In many ways such a gradual increase in competition could be a very beneficial development. For in protected industries there are usually easy profits to be made and little incentive for industrialists to increase efficiency. In such a context the prospect of growing competition could stimulate industrialists to seek to increase efficiency, cut prices and improve quality. Such a change would not only benefit domestic consumers; but help to make the country's goods

more competitive internationally. This type of change has already been seen within the Community. Perhaps the clearest case is that of French industry in the 1950's. Previously French industry had been protected from external competition and was not particularly efficient. The signing of the Treaty of Rome accordingly gave rise to considerable fears amongst French industrialists, who were particularly alarmed at the prospect of German competition. They feared they would be driven out of business. In practice however, competition forced them to modernise and adapt with the result that French industry has prospered greatly. For example, instead of being overwhelmed the French car industry expanded rapidly to become a major exporter on world markets. In 1974 alone it produced over 3 million cars. It is very probable that much of Turkish industry would derive some of the same benefits from a gradual exposure to competition.

Of course this is not to say that such an increase in competition would be uniformly beneficial for Turkish industry. Some sectors would experience grave difficulties in the face of foreign competition. In most cases, however, it is difficult at this point in time to foresee how individual Turkish industries would fare in the face of European competition in the late 1980's and early 1990's. For under the terms of the Additional Protocol it is only at that stage that competition will begin to be strongly felt. This is due to the fact that, whilst some tariff barriers will be reduced earlier, as late as 1985 only 45% of Turkish imports from the EC will be covered by the EC Consolidated Liberalisation List. Thus, Turkey will still be able to control the degree of foreign competition quite effectively by the use of quantitative barriers. Competition should grow more appreciably from 1986 and 1991, when the Consolidated Liberalisation percentage should be raised to 60 and 80% respectively. In the present changeable world economic climate it would be unwise to predict what will happen ten or fifteen years hence. One point, however, is clear: that how Turkish industry eventually fares in the face of European competition will depend largely on how well it uses the interval to increase its efficiency.

A second cause of much concern in Turkey is the fear that the opening of Turkish markets to EC goods will hinder the development of infant industries or industries not even established as yet. The Additional Protocol does contain provisions which would allow Turkey to protect such industries (see Articles 12(1), 12(3) and 22(5)). But many Turkish organisations feel that these provisions are inadequate in view of the Turkish Government's determination to press ahead with industrialisation on a broad front.

c. Has there been an erosion of preferences ?

It has been repeatedly stated in Turkish academic, commercial and political circles that the value of the preferential tariff treatment accorded Turkish exports under the Additional Protocol, which was negotiated in 1970, has since been eroded by EC concessions to other countries. This concern relates to the prospects for both industrial and agricultural exports (1). It is argued that the value of free entry for Turkish industrial exports has been reduced as other countries have been given comparable concessions. In this connection the Turks point to the Free Trade Agreements made with the E.F.T.A. countries which will allow most of their exports into the Nine freely from July 1977. They point to the free entry accorded to industrial products from African, Caribbean and Pacific States under the Lomé Convention. They point also to Agreements made with a number of Mediterranean states which again provide for the elimination of barriers on their industrial exports to the Nine. Morocco and Tunisia have enjoyed free access for the vast majority of their industrial products since 1969. Malta since 1974. Algeria since July 1976, and Israel will do so from July 1977. The same offer has been made by the Community in the negotiations recently begun with the Mashraq countries (Egypt, Jordan, Syria and Lebanon (2)). Cyprus has benefitted from a 70% reduction and Spain a 60% reduction in the Common Customs Tariff since 1973

(1) For a consideration of the erosion of preferences for agricultural products see below

(2) Negotiations with Lebanon have not actually been able to start because of the Civil War.

There has also been concern over the introduction (in 1971) and the subsequent development of the Generalised System of Preferences, which allows duty-free entry within tariff quotas and ceilings for the industrial exports of 111 developing countries (1) (as of mid- 1976).

The argument is that, since similar concessions have been granted to Turkey's competitors, the value of free entry to EC markets for her industrial products is diminished. Indeed it does seem indisputable that Turkey's commercial advantage has been eroded to some extent. Yet the significance of such concessions to other states can be overestimated. For, of the countries which have been accorded free entry for their industrial goods, neither the A.C.P. states nor many of the Mediterranean ones possess such a substantial industrial base as Turkey. They are not therefore in the same position to take advantage of the concessions offered as Turkey is. Also the régime afforded Turkey is still considerably more favorable than that offered to G.S.P. beneficiaries, since it is not subject to quantitative restrictions.

Moreover, in as far as Turkey is losing something of her previous commercial advantage for some goods, this seems inevitable in the current world economic situation. For in many forums, including the North-South dialogue and UNCTAD, the Third World is pressing for a ' New World Economic Order ' and demanding new concessions from the developed world. One prime demand of developing countries is for better access to the markets of the industrialised world. Since the Community is the world's largest importer, it is under particular pressure. In this context it seems inevitable-and indeed desirable- that the Community will continue to make commercial concessions to the Third World. It will, however, maintain a margin of preference for Turkish products.

(1) The Turkish authorities early asked to be included as a beneficiary of the G.S.P. The Community rejected this request, arguing that she should not assimilate Turkey, a European country with an Association agreement aiming at membership, with Third World countries. Also the Community pointed out that for the vast majority of products Turkey already benefitted from concessions at least equal to those contained in the G.S.P. Where this was not the case, the Community undertook to extend the same concessions to Turkey on a unilateral basis so that she might not fall behind. Such unilateral concessions have in fact been given for textiles (see page 49) and certain agricultural products included under the G.S.P. (see p.68. These are reviewed annually when the G.S.P. scheme for the following year is finalised.

IV. Trade in Agricultural Products

a. Customs Union to follow the alignment of Agricultural Policy

As stated above, the goal of the Association Agreement is a Customs Union both for agricultural and industrial trade. However, both in Turkey and in the Community the authorities habitually intervene to control agricultural prices in a way in which they do not intervene for industry. Thus the Community has traditionally maintained high prices to support farmers' incomes. Similarly the Turkish authorities maintain support prices for wheat and other cereals, meat, sugar beet, hazelnuts, cotton, raisins, tobacco etc. To implement a customs union for agricultural products without first aligning these pricing policies would be to invite a massive distortion in agricultural trade. Hence in the Additional Protocol Turkey committed herself to adapt her agricultural policy to the CAP during the Transitional Period to prepare the way for the free movement of agricultural products. At the end of the Transitional Period the Association Council is to check that the necessary adjustments have been made and adopt the provisions necessary for achieving the free movement of agricultural products between Turkey and the Community (see Art. 32-34).

Pending the adoption of such measures the Protocol laid down that 'The Community and Turkey shall grant each other preferential treatment in their trade in agricultural products' (Art.35). To date Turkey has accorded practically no concessions for agricultural products. Thus the following sections will concentrate on the concessions made by the Community.

b. Concessions granted by the Community

1. The Additional Protocol

The bulk of the concessions currently afforded Turkey are those set out in Annex VI of the Additional Protocol. These included tariff-free entry to the Community for Turkish exports of tobacco and raisins without any quota restrictions. For a further range of products tariffs were to be reduced to zero over a three-year period. These tariffs duly reached zero

on January 1st 1976, three years after the Additional Protocol entered into force. The most important of these products included: dried figs; dried leguminous vegetables (excluding those for sowing); and tea and spices (other than mate). The tariff reductions afforded on lemons and "small fruits" were increased from 40% to 50%, whilst 50 % reductions were also introduced for a further range of products including pistaccio nuts and dried apricots. For olive oil (not having undergone a refining process) a special régime was introduced. This had two parts. Firstly a reduction of 0.5 u.a./100 kg. of olive oil was introduced in the levy applicable on EC imports of Turkish olive oil. This gave Turkish olive oil a measure of commercial advantage on EC markets. Secondly, provision was made for a further reduction in the levy of 4.5 u.a. per 100 kg: but this was made dependent on Turkey's introducing a corresponding export tax. This provision does not improve the competitive position of Turkish olive oil on EC markets; but it does represent an economic advantage for Turkey in as far as the tax revenue is transferred from the EC to Turkey. For hazelnuts the concession introduced in 1967 was retained, allowing Turkey a 18.700 ton annual tariff quota at the preferential rate of 2.5% (The C.C.T. is 4%).

A final provision of importance was that the Additional Protocol allowed for a review of the results of the preferential system to be held one year after the entry into force of the Protocol and again every two years thereafter. These reviews could decide on improvements in the system "necessary for the progressive attainment of the objectives of the Agreement of Association" (Article 35).

2. The Supplementary Protocol

The extension of the EC in 1973 led Turkey to request a new set of agricultural concessions to compensate for any loss she would suffer on the markets of the Three, as they adopted the provisions of the Common Agricultural Policy. It was therefore decided to bring forward the first agricultural review and combine it with the negotiations for the Supplementary Protocol to avoid duplication. During the negotiations, however, the Turkish side made some demands concerning products about which the Nine were negotiating with other

Mediterranean States under the EC Mediterranean policy. The EC therefore felt unable to give concessions until these other negotiations were concluded. It did, however, undertake to make definite proposals to Turkey as soon as these Mediterranean negotiations were concluded. The main product concerned was tomato paste; and the Community undertook to give Turkey treatment at least as favourable as that given to other Mediterranean countries.

The package of measures actually included in the Supplementary Protocol-and put into effect from January 1st, 1974 under the Interim Agreement-included the following. A number of products such as dried apricots and various fresh vegetables, which had previously benefited from a 50% tariff reduction, were given a 60% margin of preference. Concessions were given for the first time for a number of products including grapefruit, dried onions and garlic. Also the tariff quota for hazelnuts was increased from 18.700 to 21.700 tons.

3. The Agricultural Review of December 1976.

As noted above the Community postponed their offers for certain typically Mediterranean products pending the outcome of the EC's negotiations under the Overall Approach to the Mediterranean. Unfortunately the protracted nature of these negotiations meant that the promised EC proposals were delayed for some time. In June 1975 the Turkish authorities felt they had waited long enough as the first agreement under the Mediterranean policy- that with Israel- was due to take effect on July 1st. (New agricultural concessions to the Maghreb countries, Malta and Portugal have since followed as new agreements have come into force with these countries). Turkey accordingly submitted a list of demands to the Community, covering such items as horse meat, fresh vegetables, citrus fruit, hazel and other nuts, olive oil(both refined and unrefined), tomato concentrate, and fruit and vegetable juices. In reply the Nine proposed a list of concessions in December 1975. These covered : horses for slaughter and horse meat; herring; spring onions; lentils and peas for sowing; oranges; small fruits and grapefruits; melons and watermelons; dried apricots; prepared and preserved sardines, bonito and mackerel; certain preserved

fruit and vegetables of B.T.N. position 20.01 B and peeled tomatoes and tomato concentrates.

The Turkish side rejected this offer as inadequate. At the subsequent Association Council meeting in March '75 the EC expressed itself " ready to facilitate access to the Community market for agricultural products of particular export interest to Turkey, taking due account of the competition they have to face on the market from other exporting countries". In the light of this new commitment the Turkish authorities submitted a revised list of demands in April 1976. This was similar to the previous list of demands; but included also new demands relating to various kinds of fish of Chapter 3 of the Brussels Tariff Nomenclature and to prepared and preserved Crustaceans and Molluscs (16.05 of the BTN).

In response the Community made a new agricultural offer in July 1976 as part of its global offer to Turkey made to settle a number of outstanding difficulties. This offer was served as the basis of negotiation and the Agricultural Review was finalised at the Council of Association held on Dec. 20th 1976 at Brussels. The main new concessions approved were:

- For olive oil not having undergone a refining process the rules covering reductions in levy were modified. It was agreed that those reductions would be fixed annually by exchanges of letters between Turkey and the Community. For the period till October 31st 1977 the commercial advantage (see p. 65) was left unchanged whilst the economic advantage was raised to 18 u.a./100 kg. This 18 u.a. is made up of a fixed element of 9 u.a./100 kg and a variable element of a further 9 u.a./kg, which will be revised periodically following the evolution of the international market for olive oil. This economic advantage was again accorded subject to the Turkish Government's imposing an equivalent export tax which would prevent the Community import price from changing.

- An 80% reduction in the fixed element of the levy on olive oil having undergone a refining process, tariff position 15.07 AI. Refined Olive Oil is subject to a two-part levy :

- (1) a variable levy on the unrefined oil used to produce the refined oil. This variable element is designed to protect Community olive producers
- (11) a fixed element to protect the Community refining industry.

- The quota for hazelnuts was increased to 25 000 tons
- A 30% tariff reduction for tomato concentrates
- 60% tariff reductions for fresh oranges and "small fruits" (BTN 08.02 ex B), 80% for grapefruit.

There were also various tariff reductions for : horses for slaughter; various fresh fish; dried fish; certain fruits and vegetables including dried apricots (75% reduction); beet seeds; sardines, bonito and mackerel; prepared or preserved crustaceans and molluscs; various prepared or preserved fruit and vegetables; and grapefruit juice.

4. Unilateral Concessions

As explained on page 63, subsequent to introducing its G.S.P, the Community agreed to make unilateral concessions to Turkey for any products for which the tariff concessions under the G.S.P. were more favourable than those enjoyed by Turkey. Whilst the G.S.P. relates mainly to trade in industrial goods, it does cover a growing number of agricultural products. Hence the Community has made a number of unilateral agricultural concessions to Turkey. Some of these relate to products such as coconuts which are principally of interest to tropical countries and consequently of little real value to Turkey; but which are extended to her as a matter of principle. More significant concessions include some for prepared and preserved fruit and vegetables and fruit juices. Pistacchio nuts are accorded duty-free entry, compared with the 60% tariff reduction under the Supplementary Protocol.

These unilateral concessions are not legally binding on the EC as are those embodied in the Additional Protocol, etc. Nevertheless they are concessions which Turkey will continue to enjoy. For the Community is continually working to improve the G.S.P. as part of its Development policy; and it envisages extending the G.S.P. scheme beyond the ten-year period for which it was initially introduced.

c. The value of EC concessions to Turkey

The previous section has set out the preferences granted Turkey. It remains to assess their value to Turkey. To do so, a first step is to determine the proportion of Turkish agricultural exports to the Nine which they cover.

1. The coverage of concessions

To determine the coverage of the concessions we need to classify Turkish agricultural exports (1) to the Nine under five categories depending on the degree of preference they enjoy on EC markets, viz.:

- a) Those for which the Community's Common Customs' Tariff is zero. For these goods no third-country producers face any tariff barriers on their exports. Hence there is no possibility of giving preferences to Turkey. For she already enjoys the best entry terms possible for these exports.

(1) For the purpose of this and the following table we will employ the EC definition of agricultural goods. This is the definition given in Annex II of the Treaty of Rome. " Certain goods resulting from the processing of agricultural products" for which Turkey is specifically given preferences under Article 31 of the Additional Protocol are also included. (see Annex VI Article 14 of the Additional Protocol and Art. 3 of Regulation No.2755/75 of 29th October 1975, which implements the trade provisions of the Supplementary Protocol in an interim manner pending the ratification of the Protocol).

TABLE IV - Turkish Agricultural Exports to the Nine classified by the degree of preference they enjoy on E.C. Markets.

Category	Exports	Value in 1973 m TL.	%
a) <u>Those for which the Community's CCT is zero</u>	Oil Cake	223.1	
	Others	196.4	
	Total	419.5	9.83
	<hr/>		
b) <u>Those for which Turkey enjoys a preferential zero rate of tariff</u>	Raisins	659.8	
	Tobacco	392.7	
	Dried Leguminous Vegetables (other than for sowing)	171.5	
	Dried Figs	145.5	
	Others	193.4	
	Total	1562.9	36.64
<hr/>			
c) <u>Those which enjoy partial preference</u>	Olive Oil not having undergone a refining process	470.1	
	Hazelnuts (within quota)	482.0	
	Citrus Fruit	110.6	
	Olive oil having undergone a refining process	70.7	
	Tomato Concentrate	68.1	
	Others	221.9	
	Total	1423.6	33.37
<hr/>			
d) <u>Those which enjoy no preference</u>	Hazelnuts (Beyond quota)	615.0	
	Others	129.0	
	Total	744.0	17.44
<hr/>			
e) <u>Unclassifiable</u>		160.8	3.77
<hr/>			
TOTAL EXPORTS TO THE NINE		4265.6	100 %

For Notes see page 71

Derived from : Annual Foreign Trade Statistics, Series I, 1972-73, State Institute of Statistics, Ankara

Notes on Table IV

1) Agricultural products as defined by the Treaty of Rome plus " certain (other) goods resulting from the processing of agricultural products" for which Turkey specifically enjoys preferences (see footnote page).

2) Turkish export figures do not distinguish between refined and unrefined olive oil. Thus the notional figures here are based on the EC import (Nimexe) figures for 1973. The figure given for unrefined olive oil=

$$\begin{array}{l} \text{Value of imports of unrefined olive oil} \\ \text{by the Six from Turkey in 1973} \\ \hline \text{Total value of imports of olive oil} \\ \text{by the Six from Turkey in 1973} \end{array} \quad \times \quad \begin{array}{l} \text{Value of Turkish} \\ \text{olive oil exports} \\ \text{to the Nine in 1973} \end{array}$$

3) In order to give a notional figure for the value of the 25000 ton quota for hazelnuts, the total value of hazelnuts exports to the Nine in 1973 was divided between categories c) and d). The value allocated to category c) was obtained as follows :

$$\text{Value in category c) = } \frac{\text{Quota}}{\text{Total volume of hazelnuts exported to the EC in 1973}} \times \text{Total value of hazelnut sales to the Nine in 1973}$$

- b) Those for which the EC applies a preferential zero-rate tariff. On such products Turkey is totally exempted from the tariffs paid by other EC suppliers. For them she enjoys the greatest degree of preference possible.
- c) Those for which the EC applies a partial reduction in tariffs or levies for Turkish produce. In such cases Turkey enjoys partial preferences.
- d) Those for which the EC makes no concessions.
- e) Unclassifiable

Turkish exports are classified under these headings in Table IV. The Table also shows the exports of these goods to the Nine in 1973, the latest year for which fully detailed figures are available.

From Table IV we see that almost 10% of Turkish agricultural exports to the Nine are goods for which the EC's Common Customs Tariff is zero. Turkey moreover benefits from preferential zero-tariffs on a further 36.6% of its agricultural exports to the EC. Thus almost half of Turkish agricultural exports - including such major items as tobacco, raisins, oil cake, dried leguminous vegetables (other than for sowing) and dried figs - enter EC markets free of tariffs. A further 33.4% including olive oil, citrus fruit, hazelnuts (within the quota limit), and tomato concentrate enjoy some other measure of preference on EC markets. 17.4% of Turkish exports fail to receive any preference.

2. How important are the exceptions?

To understand the loss Turkey suffers through the absence of preferences on this 17.4% of her agricultural exports to the Nine, it is necessary to realise what products are involved.

By far the most important element in category d) above is the figure entered for hazelnut sales over and beyond the quota limit. The reason for this is that in 1973 the 25 000 ton quota covered only 46.4% of Turkish exports to the Nine,

Clearly Turkey would benefit from better treatment for her hazelnuts. Yet the extent of the real loss she suffers through the current régime must be open to question. For Turkey enjoys a near monopoly of the world hazelnut trade. She supplied, for example, 70.5% of all hazelnut imports by the Six in 1973. Moreover the full rate of the Common Customs Tariff is only 4%.

Apart from hazelnuts there are only 3 Turkish exports, for which sales to the Nine in 1973 exceeded 10 m TL., which do not enjoy any preferences. These (with '73 sales to the Nine in brackets) are; sweet almonds (49.5 m); molasses (32.0 m) and walnuts(27.6 m). Of these three products the C.C.T. rates for almonds and walnuts are only 7 and 8% respectively.

Hence it would seem that the exceptions to the preferential régime are not of overwhelming importance for Turkey's export trade. Concessions for these goods might increase exports to some extent; but the effect on total exports would be marginal.

3. Conclusion

In addition to our consideration of the preferential tariff régime it is worth noting that the impact of Common Agricultural Policy import mechanisms (minimum prices, reference prices with compensatory taxes etc.), which are often criticised for restricting trade, only apply to three categories of Turkish agricultural exports to the Community- vis. olive oil, citrus fruits and tomato concentrate. So there are few barriers to Turkish agricultural exports other than the tariffs which remain. And tariff barriers must on the whole be considered fairly low when over three-quarters of Turkish exports are subject to customs duty of less than 5%.

All of the above does not mean that the preferential régime Turkey enjoys is totally satisfactory; or that exceptions to it are of no importance. It does, however, suffice to indicate that the concessions granted by the EC are somewhat more generous than is sometimes supposed.

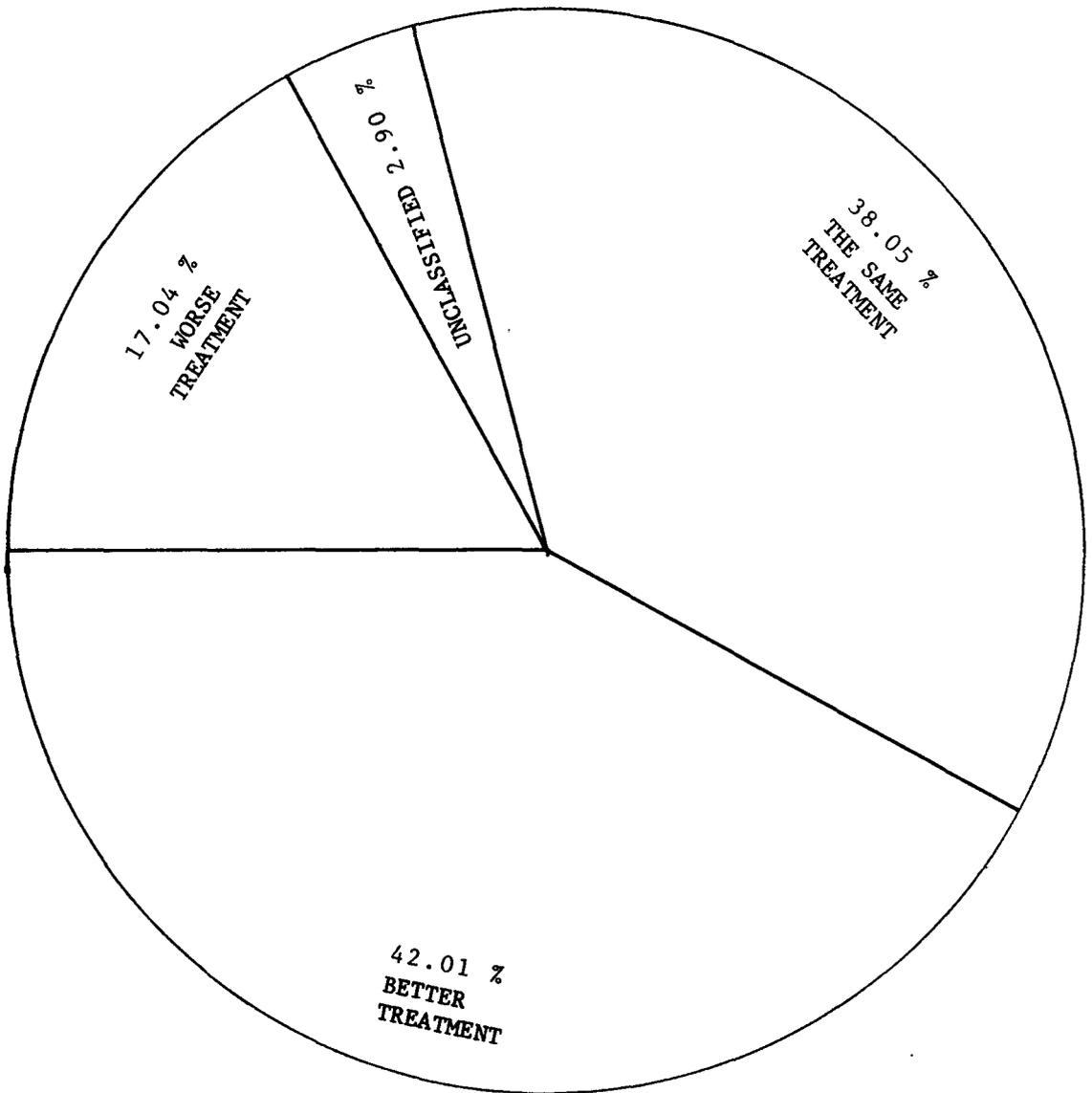
TABLE V : Treatment of Turkish Agricultural Exports to the EC., compared to the treatment afforded products of other countries.

Turkish Goods		Exports to the Nine	
		in 1973	m TL %
a) Receiving Better Treatment than those of third countries (other than Greece)	Raisins	659.5	
	Hazelnuts (within quota) 2	482.0	
	Tobacco	392.7	
	Dried Figs	145.7	
	Others	112	
	TOTAL	1792	42.01
b) Receiving the same treatment	Hazelnuts (Outside quota 2)	615.0	
	Oil Cake	223.1	
	Dried Leguminous Veg. (other than for sowing)	171.5	
	Tomato Concentrate	68.1	
	Others	545.2	
	TOTAL	1622.9	38.05
c) Receiving Worse Treatment	Olive Oil	540.8	
	Citrus Fruit	110.6	
	Others	75.5	
TOTAL	726.9	17.04	
d) Unclassified		123.7	2.90
TOTAL EXPORTS TO THE NINE		4265.5	100

Notes : see Table IV, p. 71

Source : Derived from Annual Foreign Trade Statistics, State Institute of Statistics, Ankara

Chart IV Present Treatment of Turkish agricultural exports relative to the treatment afforded third countries. Goods receiving :



Moreover it is noteworthy that here some third countries enjoy better treatment than Turkey on EC markets, the favoured countries are usually the Maghreb states. This favoured treatment stems from the historic links these countries have with France. Algeria, for instance, was part of France at the time of the signing of the Treaty of Rome; and thus initially profited by all the tariff reductions between the Six. After independence in 1962 Algeria continued to enjoy a unique status. All of its exports to France (other than wine) enjoyed tariff-free entry to the French Market. As 83.4% of Algeria's agricultural exports to the Six in 1973 were directed to France, this was a peculiarly favourable arrangement for Algeria. For Morocco and Tunisia, too, a similar situation prevailed. For products other than those specifically covered in their Association Agreements with the EC, these countries have continued to enjoy franchise on the French market. Again, as France took 57.9% and 65.7%, respectively, of Tunisian and Moroccan agricultural exports to the Six in 1973, this concession was of considerable value. The recently concluded negotiations with the Maghreb countries provided for the eventual termination of their special rights on the French market. As this termination will represent a considerable loss to the Maghreb countries, they have been given correspondingly greater concessions on the markets of the other Member States in return. These concessions are/ ^{slightly} higher than those afforded to Turkey. Yet this does not mean that Turkey's competitive position has worsened relative to that of the Maghreb states. Rather these States have maintained their previous advantage in a new form.

In the instances where other Mediterranean States have come to enjoy greater preferences than Turkey, the EC has shown itself willing to remedy the situation by offering at least as favourable treatment to Turkish produce. Thus the agricultural review provided for Turkey to obtain the same 30% reduction on tomato concentrates which was given to Portugal, etc. Turkey was also given concessions equivalent to those given to other countries for oranges, grapefruit, melons, grapes horses destined for slaughter etc. Similarly, upon the introduction of the Generalised System of Preferences, the Nine introduced supplementary unilateral concessions in her favour for agricultural

products which received better treatment under the G.S.P. than under the Additional Protocol.

Thus it would seem that the Community has endeavoured to maintain Turkish interests. She has accorded unique advantages to Turkey for each of her four major traditional agricultural exports- tobacco, hazelnuts, raisins and dried figs. Also for the bulk of Turkey's lesser exports the Community has sought to ensure that Turkey should not fall behind, but rather receive at least as favourable treatment as her competitors. The fact that Turkey's share of Community agricultural imports from the Mediterranean Basin has increased steadily from 8.5% in 1970 to 10.0% in 1974, although proving nothing, does indicate the strong position of Turkey upon the Community market.

V. The Freedom of Establishment, the Freedom to provide services and the Free Movement of Capital

The Association Agreement between Turkey and the EC envisaged achieving the Freedom of Establishment (Art. 13), the Freedom to provide services (art.14) and facilitating the movement of capital between the two Parties (Art.20). The first two objectives are closely related; and will be considered together.

1. The Freedom of Establishment and the Freedom to provide services

The Freedom of Establishment relates to the right of nationals of the Nine or of Turkey to take up and pursue activities as self-employed persons, and to set up and manage undertakings, in particular, companies and firms, in the territory of the other Party under the conditions laid down for its own nationals by the law of the country where such establishment is effected. It relates equally to the setting up of agencies, branches or subsidiaries by nationals of one Party in the territory of the other.

Similarly the freedom to provide services relates to the freedom of a national of one Party to provide services to a person in the territory of the other Party. Services are defined as activities normally provided for remuneration in so far as these are not governed by the provisions relating to the freedom of movement of goods, capital or persons. They are particular activities of an industrial or commercial character and the activities of craftsmen or of the professions.

It is impossible to draw a hard and fast distinction between establishment and the provision of services. Thus, for instance, a building and contracting business desiring to undertake a public works contract in a foreign country may set up 'establishments' of longer or shorter duration with or without permanent equipment on the spot. Hence in working to realise these freedoms within the Community, the authorities in Brussels have in practice usually abolished the restrictions on both freedoms simultaneously for each field or profession.

The goal in abolishing restrictions to these two freedoms is to ban discrimination based on nationality in the supply of services and in establishment. Thus a Turkish doctor should be free to practice in Europe; and a European company should be free to set up a subsidiary in Turkey etc.

The Agreement of Ankara agreed that the Parties would be guided by the relevant articles of the Treaty of Rome for the purpose of abolishing restrictions on these freedoms (1). The Additional Protocol (Art. 41) went on to lay down that: 'The Council of Association shall determine the timetables and the rules for the progressive abolition by the Contracting Parties, between themselves, of restrictions on freedom of establishment and on freedom to provide services'.

(1) The relevant articles are art. 52 to 56 and 58 for the Freedom of Establishment; and art.55,56 and 58 to 65 for the Freedom to provide services.

In practice nothing has been done in these fields as yet. This is not surprising, however, when we consider that progress even within the Nine has been slow. For it is necessary to deal individually with each profession (lawyers, doctors, nurses etc.) and each type of service(insurance, banking etc). One great cause of delay is the need to achieve mutual recognition of the various professional qualifications of the Nine member States. Thus, for instance, it was only in 1975 that a Directive was adopted to allow doctors to practise freely throughout the Community.

2. The Free Movement of Capital

The Treaty of Rome also included the free movement of capital between member states as an important objective (see Art. 67-73). For the member states realised that the free movement of capital, along with the free movement of people, goods and services, was a pre-requisite of economic integration in Europe.

When Turkey and the EC came to draw up the Association Agreement, it was clear that the free movement of capital was not immediately suited to the Turkish case. Nevertheless the goal of freer capital movements was accepted and the Association Agreement provided that: "The Contracting Parties shall consult each other with a view to facilitating movements of capital between Member States of the Community and Turkey which will further the objectives of this agreement. They shall actively seek all means of promoting the investment in Turkey of capital from countries of the Community which can contribute to Turkish economic development" (Art.20). The Additional Protocol further stated that : "Turkey shall, on the entry into force of this Protocol, endeavour to improve the treatment afforded to private capital from the Community which can contribute to the development of the Turkish economy" (Art.51). Further it provided that : "The Contracting Parties shall simplify to the maximum extent possible authorisation and control formalities applicable to the conclusion and carrying out of capital transactions and transfers, and shall, in so far as is necessary, consult each other for the purpose of achieving such simplification " (Art. 52).

To date nothing has been done in this field

C H A P T E R 6

Social Questions : Migrant Workers and the European Community

Introduction

The Action Programme in favour of migrant workers and their families was submitted to the Council on 18 December, 1974; having received the Opinions of the Economic and Social Committee and the European Parliament, both of which were favourable, the Council took note of the Programme in its Resolution of 9 February, 1976.

Why ?

The prolonged post war economic boom in Western Europe, boosted by the creation in 1958 of the European Economic Community, fostered a massive new migration of people into major industrial centres in search of work. Now estimated to number over 10 million, these migrant workers and their families come from both inside the EEC and from neighbouring countries in Southern Europe and North Africa, as well as far-flung Commonwealth countries on the Indian sub-continent and the Caribbean. As aliens most are denied civic and political rights. Though obliged to pay taxes and make social security contributions, virtually all do not enjoy the full benefits of the social welfare systems of the countries in which they now reside. Moreover, the conditions in which they live and work are often less favourable.

The recent economic recession has temporarily stemmed this inflow of migrant workers to supplement the Common Market labour force. Even before this crisis, which brought a doubling of unemployment, growing hostility towards migrant workers was evidenced in France, the Netherlands, and West Germany as it has been periodically since the early sixties in the United Kingdom.

In short, neglect of basic human rights, ignorance and fear on both sides had led to an intolerable social problem, with dangerous political consequences.

This Community-wide initiative as set out in the Action Programme is an attempt to defuse this situation, improve the lot of migrant workers and their families and regulate further immigration.

Migrant workers-who are they ?

Migration is not a new phenomenon in Western Europe. Unlike previous flows of newcomers forced to flee their countries by war and persecution, this latest influx can be closely correlated with economic growth. As the EEC growth rate increased, so did the inflow of migrant workers. As it slowed so did the inflow.

For the most part these people did not move into one of the nine Common Market countries by chance, they were recruited by governments and labour contractors. They came to do jobs, essential for sustaining economic growth, but that nationals of EEC countries were and still are unwilling to do.

They have come from Algeria, Greece, Morocco, Portugal, Spain, Tunisia, Turkey and Yugoslavia outside the EEC, and mainly from Ireland and Italy within the Common Market; the latter accounts for less than one-quarter of the total.

The jobs they do are mainly classified as unskilled in the construction industry, collecting garbage, sweeping the streets, manning production lines, driving buses, manning railway stations, and serving in the hotel and catering trade.

It was presumed that the vast majority of them would return home after having earned sufficient money and learnt a skill that would be useful in their own countries, where for the present there are inadequate opportunities. Many were and still are only employed on short-term contracts. Approximately 10% of the migrants are working in the EEC countries illegally.

Experience over the past 20 years, however, has exploded the

theory of migration, that has been developed most rigorously in the Federal Republic of Germany. There, virtually all migrant workers are on short-term contract, accommodated in special hostels, discouraged from bringing their families and called "gasterbeiter" or "guest worker"

Not migrants but settlers

Other EEC countries have applied different policies concerning workers' families and the distinction between migrant, immigrant and settler has less well defined. Though in general the hope has been harboured that migrant workers would only be temporary residents.

The theory has been proved wrong on every count :

- increasingly, migrant workers want to stay where they have found employment and settle
- they have not been able to acquire skills
- there are doubts about their net contribution to growth in the countries where they work
- there is strong evidence pointing to severe economic and social consequences in their own countries resulting from their moving.

Having agreed to reappraise the underlying theory of migration, the EEC Council of Ministers adopted a policy programme for migrant workers and their families in December 1975. Even before the programme was adopted, finance for Community-wide measures was noted in February 1975 by the opening of the European Social Fund.

The programme extends to every major aspect of social and political issues posed by the phenomenon of migrant workers, from housing and social affairs, to vocational training and voting rights.

However, a clear distinction has been drawn between those people from one of the nine Member States who migrate- "Community citizen", to those from outside countries who migrate- "non-Community citizen".

There are, in effect, two types of migrant workers in the Common Market today:

- Community citizen-a national of another Common Market country, with less than, but nearly equal rights to work, social security, benefits, etc compared to a national;

- non-Community citizen-denied the right to move freely from one country to another, obliged to pay taxes, social security contributions as the nationals and Common Market citizens, but denied access to housing or vocational training. The non-Community citizen, moreover, has to make much larger adjustments to language, cultural alienation, educational difficulties for his children at school, etc.

With respect to the living and working conditions of migrants, the principle of NO DISCRIMINATION has been agreed by the Council of Ministers irrespective of citizen status.

How is this to be realized ?

The right to work anywhere within the Common Market

For " Community citizens"- all Member State nationals, including those from the three new Member States, Denmark, Ireland and the United Kingdom, have the same rights as nationals of the country to which they migrate. A British national in Germany has the same right to work, social security benefits, housing, trade union membership, education, etc, as a German.

The rights of a "non-Community citizen", on the other hand, differ substantially, depending on the adopted country of residence. They require a work permit and are subject to other administrative controls. Permission to reside is linked to the duration of the work permit, and may prohibit residence outside specific areas. Trade union rights are discretionary, if permitted at all.

Specific Provisions relating to Turkey

The Association Agreement between Turkey and the Community provided (art. 12) that the Contracting Parties would be guided by the articles of the Treaty of Rome concerning the free movement of workers " for the purpose of progressively securing freedom of movement for workers" between the Community and Turkey. Article 36 of the Additional Protocol stated that the free movement of workers should be " secured by progressive stages between the end of the twelfth and the twenty-second year after the entry into force of the Association Agreement", that is to say between December 1st, 1976 and December 1st 1986.

The Council of Association of Dec. 20th 1976 provided the first step towards the free movement of Turkish workers.

These provisions relate to a first stage of 4 years. At the end of 1979 negotiations should start for the definition of the second stage of the progressive establishment of free movement.

By virtue of these provisions free movement between the Community and Turkey is based on the principle of the abolition of discrimination based on nationality between Community workers and Turkish workers as regards employment, remuneration and other conditions of work (art. 48/2 of the Treaty of Rome).

This entails ^{the} following rights (subject to limitations justified on grounds of public policy public security or public health) :

1.a) Turkish workers, who have been employed regularly for three years in a Member State of the Community, have the right to apply- subject to the priority to be accorded to workers of the Member States of the Community- for a vacancy notified in the normal way and registered with the employment agency of that state in the same profession, field of activity and region.

b) The Turkish worker who has been employed regularly for five years in a Member State of the Community has free access to any salaried activity of his choice in that State.

c) Annual holidays and short absences for reasons of sickness, maternity or accidents at work are counted as periods of regular employment. Periods of involuntary unemployment duly established by the competent authorities, and absences by reason of long-term sickness are not counted as periods of regular employment; but do not effect the rights acquired by reason of the previous period of employment.

Within the Community when a vacancy cannot be filled by resort to workers available on the labour market of the Member States, and when-within the framework of their legislative, regulatory or administrative provisions- to fill it the Member States decide to authorise a call to workers who are not citizens of a Member State of the Community, they will endeavour to give priority to Turkish workers to fill the vacancy.

In other words, there is a second priority for the Turkish workers in the EEC labour market (first priority being for EEC citizens).

In order to achieve the harmonious application of these provisions and to ensure that this application take places on terms which prevent the risks of disturbances on the labour markets, the Council of Association will be informed of the employment situation in the Member States of the Community and of Turkey(1).

(1) A major obstacle to both "Community citizens" and "non-Community citizens" being able to exercise their rights to move within the Common Market, is a lack of information about job opportunities. An information exchange system about job availability- SEDOC- is now under preparation. If a job notified through the system has not been taken up by the "Community citizen" within 18 days, it can be offered to a "non-Community citizen".

Co-operation between the employment services is judged necessary on both sides in order to facilitate the progressive realisation of the above-mentioned rights under the best conditions for the workers; and also " to facilitate the progressive realisation of the above-mentioned rights under the best conditions for the workers; and also " to facilitate the achievement of a balance between supply and demand in the labour market in such a way as to avoid serious threats to the standard of living and level of employment in the various regions and industries" (art. 49(d) of the Treaty of Rome).

An immediate opening of the frontiers without any co-ordination would risk attracting hundreds of thousands of Turkish workers to Community countries. This would be to the detriment of those sectors of Turkish industry which they would abandon, at a time when the number of unemployed people in the Community is over 5 million.

Children's Education

With such diversity of language and culture in the EEC, children's educational facilities for migrant workers and their families is a major problem for both Community and non-Community citizens alike. There are an estimated 2 million migrant children in the Common Market now, concentrated in the major industrial and commercial centres. Italian and Spanish children in French-speaking areas adapt quickly, as do Commonwealth migrants in Britain. But even if these are overcome, there are still difficulties in the home with loss of cultural affiliation and mother tongue.

The complexity of the issues raised from pre-schooling through primary, secondary and tertiary education is a major preoccupation for all EEC national educational systems. The need for special facilities to enable migrant children to benefit from an education in the language of the country of residence as well as their mother tongue, has now been accepted. Special reception classes are common in Denmark and Germany, and they are being gradually introduced in France, Luxembourg and Belgium. In Germany, migrant children are being taught in their mother tongue at both primary and secondary levels; necessary teaching staff are being provided, both by special training and by encouraging teachers

from the country of origin to migrate in order to meet the demand. The Community has already made substantial funds available for this purpose from the European Social Fund.

The Council of Association of December 20th 1976 expressly stated the rights of Turkish workers' children within the Community.

Turkish children living regularly with their parents in a Member State of the Community have the right to enter general educational courses there.

They can be admitted to benefit by the advantages provided in this domain by the national legislation in that State.

Vocational Training

Most migrant workers, whether from within or outside the Common Market, lack occupational skills or the linguistic facility with which to acquire them. This has been recognized as a serious problem, depriving migrant workers a fundamental chance for self-improvement. Though the Community has considerable financial resources available for retraining schemes, schemes to which it can contribute half the costs, vocational training is not covered. Finance on a limited scale, however, is being made available for pilot schemes to enable workers to achieve sufficient language proficiency for them to learn a new skill.

Some employers have shown themselves willing to release workers for both language and vocational training, although this is still the exception rather than the rule. To reverse this, the Commission is considering draft legislation obliging employers to allow migrant workers time off for this.

Since its formation in 1975, the EEC Centre for Vocational Training has adopted as one of its tasks a study of methods of training best suited to the special needs of migrant workers.

Pilot projects financed by the EEC show a potential for linking job language training with industrial relations as well as skill organisation.

Social Security

Full entitlement to social security benefits for all COMMUNITY CITIZENS wherever they are working in the EEC is virtually the rule already, although there are some exceptions. The main category not fully covered is for self-employed persons in any Member State but their own. Also, the payment of family benefits to migrants from Member Countries working in France is at the rate payable for the country of origin rather than that of France itself. In all other Member Countries, benefits are paid at national rates. Elimination of this anomaly is under discussion.

EEC legislation is to be drafted concerning non-contributory benefits financed from general taxation, to which not even Community citizens are automatically entitled. These include: guaranteed income for pensioners, handicapped persons allowances, supplementary benefits and widows' pensions.

Though " non-Community citizens"-migrants from outside the EEC- are obliged to pay taxes and social security contributions like everyone else, they are not entitled to full social security benefits. As with other aspects of living and working conditions, the objectives of the Commission are to offer them treatment equal to that afforded other members of society. Some benefits, they are

not entitled to in any way; for others, they have to have been resident for some time before being eligible.

E.g. family allowance entitlement is only permitted for children resident in the country of work. There are controls on the transfer abroad of sickness benefits, and in some countries, of retirement and invalidity benefits. Credits accumulated in different Member States are not necessarily transferable between countries.

To tackle these serious inequalities, two methods are being implemented :

- bilateral agreements with countries of origin allowing exports of benefits,
- elimination of nationality as a precondition for entitlement.

The Additional Protocol (art 39) provided for the elimination of some of these disadvantages for Turkish workers. In the first year following the entry into force of the said Protocol (ie in 1973), the Council of Association was to adopt measures in favour of Turkish workers' moving within the Community and in favour of their families. These provisions were mainly to allow :

- the aggregation of periods of insurance or employment completed in different Member States;
- the payment of family allowances if a workers' family resides within the Community,
- the transference to Turkey of old-age pensions, death benefits and invalidity pensions obtained under the provisions above.

The Community presented its propositions to the Association Committee in June 1974; Turkey replied to these in June 1975 demanding that the rights of her workers guaranteed by the Association Agreement should be increased. However, the Community considers that an extension of those rights would necessitate a revision of the Additional Protocol; and that,

for the moment, the improvements demanded by Turkey are covered by the bilateral accords concluded with the Member States where Turkish workers live. Discussions continue.

Social Services

Coming from a wide variety of different cultural milieux, non-Community migrant workers in particular have special social service needs, which are neither fully understood nor catered for.

From the outset much could be done before a migrant leaves home. Within the Community, a number of projects have been undertaken to minimise the cultural shock of migration.

Most migrants are socially segregated from nationals in the country to which they move. Integration, without killing cultural and ethnic identity, is now regarded as an essential objective to maintain social harmony.

Money from the European Social Fund has been available since June 1974 to finance both integration programmes and the training of social workers.

Housing

Ghetto conditions are the all too familiar lot of the migrant worker. Low cost accommodation is generally only available through the private sector. Council housing, being in short supply, is invariably allocated on a first-come, first-served basis. The waiting lists are long. Poor housing conditions are known to generate social actions and hostilities towards immigrant groups. Now that numbers have been effectively stabilised by the recession, there is a chance of catching up with improving the availability of low-cost housing. Pilot proposals have been tabled for modernized accommodation, with a financial contribution under the ECSC based on experience, gained over the past 25 years, in modernizing housing for coal miners and steel workers.

Health

Knowledge about health problems specifically experienced by immigrant workers and their families, whether physical or psychological, is scant. Research has been commissioned both by the Member States and the EEC Commission to find ways of ensuring adequate preventive measures. This also applies to safety at work.

Civic and political rights

All migrant workers- "Community citizens" and "non-Community citizens" are denied the vote, except Irish and Commonwealth citizens in the United Kingdom and Surinamese in the Netherlands. Full national citizenship rights can only be acquired through naturalisation and that takes between five and ten years at least, and even then full rights do not necessarily take effect immediately.

In Belgium, the Federal Republic of Germany, and the Netherlands, experimental local consultative committees have been set up on a limited basis allowing migrants, whether "Community or non-Community citizens" an opportunity to voice their opinions; there is wide-ranging support in the European Parliament for these committees to be established throughout the Community. The EEC Commission has reserved its rights of initiative to introduce draft legislation to guarantee this minimum right of expression.

The Beginnings of an Action Programme

To be frank, there is still much ignorance about the nature and extent of problems encountered by migrant workers in the EEC.

The Action Programme for migrant workers and their families was drafted and agreed because politically, it has been recognized that gross inequalities had developed between nationals and migrants which could no longer be ignored.

This is in itself crucial. For the future dozens of pilot projects and studies, financed by the EEC or individual Member States, have been undertaken to increase knowledge and understanding of the scope of the problems existing. As the results of these studies become available, they are being disseminated Community-wide.

Policy formulation has not been delayed because of lack of detailed information; in the main the major problem areas have been recognized. It cannot be argued that the issues are being swept under the carpet any longer.

This EEC initiative in focussing attention on migrant workers and their families as a social group facing specific difficulties throughout the Common Market has at least put an end to that unthinking attitude which prevailed hitherto.

Better statistical information is now becoming available, though independent sources maintain that official figures are still greatly underestimated.

By drawing attention to the issues raised, and the efforts being made, however flattering, to resolve them, it is hoped that there will be a better understanding on both sides.

C H A P T E R 7

COOPERATION

A. FINANCIAL ASSISTANCE

I. HISTORY OF THE PROTOCOLS

As we have seen, both the Treaty of Ankara and the Additional Protocol included Financial Protocols. The financial assistance provided for under these Protocols took the form of loans from the European Investment Bank. This Bank was set up in 1958 under the Treaty of Rome. At first its activities were confined to granting loans within the Member States. But from 1962 onwards it began also to make loans to Greece, Turkey and the Associated Countries in Africa, although the bulk of its lending continues to be done within the Community.

The first Financial Protocol provided that between Dec. '64 and Dec. '69 the Six would provide the E.I.B. with 175 m u.a. (1) out of budgetary funds for loans on favourable terms to Turkey. The second Financial Protocol took effect on January 1st 1973 and provided the European Investment Bank with the possibility of extending finance to Turkey, up to May 1976, in the form of :

- 1) loans on favourable terms, with the Bank acting as agent for the Member States and using funds provided by them up to a total of 242 m u.a. (2)
- 2) ordinary loans from its own resources up to a maximum of 25 m u.a., the terms and conditions of these loans being those applied to the Bank's ordinary operations in Member Countries

Under these financial Protocols, projects are eligible for financing in the form of loans on favourable terms where they :

(1) For the value of the unit of account see Statistical Annex P. 135

(2) The original amount was 195 m u.a. This was raised to 242 m u.a. under the Supplementary Protocol signed on 30 June 1973 following the enlargement of the Community; this Protocol is now in the course of being ratified.

" a) help to increase the productivity of the Turkish economy and, in particular, aim to provide Turkey with a better economic infrastructure, higher agricultural output, and modern, efficiently-run public or private undertakings in the industrial and service sectors ;

b) further the aims of the Association Agreement;

c) are part of the Turkish Development Plan in force at the relevant date.

Special consideration shall be given to projects which could serve to improve the Turkish balance of payments".

Ordinary loans are granted for industrial projects in the private sector.

II. PROCEDURE FOR GRANTING LOANS

a) Conditions governing the granting of loans

These were determined with due regard to the aims of the Protocols and the characteristics of Turkey' economy, particularly its balance of payments situation.

Loans on favourable terms may be granted to finance either projects showing an indirect or long-term return (infrastructure) or projects showing a normal return (industry, tourism) to be implemented by the Turkish Government, local authorities or private or State Economic Enterprises.

These loans may be used for both financing imports of goods and services and covering local expenditure necessary for implementing projects. They may be combined with other financing facilities provided from national or international sources.

Loans on favourable terms granted to the Turkish Government run for a period of up to 30 years, with a maximum grace period of 8 years (7 years under the first Protocol), and a rate of interest of not less than 2.5% (3% under the first Protocol) for projects showing an indirect or long-term return and 4.5% for projects showing a normal return.

Loans for financing infrastructure projects are either channelled by the Turkish Government to its various agencies or are on-lent to State Economic Enterprises.

In order to avoid discrimination as regards promoters when considering the terms and conditions for granting loans in Turkey, the Bank decided to adopt a two-tier procedure, applying mainly to projects showing a normal return (industry and tourism). In the first place, the Bank grants the loans to the Turkish Government on favourable terms; the Government then on-lends the funds to the promoters (State Economic or private enterprises), either directly, or, in most cases, through the intermediary of a Turkish financing institution. The terms and conditions applicable to the promoters are fixed in agreement with the Bank; the rate of interest is fixed with regard to Turkish regulations governing long-term bank loans; the term of the loan is decided according to the nature of the project. In the public sector, only one financing operation has so far been carried out via an intermediary financing institution, in this case the State Investment Bank. All loans to private industry, on the other hand, are handled by TSKB, or, more recently, by SYKB. EIB loans on-lent by the Government or intermediary institutions to the final beneficiaries may carry a term lower than that granted by the Bank to the Turkish Government. In such cases, sums reimbursed in local currency by the final beneficiaries or intermediary institutions and not required immediately for servicing EIB loans are accumulated in a special account opened by the Government with the Central Bank. These sums may be reutilised, with the EIB's agreement, to provide finance in Turkish pounds for other projects under the revolving fund procedure.

Tenders are invited to ensure that projects are implemented as advantageously as possible. Bidding is open to all natural or legal persons who are nationals of Turkey or the Member States of the Community.

Ordinary loans from the Bank's own resources are granted solely to finance projects showing a normal return that are implemented by private undertakings. They are granted to the Government which passes the funds on to the final beneficiaries via TSKB or SYKB. The term of the loan, normally 8 to 12 years, with a 2 to 3-year grace period, is determined according to the nature of the project and must be approved by the EIB. The rate of interest payable by the Government is that applied by the EIB in its ordinary operations, whereas the rate charged to the final beneficiaries is that in force in Turkey for long-term loans.

Loans from the Bank's own resources are not tied to purchases from Member States or in Turkey itself and such purchases must be opened to international bidding.

The EIB adopts a more flexible procedure for extending finance to small and medium-scale ventures in the industrial sector, by granting global loans to specialist institutions in Turkey which allocate the funds thus made available for implementing small or medium-scale projects. Subloan allocations are submitted for approval to the Bank, whose decisions is based on a simplified appraisal.

b) Project selection and appraisal

The Bank singles out the projects submitted by the Turkish Government, State Economic Enterprises, private enterprises, or financing institutions, which seem to qualify for a loan in terms of the criteria and objectives set out in the Financial Protocol.

It then conducts a detailed study of the projects selected, examining their technical, economic and financial aspects and assessing their economic benefits for the community.

The Bank often provides other than financial assistance for such projects. It has, for example, sought to mobilise additional sources of foreign exchange and, in cases where consortia or groups have been set up to finance certain large-scale projects, has acted as coordinator not only within these groups, but also between the Turkish authorities and the projects' promoters, on the one hand, and foreign lenders on the other.

The EIB is also concerned to see improved efficiency in the implementation and subsequent running of projects submitted to it, which sometimes means that the Bank gets together with the promoter to work out improvements on the technical or organisational side.

It requests the promoter to seek relevant technical assistance where this appears necessary.

The Bank also grants loans for financing preinvestment expenditure on project planning and preparation work.

c) Granting and management of loans

Loan applications not submitted by the Turkish Government can only be accepted following the latter's agreement. Under the Bank's Statute, the Board of Directors decides the granting of loans following a proposal from the Management Committee, after consultation with the Commission of the European Communities. Where the request is for a loan on favourable conditions from funds provided by Member States, the Member States are also consulted and give their opinion on the admissibility of the projects so that it may be submitted to the Board of Directors.

The EIB monitors each loan after it has been granted, ensuring compliance both with the terms of the contract and with international bidding procedures approved by the Bank. It also checks utilisation of funds, loan repayments, implementation and operation of the project and, on a more general level, the promoter's overall position.

III. LOANS GRANTED BETWEEN 1965 AND 1974

1. Summary

Between 1965 and 1974, the EIB granted 52 loans for a total of 347.9 million units of account (1). Loans on special conditions from the budgetary resources of Member States accounted for 322.9 m u.a. and ordinary loans from the Banks' own resources 25 m u.a.

Of this total 210.4 m u.a. (2) related to infrastructure projects, 135.5 m u.a. to industrial projects and 2 m u.a. to preinvestment studies.

In addition to numerous industrial projects in the north and west of the country, a small number of large-scale infrastructure projects have been implemented in eastern Turkey.

The 175 m u.a. provided for under the first Financial Protocol was entirely committed over the period 1965-1969. Bank operations in Turkey were then virtually suspended for three years due to the procedure for drawing up and ratifying the second Financial Protocol; they were then resumed in 1973, although preparatory work carried out beforehand made it possible to commit 172.9 m u.a. over the two years 1973/74 under the second Financial Protocol.

Between 1965 and 1974, EIB operations in Turkey accounted for around 8% of the Bank's total financing activities and 55% of loans to countries and territories associated with the European Community.

EIB loans accounted for around 11% of total government aid to Turkey granted on a bilateral or multilateral basis between 1965 and 1974, and represent approximately 20% of financing provided for specific projects.

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- (1) Excluding revolving fund operations
 - (2) The breakdown of loans by sector is based on the EIB classification which differs from that adopted in Turkey.

Loans granted to date by the EIB have part-financed fixed investments totalling 2 460 m u.a. and led directly to the creation of 17 700 new jobs (1). Projects financed will also bring more regular employment to 23 000 agricultural and forestry workers, at present underemployed. The Bank has, in fact, financed 13% of the investments in question (infrastructure 10.5%; industry 24.2%)

EIB - backed projects represent around 6% of total capital investment in Turkey between 1965 and 1974 (2).

2. Infrastructure

Rapid improvements in infrastructure, particularly in the energy, transport and agricultural sectors, have a positive effect on the country's general economic development and industrialisation. Loans from the Bank in favour of these sectors amount to 210.4 m u.a. and represent the major part (approximately 60.5%) of finance granted by the Bank in Turkey. All the projects concerned were implemented by the public sector.

The total investment cost to which these loans relate amounts to more than 2 000 m u.a. The low rate of Bank participation in individual projects (10.5%) is attributable to the very high cost of each project and the fact that there is a set ceiling for individual loan amounts.

Most infrastructure projects were financed in conjunction with other bilateral or multilateral lenders, especially the IBRD and KW. In the case of certain large-scale projects, e.g. the Keban and Elbistan power stations and the Bridge over the Bosphorus, financing consortia were set up and the Bank was actively involved in their establishment and operation.

(1) All data (e.g. investment cost and jobs created) on projects which the EIB has helped to finance, are based on estimates available when the operations were approved by the Bank's Board of Directors.

(2) This figure does not include the Elbistan project, implementation of which will be phased over the period 1975-1980.

A common feature of financing plans for infrastructure projects is that they include a large contribution from the Turkish Treasury, sometimes topping up the promoters' own resources; in the majority of cases this contribution covers 52-69% of the cost, whereas long-term loans cover 31% to 48%.

Infrastructure projects have led directly to the creation of 2 900 new jobs. However, the economic benefits of infrastructure projects are generally both long-term and indirect. Services provided by this type of investment are in fact inputs of general value to the community which contribute to Turkey's development and the attainment of the objectives of the Association Agreement.

a) Energy

Between 1965 and 1974, the EIB contributed 117.9 m u.a. in part-finance for a large-scale investment programme in electricity production and transmission. The loans in question accounted for 34% of total Bank finance to Turkey, and 56% of EIB lending for infrastructure projects. Two major projects absorbed the larger part of this total, 98 m u.a. in all. 40 m u.a. went towards the construction of the Keban dam and (600 MW) power station on the Euphrates, which was commissioned in 1974, and 58 m u.a., went to the Elbistan Project (1), provisionally costed at 950 m u.a., covering both the construction of a lignite-fired, 1200 MW power station, and the opening-up of a lignite deposit to provide an output of 20 million tonnes per annum. Both projects include transmission lines to connect the power stations with the main grid.

In addition to these two projects, finance was also provided for the Gökçekaya- Izmir high-tension power line, and the two already-operational generating stations at Kovada and Gökçekaya.

By the early 1980's, installed power in Turkey should reach the 6 500 MW mark, with EIB-financed power stations covering 33% of installed capacity.

(1) A second loan for this project, amounting to 19 m u.a., was granted in January 1975.

Development of electricity production and the transmission system is of course a central factor in the economic and social development of Turkey as a whole. Not only is it a prerequisite for industrialisation, but it also has a part to play in improving the regional distribution of activities. The programme now being implemented should bring many more urban communities into the national grid. At the same time, the commissioning of power stations using local resources will help to reduce the country's dependence on outside primary energy supplies and thus ease its balance of payments problems.

b) Transport

The development of a good transport infrastructure is essential to general economic development and to the reduction of regional disparities. The sheer size of Turkey and its mountainous topology lend even greater priority to this field of activity, as well as multiplying the cost involved.

Loans granted by the Bank in the transport sector total 67.5 m u.a., representing 32.1% of its finance for infrastructure.

The Bank's largest contribution, through three loans totalling 38.9 m u.a., was towards financing a long-term railway modernisation and rationalisation programme. One of these loans, for 4.4 m u.a., was used to part-finance the electrification of the Istanbul-Adapazari line and for the purchase of 15 electric locomotives. The other two loans, totalling 34.5 m u.a., were put towards the dieselisation programme, under which 200 diesel locomotives part-constructed in Turkey should be brought into service between 1970 and 1976. These represent a major portion of the TCDD (Turkish Railways) programme, which has a target of 270 diesel locomotives to be brought into service over the next few years.

An 8.6. m u.a. loan was also granted towards improvements in air transport by providing finance for the purchase by Turkish Airlines (THY) of five Fokker Fellowship F 28 turbojets for use on domestic routes. This purchase facilitated extension of the

THY network, and enabled the company both to improve the quality of its services and to meet growing pressure of demand. The expansion of domestic air services is of course conducive to the economic development of the regions served, and to the promotion of tourism.

The Bank's contribution to the Turkish road system took the form of a 20 m u.a. loan for the Bridge over the Bosphorus Project. This was opened to traffic in 1973, and has improved road links between Europe and Asia by virtually eliminating the problems of the Bosphorus crossing, previously only possible by ferry. The bridge is the centrepiece of a whole project for improving the road system around Istanbul, another feature of which is a ring motorway to relieve congestion in the city centre.

c) Agriculture

The Turkish Plan gives priority to increasing agricultural yields and intensive farming through irrigation. The Bank has contributed two loans towards this effort, advancing a total of 25 m u.a. for agricultural improvements in the Gediz Valley, north of Izmir. Development centres on a major irrigation system, coupled with operations to reduce soil salinity and prevent erosion. A further feature is land levelling and consolidation in the areas to be served, and the introduction of an agricultural extension service. The scheme should achieve major increases in agricultural productivity and farm incomes as well as improving working conditions in the irrigated area. The Bank has also given support to the modernisation of forestry, by providing finance for an integrated industrial project involving the construction of a sawmill and paper mill near Silifke on the Mediterranean coast, and investments in the forestry sector as such, involving the creation of many job opportunities.

3. Industry

One of the provisions governing Bank operations in Turkey stipulates that at least 30% of the aid granted should be used to finance projects showing a normal return, i.e. industrial

projects. Bank lending in this field now amounts to 135.5 m u.a., or 38.9% of all financing operations. 110.5 m u.a. of this has already been channelled into industrial firms, while 25 m u.a. is still in the pipeline for disbursement from global loan finance extended to TSKB, and more recently to SYKB.

Six loans for a total of 65.6 m u.a., or 48.4% of all finance to industry, have been granted to state economic enterprises for large-scale, capital-intensive projects in the basic industries. Bank lending amounted to slightly more than 22% of the fixed investment costs in question, which were estimated at 291 m u.a., and accounted for some 56% of the foreign exchange outlays. Moreover, the financing plans for these projects (1) include sums out of promoters' equity and similar resources, amounting to something between 32% and 44% according to the project, with 42% to 58% of the funds taking the form of long-term loans, and medium and short-term borrowings making up the balance, as much as 24%. Foreign assistance other than that provided by the EIB was included in three of these financing plans.

Through the TSKB, the Bank has also provided finance for 47 industrial ventures in the private sector, amounting to 44.9 m u.a. in all (2). This finance was offered both in the form of single loans and as allocations from global loans to small and medium-sized businesses. Investment costs relating to projects financed by the Bank in the private sector totalled 165.4 m u.a., such that the Bank's contribution amounted to 27%. Projects included a number of major, capital-intensive ventures, but the majority were more modest in scale or were for modernising or expanding existing businesses and creating a large number of new jobs. About half of the finance going to private industry was channelled into modernisation or expansion projects.

EIB loans to private industrial firms were on average much smaller than those granted to state economic enterprises: something below 1 m u.a. for projects having fixed investments averaging 3.5 m u.a.

(1) Including provision for working capital

(2) This does not include 25 m u.a. for allocations from global loans, not yet disbursed.

Equity capital was an important source of funds in the financing plans (1) for private projects, accounting for between 42% and 57% of the cost in most cases, with 31% to 48% made up by long-term borrowings, leaving up to 17% to be met from medium and short-term loans. The share capital of the firms in question is subscribed almost exclusively by private Turkish interests, accounting for over 75% of the equity in three-quarters of the cases, although some equity participation is carried out by Turkish banks. Foreign shareholdings and participation by public Turkish interests are, however, somewhat rare.

A number of indications serve to give a rough picture of the economic benefits accruing from the industrial projects financed by the Bank. Taken together, the projects financed in this sector should directly lead to the creation of 14 800 new jobs, 4 200 of these in the forestry phase of the Antalya project alone. They should, moreover, contribute 2 700 m Turkish pounds in annual value added, or about 4.5% of all industrial value added in 1973. Several of the projects come under the heading of capital-intensive modern industry, as the average investment per job created shows : 31 000 u.a., which is markedly higher than the average level of industrial investment in Turkey. Again, they show an expected average capital-output ratio of about 2.3, which is marginally higher than the same ratio for the whole of industry.

Projects tend to fall into two distinct categories: a few major capital ventures in the public sector and a large number of more modest operations in the private sector. Hence 53% of the new jobs created stemmed from private sector projects where the average investment per new job was around 21 000 u.a., and the average capital output ratio 1.3.

(1) Including provision for working capital

A geographical breakdown of individual projects shows a marked concentration in the west and the centre of the country, where most of Turkish industry is already located: the loans in question are thus concentrated both in number and in value, and as regards investment costs and jobs created. In spite of government inducements, private entrepreneurs are still reluctant to invest in other areas, for lack of economic and social infrastructure, and because of the remoteness of these areas from decision-making centres and the mass of consumers. The paucity of projects in these regions means that the EIB has not yet been able to make a contribution to the more balanced distribution of industrial ventures within the various regions. The TSKB, which is the main intermediary for EIB loans to the private sector is, however, well aware of this serious problem, and has reorganised its own departmental structure, mainly in order to provide more help for promoters wanting to invest in the less developed regions.

Again, because small and medium-sized ventures are more often of a local character, financing these by means of global loan allocations means that lending activities in favour of industry are tending to become decentralised; the scale of this trend is still very limited, but it is making itself felt.

A sectoral breakdown by amount of loans granted for industrial projects shows the predominance of basic industry and capital equipment manufacture, and of State Economic Enterprises which have a commanding position in these sectors.

a) Paper industry

Five projects in the paper industry claimed 34% of all finance advanced to industry, with 44.3 m u.a. of the 46.5 m u.a. total going to the public sector. All these projects were based on cellulose and kraft paper production, using local raw packaging, especially for use in exporting agricultural produce. In recent years, the paper industry has been extensively developed and modernised. Paper and card production has outstripped consumption, bringing import dependence for the satisfaction of demand down from about 40% in 1961 to 15% in the past two years.

The economic effects of these projects will overlap into the forestry and woodworking sector, especially in the case of the SEKA-Mediterranean complex, financed jointly with the IBRD , which involves not only the construction of a paper mill and a sawmill to produce semi-finished timber, but also the modernisation of forestry in the area supplying the plant, located near Silifke. Operations in the forestry sector are of key interest as Turkish forests are some of the largest in Europe and one third of the population inhabits the areas directly concerned by these activities.

The projects which have received EIB finance should enable a better use to be made of the country's timber resources, which are still used primarily as fuel for domestic heating. In addition, numerous jobs will be created directly: some 2 600 in industry as compared with the total current paper industry workforce of 10 000, plus 4 300 jobs in forestry, where the total currently employed is 35 000.

b) Chemical industry

Turkey has made every effort to develop its chemical industries. These account for a quarter of the industrial investments specified in the Second and Third Plans. Earlier investments in this sector were channelled into consumer products such as soap, detergents, paint and pharmaceuticals, but the bulk is now going into primary products.

In this sector the Bank has financed thirteen operations totalling 35.6 m u.a., or 26% of all its lending to industry. Following guidelines set in the Plan, three loans for a total of 21.3 m u.a. were granted to the public sector for production of synthetic rubber and fertilisers, while in the private sector five loans worth 12.2. m u.a. were granted to synthetic fibre manufacturers.

Petrochemical production is handled in the main by plants under public ownership. The Petkim complex, which is the chief producer of a wide range of products, obtained two loans from the Bank. Defined in terms of home market requirements, however, Turkey's Petrochemical plants are still operating on too small a scale to be considered competitive on world markets.

The Petkim plant, financed by the Bank, came on stream at the end of 1974, and should satisfy Turkish home demand for synthetic rubber, which up to now has had to be met by imports.

Local production of synthetic fibres is already adequate to meet home demand for polyamide and polyester fibres, and the planned increase in capacity will make increased export sales necessary.

This is not the case, however, with fertilisers, as it has not proved possible to achieve fully the targets set under the Second Plan. Nevertheless, Turkey meets the greater part of her needs.

c) Construction materials

Five loans totalling 7.5 m u.a. (5.5% of all loans to industry) were made by the Bank to privately-owned cement works.

The cement industry has been widely developed in Turkey, where there are now 28 plants covering the whole of the country, some of which are very modern and currently competitive at the international level. Turkey has been a net exporter of cement since 1970. The firms financed by the Bank accounted for 30% of all Turkish cement exports.

d) Textile industry

Seven private sector projects in the textile industry received EIB finance amounting to 5.6 m u.a. the emphasis being on increases in spinning and weaving capacity and modernisation of cotton mills. They have led directly to the creation of 2 700 new jobs, resulting from a total investment of 37.3 m u.a. The average cost per job created was around 14 000 u.a., half that of an average project in any other industrial sector. The firms receiving this finance

accounted for 11% of Turkey's textiles exports in 1973.

This sector accounts for some 16% of the value added in industry and employs a quarter of the industrial workforce. Production all but covers home demand and in recent years has been sufficient to provide the base for considerable growth in exports of cotton yarn and fabric, accounting in 1973 for a third of Turkey's exports of industrial products other than foodstuffs. Turkey supplies high-quality cotton and has a competitive edge on the industrialised countries, having comparable know-how as well as lower wage levels and a higher rate of plant utilisation. In exports the key factor is quality; direct competition with countries exporting cheap goods is avoided. Turkey is however suffering a shortfall in weaving capacity and is thus unable to meet foreign demand for cloth. Plans are in hand to carry out further investments in this sector.

The thirty financing operations executed in the four sectors already described amounted to 95.1 m u.a. in all, and represented 70% of loans granted for industrial projects. These activities apart, the EIB carried out 23 other financing operations for smaller investment projects in various other industrial sectors.

A large proportion of the industrial investment projects part-financed by the Bank were concerned with the substitution of home-produced goods for imports. Until it devalued in 1970, Turkey was unable to commit its economy to open competition on export markets. Finance for investment projects in exporting industries has only been developing in earnest, however, since 1973, which explains why operations under this heading still only account for perhaps 10% of all lending since 1965. At the same time, private firms which have received loans from the Bank accounted in 1973 for 7% of all exports of manufactures from Turkey.

Industries that spring up under the umbrella of a well-protected economy may well prove to be uncompetitive on the international market. The Association Agreement between Turkey and the Community does indeed acknowledge the teething troubles that can plague new industries, and the fact that some temporary protection of the same may be warranted. At the same time however it stipulates a long-term policy designed to ensure steady progress towards

adequate competitive capacity on world markets. In order to support economic development in Turkey and at the same time pursue the objectives of the Association Agreement, the Bank has tended to opt for projects with good prospects of becoming competitive internationally in the foreseeable future.

IV. FUTURE OPERATIONS

The second Financial Protocol came to an end in May 1976. Negotiations for the Third Protocol are currently underway. It has already been agreed that financial assistance to/^{the} value of 310 m.u.a. will be provided in the period until October 31st, 1981. Of this sum 220 m u.a. will take the form of loans on favourable terms and 90 m u.a. the form of EIB loans from its own resources. The exact conditions of the loans on favourable terms have yet to be settled. The Community has also agreed that negotiations for a Fourth Protocol should begin a year before the expiry of the new Protocol.

V. EXAMPLES OF VARIOUS PROJECTS

A hydro-electric project :

K E B A N

The promoter :

DSI-State Hydraulic Works, an arm of the Ministry for Energy and Natural Resources.

The project : This hydro-electric scheme on the Euphrates is the most ambitious venture ever undertaken to harness Turkey's water resources.

The scheme has three main features :

1) a part rockfill, part concrete dam, 1 100 m wide at the top, maximum height 55 m. It has a maximum capacity of 30 000 million m³, covering 68 000 ha.

2) a power station designed to house 8 turbo-generator sets, having a maximum loading of 1 200 MW. This will put four sets immediately into service, feeding 4 500 million KWh into the network annually, i.e. over one third of the country's present electricity consumption.

3) two 380 KW transmission lines linking the power station with Ankara (600 km) and Istanbul (950 km), and the national grid.

Construction work began in 1966, and both the dam and the power station were commissioned in September 1974.

Cost and financing :

The cost of the project has been estimated at some 463 m u.a.

It is being financed by the Turkish Government with the help of foreign credits (EIB, IBRD, Germany, France, Italy and the United States), channelled through a financing syndicate organised by the IBRD. The EIB is most closely concerned with coordination of finance for the dam and the power station, in particular for civil engineering works which are in the hands of a Franco-Italian consortium. Foreign capital accounts in all for some 150 m u.a. of the cost, and 40 m u.a. of this is being provided by the EIB.

A road transport infrastructure project :

THE BRIDGE OVER THE BOSPORUS

The promoter :

KGM- Turkish Ministry of Public Works, Directorate-General for Highways

The Project :

The Bridge over the Bosphorus now links the European and Asian parts of Greater Istanbul, and hence Thrace and Anatolia. The project also includes the Istanbul ring motorway and a Bridge over the Golden Horn.

The Bosphorus suspension bridge is the most spectacular part of the project, based as it is on one of the latest structural techniques, with decking of prefabricated modular construction, attached to the main cables by angled suspenders. It has the fourth longest central span in the world, and the longest in Europe.

Overall length	1 560 m
Length of centre span	1 074 m
Width of roadway (six lanes)	35 m
Height of towers above sea level	165 m
Height of deck above sea level	64 m

The bridge was designed by a British firm of consultant engineers, and built by an Anglo-German consortium, while the metal towers are of Italian construction, and the cables manufactured in Germany and Luxembourg.

The ring motorway, which runs for about 20 km, has two three-lane carriage-ways skirting Istanbul and linking the Edirne-Istanbul road with the Istanbul-Ankara road. It can accommodate a traffic density of up to 80 000 vehicles a day, travelling at 100 kph. Construction is in the hands of Turkish firms, with European contractors involved in the main civil engineering works.

The Bridge over the Golden Horn, about 1000 m long, consists of a metal, orthotropic structure supported by piers sunk into the river bed connecting with concrete viaducts. This was designed by a Japanese firm of consultant engineers and built by a Japanese-German consortium.

Cost and financing :

The total cost of the project has been estimated at 185 m u.a., about 40 m u.a. of this being foreign currency outgoings.

Financing is in the hands of the Turkish Government and foreign lenders operating as a syndicate. This syndicate includes the European Investment Bank, France, Germany, Italy, Japan and the United Kingdom. Within the syndicate, the Bank plays the leading role as coordinator, ensuring the implementation of the financing plan as agreed, supervising loans and keeping a watching brief on the main tendering operations.

Foreign credit totals 50 m u.a., 20 m u.a. of this from the EIB alone. Some of these funds are destined to cover local expenditure.

An agricultural project :

G E D İ Z

The promoters :

DSI, TOPRAKSU, Technical Assistance Department (Directorate-General for Agriculture, Ministry of Agriculture) and Directorate-General for Erosion Control (Ministry of Forestry).

The projects :

This involves the irrigation of 107 000 ha of land in the lower Gediz Valley, north of Izmir, flood control works on the river and its tributaries, and a hydro-electric scheme.

The main features of the project are :

1. Construction of two impounding dams to create two artificial lakes, one on the Gediz of 1 300 million m³ capacity, and the other on the Alaşehir to hold 93 million m³.
2. Construction of three catchment dams and one diversion dam.
3. Works to convert Lake Marmara into a 360 million m³ balancing reservoir.
4. Construction of a 14 000 KW hydro-electric power station.
5. Installation of a runoff irrigation system, total length 5 600 km. The most recently installed parts of this system use prefabricated conduit (canaletti).
6. Construction of a 3 000 km open-ditch drainage system and of a 2 600 km pipe drainage system.
7. Levelling and where possible consolidation of the areas to be redeveloped, coupled with measures to counteract excessive salt or alkali levels in the soil.
8. Protection of 44000 ha against river flooding and of 8 000 ha against erosion.

Over 90 000 ha have already been made irrigable.

Cost and financing

The total cost of the public investments involved has been estimated at 172.9 m u.a. Financing is in the hands of the Turkish Government, and the EIB has provided funds for the project on two occasions, advancing 15 m u.a. in 1965, and 10 m in 1973.

A petrochemicals project :

P E T K I M

The promoter :

Petkim Kauçuk A.Ş., company formed to implement this project and subsidiary of Petkim- Petrokimya A.Ş. a public company formed in 1965 to set up and develop a Turkish petro- chemicals industry.

The project :

This centres on the construction at Yarımca near Izmit of a plant forming part of a petro-chemicals complex already being laid out, to produce synthetic rubber from butadiene, some of which is extracted on site, and the remainder imported, along with other raw materials. Annual butadiene capacity is 33 000 tonnes and the plant also produces 32 000 tpa of SBR (styrene-butadiene rubber) and 13 500 tpa of CBR (cis-polybutadiene rubber). The main market for these products is the local tyre industry, which up to now has had to import its raw materials .A French company is in charge of the engineering side, for which licensing contracts have been signed with both a Dutch company and the Dutch subsidiary of a Canadian concern.

The plant was commissioned at the end of 1974.

Cost and financing :

Cost of the fixed investments is estimated at 29 m u.a., 15.7 m u.a. of which would be foreign exchange outgoings.

Two main financing sources have been tapped : the promoter's capital, reserves and self-generated funds, and long-term borrowings from the DYB (State Investment Bank) and the EIB, which has put up a total 15.7 m u.a., sufficient to cover foreign exchange outlays.

B. FOOD AND EMERGENCY AID

At the request of the Turkish authorities the Community has also been extending Turkey food aid since 1969, when it began providing food aid under the International Food Aid Convention .

To date the Community has provided Turkey with 123.000 tons of cereals under its annual food aid programmes. This has been supplemented by 20 000 tons of cereals, 1 050 tons of butter, 1 000 tons of butteroil and 2 100 tons of skimmed milk powder provided by way of emergency assistance following natural disasters in Turkey. After the earthquake at Lice in 1975 the Community also provided 100 000 u.a. for the purchase of medicines and tents.

All of this aid has taken the forms of grants, ie gifts that do not to be repaid.

Similarly after the Van earthquake in November 1976, the Community provided 500,000 u.a. to the League of Red Crosses and Red Crescents in Geneva for the purchase of Polar Tents and Medicines for the relief of the earthquake victims.

C. THE FIGHT AGAINST FOOT AND MOUTH DISEASE

Following a request from the Ankara Government, which was raised by the Turkish delegation at the Association Committee meeting of June 6th, 1975, the Council of the Communities decided that the Community would contribute to the financing of a project in favour of the Ankara Foot and Mouth Disease Institute. This project was also supported by the F.A.O.; and the Community agreed to contribute up to a maximum of \$ 1 million.

The important work undertaken by this Institute is aimed at considerably increasing the production of vaccine. It should enable Turkey to achieve self-sufficiency in combatting and finally eliminating foot-and-mouth disease from her territory. This will at the same time bring about a better protection for the livestock of the Community.

See also Annex II for possibilities of future co-operation.

CHAPTER 8

THE EFFECTS OF CERTAIN FOREIGN POLICY QUESTIONS

A. Relations with Greece

1. Milestones in EEC-Greece relations

The Association Agreement between the European Economic Community and Greece was concluded on 9 July 1961 and took effect on 1 November 1962. It provided that Greece might later accede to full membership.

Following the coup d'état in Greece on 21 April 1967, the association was 'frozen', the Community restricting the operation to day-to-day matters, i.e., applying only the provisions of the agreement which constituted specific obligations.

The restoration of a democratic system in Greece on 24 July 1974 enabled the Community to reactivate the Athens Agreement.

On 12 June 1975 the Greek Government officially applied for Greece to join the Communities. The Council called on the Commission on 24 June 1975 to give its Opinion on the Greek application. The Commission adopted this Opinion on 28 January 1976.

On 9 February the Council considered Greece's application for membership. At the end of the meeting the following press release was issued :

" After noting- in accordance with the provisions of the Treaties- the Commission's Opinion with regard to Greece's request for accession, the Council states that it was in favour of this request.

" It agreed that the preparatory talks essential to the establishment of a common basis for negotiation should take place as soon as possible in a positive spirit. "

Accordingly negotiations for Greek accession to the Community were formally opened on July 27th, 1976

2. Excerpts from the Commission's Opinion on the Greek Application for Membership

GENERAL CONSIDERATIONS

It is the first time that the European Community has been presented with an application for full membership from a country with which it already has close contractual links. This relationship is defined in the Association which was created between the EEC and Greece in 1962, covering not just trade policy but a whole series of steps that were to be undertaken to ensure Greece's progressive integration into the entire fabric of Community life. In particular, the Athens agreement was explicitly aimed at paving the way for eventual full membership.

Fourteen years later, in the aftermath of fundamental changes in its political and economic situation, Greece has decided that it is now in a position to move on to this final stage in its relations with the Community.

Given the avowed aims of the Community in establishing the Association, and Greece's return to a democratic form of government, there can be no doubt, in the view of the Commission that the Community must now give a clear positive answer to the Greek request.

The Greek application for membership in the timescale currently envisaged, that is without first waiting for the full implementation of the present Association, necessarily raises a complex of issues which need to be identified for they entail important consequences for both Greece and the Community, and, taking a positive verdict on the principle of membership as the starting point, this paper proposes certain guidelines for approaching these problems.

Eastern Mediterranean

The prospect of Greek membership raises the problem of the disagreements between Greece and Turkey, an Associate country whose agreement with the Community also has full membership as its stated final objective.

The European Community is not and should not become a party to the disputes between Greece and Turkey.

The Commission is consequently of the opinion that the European Community should urge upon Greece and Turkey the need for them to reach just and lasting solutions to the differences which separate them. The Community should consider what part it could play, in parallel with the preparatory work for Greek accession, to facilitate this process. It is evident that the success of these initiatives does not depend on the Community alone, and it would therefore be inappropriate for the decision on Greek membership to be dependent on it.

Until now the balance in the Community's relations with Greece and Turkey has found its expression in their identical status as Associates, both of them with the possibility of full membership as the final objective, albeit with different timetables.

Unavoidably the prospect of Greek membership of the Community introduces a new element in this balance.

In the view of the Commission specific steps will need to be taken to give substance to the Council's declaration of 24 June 1975 (1), to the effect that the examination of the Greek application for membership will not affect relations between the Community and Turkey and that the rights guaranteed by the Association Agreement with Turkey would not be affected thereby. The Commission will in due course submit separately its proposals on how this should be done.

(1) Bulletin of the European Community 6-1975, 1209

Economic implications of Greek accession

Where Greece is concerned it might at first sight seem that the Association Agreement, which has already brought the contracting parties a long way towards customs union, has drastically reduced the eventual economic impact of full membership. But there are certain additional aspects to which the Commission thinks it necessary to draw attention.

First, in the important area of agricultural harmonization, actual progress within the Association has regrettably been limited, largely because of the freezing of the Agreement from 1967-74. Although in 1975 the work of agricultural harmonization has been taken up again, the fact is that Greece's position is still far from being that of a near Member State. Complex political and social considerations will mean that integration of Greek agriculture with that of the Community, whether within the framework of Association or of membership, will take time and the faster the process, the greater the cost.

Secondly, in recent times the Community has granted various forms of preferential access to its market to a wide range of countries, be it in Europe, in the Mediterranean, or elsewhere. These are obligations which do not affect Greece as an Associate, but which it would have to assume as a member.

Development of the Community

A quite different issue raised by the prospect of Greek membership is that implied by any enlargement of the Community, namely its effect on the working methods and the future development of the Community.

The prospect of further enlargement at a time when the full consequences of the preceding one have not yet been absorbed must give rise to concern. The Commission considers therefore that any further enlargement must be accompanied by a substantial improvement in the efficiency of the Community decision-making processes and strengthening of its common institutions.

Furthermore, in so far as its future development is concerned, the Community is preparing to take some important new steps on the road towards European Union comprising a whole range of political (e.g. direct elections to the European Parliament) and economic (e.g. Economic and Monetary Union) questions. On some of these matters, decisions of principle have already been taken. This on-going integration process must not be delayed by further enlargement. Indeed further enlargement calls for an acceleration of this process. Therefore the Commission believes it essential for the Community to make significant progress in its own internal development in the period leading up to enlargement.

The present state of the Association

The economic implications of Greece's application for membership must also be measured against the current state of economic relations between it and the European Community. These relations are defined by the provisions of the 1963 Association Agreement, which was the first and most wide-ranging contractual arrangement of its kind undertaken by the Community.

The Association Agreement's main principles and provisions were modelled closely on those of the Treaty of Rome. They therefore cover not only a full customs union, which in agriculture is to be accompanied by harmonization of agricultural policies, but also several other elements of the common market such as rules of competition including those applying to State aids, free movement of persons and services, and coordination of economic policies.

However, many of the provisions of the agreement, which was intended to be fully implemented by 1984, have hardly begun to be applied at all, particularly as a result of the 1967-74 freezing of all progress on many provisions of the agreement. In several of these areas it was in any case not mandatory that the agreement be applied in exactly the same way as similar provisions of the Treaty of Rome. It follows from this that in a number of areas membership will create a completely new situation for Greece. This is for instance the case as regards the ECSC and external relations.

The development of the Association has been considerably hampered by the imbalance created between the automatic provisions relating to the customs union and the other provisions as a result of the 1967-74 freeze: more remains to be done in a much shorter time than was originally foreseen and the full implementation of the provisions of the Association Agreement could present substantial difficulties.

The customs union

Since 1 November 1974, practically all Greek exports to the Community and about two-thirds of Community exports to Greece enter free of duty under the provisions of the Association Agreement. (1)

The remaining third of Community exports to Greece is governed by a timetable leading to customs union by 1984 in progressive stages : as of 1 November 1975 Greece may apply to Community exports of these products only 56% of its 1962 duties. Greece is obliged to phase out progressively, by 1984, its remaining quantitative restrictions on imports from the Community, and neither party may invoke the general safeguard clause, void since 1970.

Under the Agreement and subsequent decisions of the contracting parties, Greece is empowered, until 1980, to reintroduce tariff duties within well-defined limits, in defence of its infant industries. Such duties must in any case be removed by 1984. Very limited use has so far been made of this facility which seems incompatible with full membership, maybe because disarmament with respect to most of the really sensitive sectors has only recently reached a significant depth.

In this context should also be mentioned the Greek import deposit scheme which applies fully to imports from third countries and partially to imports from the EEC. This scheme is intended to be phased out by 1984.

(1) This does not include levies and compensatory taxes for certain agricultural sectors.

Moreover, Greece appears to apply to its industries an extensive system of aids. In so far as some of these should prove incompatible with the common market, detailed studies would be required to estimate the impact on the sectors concerned of the removal of this element of protection.

With regard to third countries, Greece has adopted the basic duties of the Common Customs Tariff for those products which now enter from the Community free of duty . For the remaining products, alignment to the CCT as a general rule has reached 50% of the difference between CCT and Greek rates. For certain products alignment to the CCT is suspended until 1984. Adoption by Greece of the CCT has not so far, however, implied any adoption of the preferential agreements concluded between the Community and third countries, nor of the autonomous reductions within the Community's Generalized System of Preferences. In the event of membership Greece would have to adopt these preferential reductions.

External relations

Greece will have to apply the Community's preferential arrangements, that is the EFTA agreements, the agreements with the other Mediterranean countries(1), the Lomé Convention and the Generalized System of Preferences.

The current share in overall Greek imports of the countries involved is at present relatively limited (6.6% EFTA, less than 10% from the 11 Mediterranean countries with whom EEC preferential or Association agreements exist or are envisaged, 2.5% ACP) (2). With the removal of tariff barriers, however, these countries could considerably improve their share of the Greek market.

In the case of specific economic sectors, particularly amongst those which so far benefited from a relatively high level of protection and which do not have a natural competitive advantage, this aspect of membership could give rise to serious problems; further investigation will be required on this point.-----

(1) Including Turkey

(2) The 100-plus beneficiaries of the Community's GSP, including some Mediterranean countries, should also be taken into account although statistics are not available.

B. Relations with Cyprus

1. The Association Agreement

Under Art. 237 of the Treaty of Rome, Cyprus as a European country is also eligible to apply for membership of the Community. As with Malta, however, Cyprus has chosen to negotiate an Association Agreement. The objective of this is to establish a Customs Union between Cyprus and the Nine.

The association agreement together with the additional protocol defining the adjustments to be introduced into the agreement to take account of the enlargement of the Community, were signed in Brussels on December 19, 1972.

It came into effect as from May 14, 1973. It provides for the Association to pass through two stages.

The first stage is to continue until June 30, 1977. Cyprus enjoys a reduction of 70% in Community customs duties on its industrial goods, except for petroleum products.

In regard to agricultural products Cyprus has duty-free access for its carobbeans, and a 40% cut in the Community common external duties for citrus fruit, subject to a schedule of minimum sale prices. A special transitional arrangement has also been brought forward for exports to the British market of new potatoes and "Cyprus sherry".

Cyprus undertook to cut its tariffs on goods from the Community under the following timetable :

- 15% on the entry into force of the agreement (May 14, 1973)
- 25% at the beginning of the third year (1976)
- 35% at the beginning of the fifth year (1978)

For a number of products there is to be a total or partial derogation of the duty reductions. This is intended to safeguard sectors which are not yet competitive and to allow for the maintenance of duties of a fiscal character.

The agreement includes a special safeguard clause to deal with industrialisation requirements. This gives Cyprus the right to restore or increase its customs duties in order to facilitate the execution of subsequent industrial projects.

The removal of quantitative restrictions is to be subject to the right functioning of the Cyprus economy.

The second stage of association will in principle continue for five years. Its objective will be , to complete the elimination on both sides of the obstacles to the essential part of the trade, and to set up a customs union.

2. The Broadening of the Agreement

When the Association Agreement entered into force, negotiations were in progress with several other Mediterranean states under the global approach to the Mediterranean. The Community therefore undertook to review the agricultural concessions it extended to Cyprus when these negotiations were completed. At the same time it was proposed to broaden the Association Agreement to include financial and economic co-operation(as has been done with the Maghreb countries for example). Accordingly the Commission addressed a proposal to the Council in October 1973, proposing that negotiations should be opened with Cyprus with a view to improving the agricultural régime/^{and} establishing economic and financial co-operation.

Because of the political situation these negotiations have not as yet begun. In February 1976 the Commission sent an updated version of its proposal to the Council. At the time of writing this proposal is still under consideration in the Council.

3. The European Community and the troubles in Cyprus

In its statement of July 17th, 1974 on the Cyprus crisis the Commission recalled that the association is founded on "the independence and territorial integrity of the Republic of Cyprus". The accent was put upon " the principle that the advantages of association should be for the benefit of the entire population of the island".

These two points have been reiterated frequently as the key principles governing the Community's attitude to the Cyprus problem. The Community has also expressed its desire " to contribute towards the re-establishment of conditions enabling all the citizens of Cyprus to live once more in a climate of peace and stability". It has also affirmed its commitment " to developing its relations with Cyprus, in particular by the enlargement and strengthening of the present agreement for the benefit of the economy of Cyprus as a whole ".

Pending such a solution the Community has provided emergency food aid to the displaced Cypriot populations.

Moreover, the political position of the Nine Member States of the Community was presented as follows to the United Nations on February 24, 1975 :

" In the first place, we are attached to the principle of the maintenance of the sovereignty, the independence and the territorial integrity of the Republic of Cyprus". This implies " notably the withdrawal of foreign forces"

"Secondly, we attach particular importance to the distressing question of the refugees, who constitute almost a third of the population of the island. This question is a humanitarian issue... But it is also political, because it is at the heart of any settlement, and because it is in danger of degenerating into a grave international problem, if it is not settled speedily.

" Thirdly as concerns the manner of settling the Cyprus question, we consider that the agreement of the two communities which constitute the Republic of Cyprus is an essential condition".

A N N E X I

Statistical Annex

TABLE I : TURKISH EXPORTS TO THE WORLD, THE SIX AND THE NINE 1963- 1975

Million dollars

Year	The Six		The Nine		The World	
	Value	%	Value	%	Value	%
1963	139.9	38.0	195.8	53.2	368.1	100
1964	137.7	33.5	190.9	46.5	410.8	100
1965	156.9	33.8	205.9	44.4	463.7	100
1966	171.5	35.0	227.2	46.3	490.5	100
1967	176.6	33.8	220.8	42.2	522.7	100
1968	164.1	33.1	205.5	41.3	496.4	100
1969	214.9	40.0	251.2	46.8	536.8	100
1970	232.9	39.6	277.0	47.1	588.5	100
1971	266.5	39.4	309.2	45.7	676.6	100
1972	347.0	39.2	404.8	45.7	885.0	100
1973	493.5	37.5	611.6	46.4	1317.0	100
1974	619.9	40.5	717.3	46.8	1532.2	100
1975	530.1	37.8	615.1	43.9	1401.1	100
1976	806.2	41.1	958.9	48.9	1959.8	100

Source : State Institute of
Statistics, Ankara

TABLE 2 : TURKISH IMPORTS FROM THE WORLD, THE SIX AND THE NINE 1963- 75

Million Dollars

Year	The Six		The Nine		The World	
	Value	%	Value	%	Value	%
1963	195.2	28.5	275.2	40.2	684.6	100
1964	154.5	28.8	213.1	39.7	537.2	100
1965	163.1	28.5	224.0	39.2	571.6	100
1966	236.5	32.9	318.4	44.3	718.3	100
1967	237.9	34.7	329.5	48.1	684.7	100
1968	281.9	36.9	386.7	50.6	763.7	100
1969	284.7	35.5	382.4	47.7	801.2	100
1970	325.2	34.3	420.1	44.3	947.6	100
1971	455.7	38.9	571.8	48.8	1170.8	100
1972	652.5	41.8	829.5	53.1	1562.6	100
1973	923.3	44.0	1154.8	55.0	2098.8	100
1974	1419.5	37.6	1708.2	45.2	3777.8	100
1975	1962.3	41.4	2338.2	49.3	4738.6	100
1976	1911.7	37.3	2342.0	45.7	5128.6	100

Source : State Institute of
Statistics, Ankara

TABLE 3 a) TURKISH EXPORTS BY COMMODITY GROUPS 1963- 1975

\$ M

EXPORT	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975
1. Agricultural Goods	291.9	319.5	361.2	388.9	429.8	404.6	402.7	442.6	491.3	607.3	832.0	851.9	792.6
including : Cotton	79.5	89.4	100.2	128.5	131.5	139.1	113.6	173.1	193.1	191.3	305.8	244.0	230.3
Tobacco	66.8	90.1	90.3	107.6	118.0	94.8	81.5	78.5	85.9	130.9	132.9	204.5	183.2
Hazelnuts	54.0	50.2	61.9	56.7	84.3	76.0	107.7	87.0	84.2	116.5	121.7	173.2	154.1
Raisins	16.6	16.9	21.5	22.1	22.7	22.8	23.1	21.1	22.1	31.1	58.2	53.9	45.5
Dried Figs	5.7	5.9	6.8	6.6	7.1	6.8	6.7	7.2	8.6	9.9	16.1	17.2	18.9
Citrus Fruit	2.6	1.8	3.9	5.4	6.6	8.6	10.1	7.7	15.6	17.6	25.5	26.3	28.4
2. Industrial Goods	65.3	76.3	81.5	78.4	75.8	65.8	99.2	103.3	145.0	220.0	428.7	592.1	502.9
Inc: Products of the Food, Drink Industry	42.6	46.2	47.0	38.0	47.7	31.8	57.3	41.5	53.1	80.3	149.1	130.4	116.7
Textiles	3.0	4.5	4.5	2.6	3.0	8.0	16.0	26.5	39.0	55.9	109.4	147.0	132.5
Petroleum Products	9.03	8.78	5.54	4.29	0.42	1.30	2.59	0.71	2.77	22.35	48.90	85.89	36.05
Leather Goods	0.04	0.19	0.22	0.23	0.09	0.28	0.84	3.99	10.55	21.27	45.16	73.90	64.88
3. Minerals	10.9	14.9	21.0	23.3	20.7	26.1	35.0	42.7	40.3	50.3	56.5	88.3	105.6
TOTAL	368.1	410.8	463.7	490.5	522.7	496.4	536.8	588.5	676.6	885.0	1317.0	1532.2	1401.1

Source : State Institute of Statistics, Ankara

TABLE 3 b MAJOR TURKISH EXPORTS TO THE E.C. 1963- '75

§ M

EXPORT	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	
											The Six	The Nine
Agricultural- Cotton	28.8	38.9	34.4	53.6	54.7	41.2	46.7	79.0	80.0	67.6	71.9	126.2
Tobacco	7.5	12.8	10.9	18.3	14.5	18.0	15.6	22.9	23.2	27.2	29.3	29.6
Hazelnuts	31.1	28.6	43.6	29.7	53.7	48.1	75.7	57.3	55.4	82.2	76.5	80.0
Raisins	6.9	6.3	9.9	9.3	9.4	10.1	10.0	10.3	11.5	15.8	32.0	48.6
Dried Figs	3.3	3.5	4.1	4.0	4.1	3.9	3.9	4.1	5.4	5.9	9.1	10.4
Citrus Fruit	2.2	1.0	1.5	1.9	2.0	2.3	4.0	3.4	4.6	5.7	7.4	7.9
Industrial- Textiles	1.40	2.29	2.59	0.77	0.57	1.96	6.13	14.01	23.69	35.48	69.62	73.95
Petroleum Products	2.74	1.97	1.16	0.35	0.10	1.09	1.59	0.23	1.86	12.49	16.89	17.24
Leather Goods	0.02	0.02	0.03	0.05	0.02	0.04	0.23	0.93	2.65	8.31	27.40	30.32
Other Exports	55.9	42.3	48.7	53.5	37.5	37.4	51.1	40.7	58.2	86.3	153.4	187.4
ALL EXPORTS	139.9	137.7	156.9	171.5	176.6	164.1	214.9	232.9	266.5	347.0	493.5	611.6

Table 3 b continued : Major Turkish Exports to the EC 1963-1975

\$ m

EXPORT	1974		1975	
	The Six	The Nine	The Six	The Nine
Agricultural-Cotton	77.9	101.3	67.8	98.3
Tobacco	64.4	66.0	32.5	34.5
Hazelnuts	116.9	122.6	97.6	99.7
Raisins	30.9	48.2	24.2	37.8
Dried Figs	9.3	10.7	10.0	11.3
Citrus Fruit	5.5	6.2	6.1	6.9
Industrial- Textiles	94.9	107.4	81.4	92.2
Petroleum Products	24.9	28.9	18.6	20.7
Leather Goods	63.3	64.7	55.5	57.0
Other Exports	131.9	161.3	136.4	156.7
ALL EXPORTS	619.9	717.3	530.1	615.1

Source : Annual Foreign Trade
 Statistics, Series I, State
 Institute of Statistics, Ankara

TABLE 4 a) MAIN TURKISH IMPORTS, 1963- 1975 \$ M

IMPORT	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975
Cereals (Chapter 10 B.T.N.)	60.0	6.1	27.0	18.8	2.0	-	32.3	74.0	47.3	6.8	26.6	254.5	142.2
Animal, Vegetable Fats Oils (Ch 15)	30.5	27.3	5.0	17.0	5.2	3.2	16.5	6.6	16.9	21.1	3.9	16.9	124.1
Mineral Fuels (Ch. 27)	66.2	67.1	56.7	55.0	53.5	64.0	60.8	66.6	121.4	154.9	221.6	762.4	811.4
Chemicals (Ch.28,29)	25.0	26.1	36.7	41.1	48.2	56.9	64.6	75.5	88.6	113.3	160.0	233.3	364.6
Fertilisers (Ch.31)	5.6	4.6	17.5	27.9	37.3	48.1	52.0	31.3	32.3	62.2	131.5	100.3	48.4
Plastics (Ch 39)	10.0	8.8	10.9	18.2	18.1	19.1	16.9	17.1	22.2	32.4	41.7	80.0	90.6
Rubber and Rubber Products (Ch 40)	27.5	14.2	15.3	16.0	19.4	19.2	14.8	18.1	20.5	23.6	29.7	55.4	62.1
Iron and Steel (Ch 73)	64.6	50.8	59.2	66.6	46.6	43.5	50.6	92.7	132.4	147.7	247.5	531.0	679.8
Machinery (Ch 84)	146.1	140.8	130.0	176.2	182.8	204.9	167.0	204.3	262.2	394.4	506.6	644.3	998.8
Electrical Machinery (Ch 85)	42.7	34.7	35.4	50.6	45.0	48.9	57.1	69.0	64.4	122.2	146.1	183.6	278.3
Motor Vehicles (Ch 87)	68.8	40.8	35.1	62.4	57.2	69.6	74.9	42.8	64.1	111.7	173.7	204.5	360.1
Other Imports	140.6	115.9	142.8	168.5	169.4	186.3	193.7	249.6	298.5	372.3	409.9	712	778.3
TOTAL IMPORTS	687.6	537.2	571.6	718.3	684.7	763.7	801.2	947.6	1170.8	1562.6	2098.8	3777.6	4738.5

Sources : Annual Foreign Trade Statistics, Series I,
State Institute of Statistics, Ankara 1963-'75
'Turkey an Economic Survey, 1976'
TUSIAD, Istanbul 1976

TABLE 4 b) EEC. EXPORTS TO TURKEY 1966- 1974 BY MAIN PRODUCT GROUPS (1)

Million units of account (2)

Product Group (Chapter of the B.T.N. in brackets)	Exports from the Six						Exports from the Nine					
	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1974	1975
Cereals (10)	0.1	-	-	12.4	18.9	6.3	0.1	4.6	35.7	3.0	35.7	3.9
Animal and Vegetable fats and oils (15)	1.1	1.0	1.1	0.9	0.7	1.8	3.3	1.0	1.9	29.1	2.1	31.1
Mineral Fuels (27)	4.9	7.6	6.8	11.6	11.6	14.9	11.2	15.4	30.7	26.4	37.2	33.1
Chemicals (28,29)	15.4	19.0	23.5	27.3	34.2	32.3	39.6	51.8	88.9	99.5	98.6	113.0
Fertilisers (31)	17.1	16.8	19.2	24.0	18.2	17.6	39.8	50.7	36.0	6.4	41.5	6.4
Plastic Materials (39)	7.5	8.3	8.6	9.7	n.a	13.7	20.3	24.5	52.4	41.2	55.6	44.5
Rubber etc. (40)	1.9	1.4	1.8	2.2	n.a	4.0	4.2	7.0	12.1	10.2	15.8	12.5
Iron and Steel and articles thereof (73)	23.7	16.5	14.6	18.1	n.a	42.3	45.5	75.0	204.8	208.2	209.2	212.7
Machinery (84)	64.7	85.8	93.0	91.6	97.3	112.9	156.0	203.9	299.7	413.1	357.1	475.4
Electrical Machinery (85)	20.6	20.4	21.2	27.1	29.6	39.8	59.1	75.8	110.8	128.4	119.0	138.3
Vehicles (87)	22.3	32.2	32.8	30.6	27.0	38.0	73.2	102.4	124.7	198.8	190.1	292.3
Others	87	94	91.7	89.3	n.a	143.8	163.8	178.4	260.6	359.0	309.9	417.8
TOTAL	266	303	314.3	344.8	412.0	467.4	616.1	790.5	1258.3	1518.3	1471.8	1781.0

Notes : (1) Nimex statistics are not available for the years prior to 1966

(2) The value of the Unit of account is as follows

1966-1970 : 1 u.a. = 1 \$
 1971 : " " = 1.0026 \$
 1972 : " " = 1.0857 \$
 1973-1975 : " " = 1.25 \$

Source : Foreign Trade Analytical Tables
 (NIMEXE) 1966-75, Statistical
 Office of the E.C. Luxembourg

TABLE 5 : TURKISH EMPLOYEES IN EMPLOYMENT IN THE MEMBER STATES 1961-1975

Source :Community figures

Year	Belgium	Germany	France	Italy	Luxembourg	Netherlands	Denmark	Ireland	United Kingdom	Total Community
1961	120	-	-	-	-	72	-	-	-	200
1962		18 600				208				19 000
of which women	-	(1 600)	-	-	-					
1963		33 000				693				34 000
of which women	-	(3 600)	-	-	-					
1964		85 200				4584				90 000
of which women	-	(8 000)	-	-	-					
1965	7 000(est)	132 800				7286				147 000
of which women		(17 800)								
1966	7 000(est)	161 200				12165				180 000
of which women		(26 100)								
1967	7 266	131 300		126		10161				149 000
of which women		(25 400)								
1968	8 000(est)	153 000	3 500	129		13600				178 000
of which women		(34 300)								
1969	800(est)	244 300		161		19000 (est)				272 000
of which women		(53.600)								
1970	10 000(est)	353 900		155		20615			3 000(est)	388 000
of which women		(77 400)								
1971	11 000(est)	454 100		217		25954			3 000(est)	493 000
of which women		(97 400)								
1972	12 000(est)	511 100	18000(est)			27771			3 000(est)	572 000
of which women		(119 500)								
1973	" 12 000(est)	605 000	25000 "			30970	4 774		3 000 "	681 000
		(..)								
1974	10 000 "	606 800	25000 "			33144	5 730	10	3 000 "	684 000
"		(158 000)								
1975	10000 "	543 300	25 000 "			34000(est)	5 639	40	3 000 "	621 000
		(140 700)								

Table 6 : WORKERS' REMITTANCES TO TURKEY 1963-1975

§ M

Year	Amount
1963	-
1964	8.1
1965	68.8
1966	115.3
1967	92.4
1968	107.4
1969	140.6
1970	273.0
1971	471.4
1972	740.2
1973	1183.3
1974	1426.3
1975	1312.3
1976	982.7

Source : Turkish Ministry of Labour

Table 7 FOREIGNERS ARRIVING IN TURKEY 1967-1974, TOTAL, FROM THE SIX AND FROM THE NINE

Year	From the Six ^x		From the Nine ^x		Total	
	Number	%	Number	%	Number	%
1967	183080	31.9	238881	41.6	574055	100
1968	186240	30.9	246324	40.9	602996	100
1969	233224	33.6	291230	42.0	694229	100
1970	247097	34.1	324900	44.9	724784	100
1971	328234	35.4	441057	47.6	926019	100
1972	334013	35.0	432774	45.4	953419	100
1973	473029	35.3	618677	46.2	1338206	100
1974	389593	37.8	485829	47.1	1031671	100

x excluding Luxembourg

Source : Statistical Yearbook of Turkey 1975,
State Institute of Statistics Ankara

Table 8. FOREIGN CAPITAL INVESTED IN TURKEY UNDER LAW 6224 (As of Dec. 31st 1974)

COUNTRY OF ORIGIN	NUMBER OF FIRMS	AUTHORISED FOREIGN CAPITAL	
		Value (million TL)	% of Total FOREIGN CAPITAL
GERMANY	23	299.9	15.28
BELGIUM	5	76.9	3.91
FRANCE	8	215.4	10.97
ITALY	6	193.2	9.84
HOLLAND	5	102.7	5.23
DENMARK	5	83.6	4.26
UNITED KINGDOM	5	46.5	2.37
TOTAL NINE	57	1018.5	51.90
J. S. A.	20	336.1	17.12
SWITZERLAND	16	294.7	15.02
OTHER COUNTRIES	12	212.1	10.81
MIXED	6	100.9	5.14
TOTAL	111	1962.3	100

Source : Turkey an Economic Survey 1976
TÜSİAD, Istanbul

Table 9. Disbursements of Foreign Aid to Turkey 1970-75

<u>Donor Country</u>	1970	1971	1972	1973	1974	1975	Pipe- line 31.12. 75	Total Disburse- ments 70-75
Germany	41.48	29.17	52.57	48.81	27.2	24.1	188.56	223.33
Belgium	1.5	2.0	2.23	2.56	2.7	2.61	-	13.60
France	21.91	14.67	21.91	9.87	3.85	20.5	51.6	92.71
Holland	0.5	1.15	1.5	9.06	-	2.4		13.61
Italy	12.12	14.87	7.0	5.43	3.35	0	41.54	42.77
Denmark	0.4	0.6	-	-	-	0	2.75	1.0
United Kingdom	11.83	14.04	16.6	5.65	1.62	0.3	2.1	50.04
E i d	26.17	25.56	17.45	42.01	28.8	33.1	163.45	173.09
NINE (2)	115.91	102.06	119.26	123.39	67.52	83.01	450	610.15
U.S.A.	77.6	84.65	50.48	48.67	24.74	51.58	64.44	337.72
U.S.S.R.	29.9	39.4	112.6	54.0	15.0	n.a	n.a	n.a
World Bank Group	27.86	37.3	38.10	80.0	94.4	144.1	598.2	421.76
Others	91.7	91.2	46.0	16.9	39.4	n.a	n.a	n.a
TOTAL	343.0	354.6	366.4	323.0	241.0	n.a	n.a	n.a

1. Project and Programme Assistance plus Debt Relief

2. The Nine also contribute individually to the finances of the World Bank Group

n.a = not available

Source : OECD

Community statement on the development
of the Association

(transmitted to the Turkish delegation in July 1976)

1. In its Decision of 15 September 1975, the Association Council instructed the Association Committee to draw up a report " on the problems arising for Turkey as a result of the worsening trade balance between the Community and Turkey and to suggest possible ways of overcoming the difficulties within the framework of the Association."

On the basis of the report recently drawn up by the Association Committee and in the light of the statements made by Mr C. ÇAĞLAYAN-GİL at the last Association Council meeting, the Community has prepared an outline which it hereby submits for the attention of the Turkish delegation.

1. The Community wishes first of all to reaffirm its belief in the political inspiration and the fundamental objectives of the Ankara Agreement. It remains convinced that these objectives still reflect-and perhaps even more so than in 1963- the mutual interests of the associated partners in a world that has already undergone great changes and will be undergoing further important developments.

2. The Community is fully aware that the recent economic trends have had particularly severe effects on the economy of Turkey and, more generally, on the economies of all those countries which, for structural reasons, are heavily dependent on foreign supplies in order to satisfy requirements, in particular those of industrialization. The Community therefore wishes to assure Turkey that, despite its domestic economic difficulties, it is ready to seek appropriate remedies for the difficulties encountered, inasfar as these are compatible with the safeguarding of the aims of the Association.

3. To this end, the Community wishes to state its willingness to examine with a completely open mind any positive requests which the Turkish authorities might submit to it and to implement all the provisions of the Additional Protocol which would enable such requests to be met. The Community would also be prepared, should particular difficulties make this necessary, to seek ad hoc solutions on the following bases :

(a) available funds, under Article 12 of the Additional Protocol, to afford greater protection to developing industries in Turkey, should such protection prove economically justified;

(b) definition of temporary selective measures to render certain provisions of the Additional Protocol more flexible, with a particular view to enabling Turkey, through greater control of its imports, to remedy the sectoral and regional difficulties facing its economy;

(c) examination of the possibility of postponing for an limited period the deadline laid down in the Additional Protocol for Turkey's tariff dismantling vis-à-vis the Community in respect of certain Turkish industries which would face serious difficulties as a result of such dismantling;

(d) more flexible application of the provisions of the Additional Protocol relating to Turkey's management of its foreign commercial policy vis-à-vis certain developing countries, particularly in the context of the co-ordination of commercial policies in relation to third countries, as referred to in Article 53 of the Additional Protocol.

The conditions and details for implementing the alternatives set out above will have to be determined on a case-by-case basis within the Association Council.

II. The Community is, moreover, willing to join with Turkey in exploring new ways of strengthening its economic structures. To achieve this forward-looking aim, it is ready to lay the foundation for close economic and commercial co-operation between the Parties as a means of supplementing and reinforcing the co-operation which already exists under the Financial Protocol.

In the Community's view, this co-operation should have two main aims:

- to provide Turkey with the means to exploit its natural resources at home to an increasing extent and to encourage the creation of employment;
- to contribute to the diversification of its production so as to meet developing home demand, to limit its dependence on the outside world and to widen its range of exports while at the same time making the Turkish economy and the Community economy increasingly complementary.

In this respect, the Community awaits the view of the Turkish Government before submitting more detailed proposals.

As a first stage, given the limits of Community competence, the projects which the Community considers most suited to achieving the aims set out above would involve:

- encouraging co-operation between industrialists in the Community and Turkish businessmen with a view to facilitating joint initiatives and undertakings and access to technological information;
- joint efforts to promote sales of Turkish products both on the Community market and on the markets of third countries,
- co-operation in the field of both public and private investment with a view to creating the most favourable conditions for encouraging investment on both sides;
- initiatives with regard to training managerial staff in public institutions and in the private sector.

III. The Community is convinced that the combination of methods suggested will make a positive contribution to Turkey's endeavours to resolve a difficult economic situation and that this contribution will at the same time open up the prospect of new and promising structural developments in the association.

