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## THE EUROPEAN COMMUNITY STEPS UP AID TO TURKEY

On May 17 the European Communities' Council of Ministers approved new emergency aid amounting to 75 million European units of account (EUA)\* to help Turkey out of its serious economic and financial difficulties. This aid comes in response to requests made by Turkey last October.

Although part of the international effort, the Community's aid was developed within the framework of the EEC-Turkey Association Agreement signed in 1963. Association ties have been strained in recent years because of Turkey's poor trade balance with the Community and because of Greek-Turkish disputes over Cyprus and the Aegean. Now the Community feels that Prime Minister Bulent Ecevit's five-year development plan for economic recovery calls for its support. It also feels that, with Greece about to join the Community, the time is appropriate for strengthening ties with Turkey. The Association Agreement with Turkey, like that signed two years earlier with Greece, was designed to lead to future membership in the Community. This covers industrial, agricultural and social areas as well as financial aid. The Community hopes to revitalize all of these sectors and will discuss the following offer with Turkey in an Association Council sometime this summer.

### FINANCIAL AID

The financial aid in support of the Turkish economy would cover the same five years as Turkey's medium-term economic recovery plan, 1979-1984. The Community Financial Aid package consists of:

1. A Special Cooperation Fund (mentioned above) of 75 million EUA would provide direct grants from the Community budget for projects in Turkish industry, energy, trade promotion, education and vocational training and health over a two year period.

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\* A European Unit of Account (EUA) was equivalent to \$1.32 on May 17.

2. The Third Financial Protocol making available 310 million EUA to Turkey for the period until October 31, 1981 was adopted by the Council of Ministers on March 6. It can enter into force as soon as the Turkish Parliament ratifies it. Under this protocol 70 per cent of the aid is in the form of special loans.
3. A Fourth Financial Protocol, substantially larger than the Third, would be negotiated immediately. This would be implemented in 1981 and cover the period up to 1984. It would include the same proportion of special loans as the Third Protocol.

#### TRADE BENEFITS

To benefit industry the Community accepts the request of the Turkish delegation to suspend temporarily a number of the provisions of an Additional Protocol signed in late 1970 to the original Association Agreement. This Additional Protocol provided that Turkey eliminate customs duties on imports from the European Community over the period 1973-1985 for products making up 55 percent of those imports. On the other 45 per cent, the elimination of duties would be spread over 22 years. In the same 22 year period, Turkey was to align its customs duties on products from outside the EC with the EC's own common external tariffs. These measures, not put into effect by Turkey, would now be postponed for another five years.

To the concessions Turkey requested on its exports of olive oil, wine, citrus fruits and other agricultural items, the Community would only agree to a gradual dismantling of tariffs in 1984, when the process leading to a customs union is resumed.

#### SOCIAL BENEFITS

Under the original Association Agreement and the Additional Protocol the principle of the free movement of workers between Turkey and the Community was established. A ten-year period for introducing free movement - December 1976 to December 1986 - was agreed on. In December 1976 the two partners specified that during an initial four-year period the Community would consolidate measures taken by the nine member countries in favor of migrant workers and would give priority to employment of Turkish workers over those from other non-member countries. These measures would be postponed for five years until the end of the suspension of Turkey's obligation to eliminate tariffs towards the Community. To compensate Turkey, the Community proposes vocational training programs for Turks working in the Community. Specific schemes would be developed by a working party of the Association Council and would be financed by the Special Cooperation Fund. The aim is to help workers gain skills they need to get jobs when they return to Turkey and to provide the kind of skilled labor Turkey needs.

#### AN INTERNATIONAL EFFORT

The Community's proposal comes at a time when the political situation in

the Middle East merits a larger Western effort for Turkey. Britain, France, Germany and the United States (the "Big Four") made a commitment in January at the Guadeloupe summit to assist the Turkish economy. Recently the Secretary General of the 24-nation Organization for Economic Cooperation and Development (OECD), Emile Van Lennep, agreed to the suggestion that the OECD take the lead in preparing a special assistance action program. Individual government measures will help, but much-needed loans from private banks await approval of Turkey's policies by the International Monetary Fund (IMF).

Turkey's balance of payments difficulties, its need to restructure its present hard-currency debt and its need for much larger loans are left to other international organizations, to bilateral arrangements and to the banks. The Community will continue to try to ensure that the Community and its member governments work as one when cooperating with outside bodies on aid to Turkey.

