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Report

drawn up on behalf of the Committee on External Economic Relations

on the recommendations of the Joint Committee of the Association with Turkey
(Do. 74/73) on the Eighth Annual Report of the EEC-Turkey Association
Council (Doc. 59/73) adopted in Luxemburg on 14 May 1973

Rapporteur: Sir Tufton BEAMISH

At its sitting of 4 June 1973 the European Parliament referred the annual report on the activities of the EEC-Turkey Association Council (Doc. 59/73) to the Committee on External Economic Relations (delegation from the European Parliament to the Joint Committee for the Association with Turkey).

At the same sitting the European Parliament referred the recommendations of the Joint Committee for the Association with Turkey, adopted at Luxembourg on 14 May 1973 (Doc. 74/73), to the Committee on External Economic Relations as the committee responsible and to the Committee on Social Affairs and Employment for its opinion.

As in previous years, the Committee on External Economic Relations decided to examine these two documents in a single report and appointed Sir Tufton Beamish rapporteur.

At its meeting of 26 June 1973, the committee adopted this report and the motion for a resolution unanimously with one abstention.

The following were present: Mr De la Malène, chairman; Mr Fellermaier, chairman of the delegation from the European Parliament to the Joint Committee for the Association with Turkey; Mr Baas, Mr Bangemann, Mr Boano, Mr Christensen (deputizing for Mr Behrendt), Mr Cousté, Mr Creed, Mr Della Briotta (deputizing for Mr Lange), Mr Klepsch, Mr Martens (deputizing for Mr De Koning), Mr Radoux, Mr Sandri, Mr Thomsen, Mr Thornley.

The Committee on Social Affairs and Employment instructed its chairman, Mr Bertrand, to present its opinion orally when the document from the committee responsible is submitted to the European Parliament.

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The Committee on External Economic Relations hereby submits to the European Parliament the following motion for a resolution, together with explanatory statement:

MOTION FOR A RESOLUTION

on the recommendations of the Joint Committee of the Association with Turkey on the 8th Annual Report of the EEC-Turkey Association Council adopted in Luxembourg on 14 May 1973

The European Parliament,

- having regard to the 8th Annual Report on the activities of the EEC-Turkey Association Council (Doc. 59/73);
 - having noted the recommendations adopted by the Committee of the Association with Turkey at the conclusion of its 15th session in Strasbourg and Luxembourg from 10 to 14 May 1973 (Doc. 74/73);
 - having regard to the report of the Committee on External Economic Relations (Doc. 125 /73);
1. welcomes the entry into force on 1 January 1973 of the Additional Protocol and of the second financial Protocol;
 2. notes with satisfaction the recent conclusion of the negotiations on the supplementary Protocol designed to adapt the Association to the enlargement of the European Community;
 3. recommends that pending ratification of this Protocol all possible measures be taken to implement its trade provisions without delay;

I - Functioning of the Association

4. notes with approval the satisfactory institutional functioning of the Association;
5. stresses the importance of closer contacts between the Grand National Assembly of Turkey and the European Parliament;

II - Trade

6. notes with satisfaction that trade between the Community and Turkey has increased considerably, even if the balance of Turkish trade with the Community has moved increasingly into deficit;
7. insists on the need for greater efforts to intensify the promotion of sales of Turkish products on Community markets;

8. hopes that in view of Turkey's policy of industrialization the fullest possible consideration will be given to Turkish requests for flexible application of the additional Protocol and for the improvement of some of its provisions;

III - Financial questions

9. welcomes the fact that most of the 43 projects financed on the basis of the 1963 financial Protocol are already in operation or at the commissioning stage;
10. hopes that cooperation between the Community and Turkey will continue to evolve;

IV - Turkish workers employed in the Community

11. regrets that the problems of Turkish workers employed in Community countries are not mentioned in the Association Council's report;
12. points out in this connection that since 1 January 1973 the Association Council has been empowered to take specific decisions in this field;
13. stresses that, notwithstanding the concerted action already taken in this field, it is highly desirable for the Association Council to help to work out, at ministerial level, a coordinated system of measures for dealing with the problems of Turkish workers, particularly in the light of Title II of the additional Protocol;

V - Inclusion of Turkey among the countries benefiting from the Community system of generalized preferences

14. regrets that a decision has not yet been taken in accordance with the previous resolutions of the European Parliament on the inclusion of Turkey among the countries benefiting from the Community system of generalized preferences;
15. is convinced that the ad hoc measures adopted by the EEC are not entirely adequate to the needs of Turkey, whose exports of certain products could to a certain extent be discriminated against on the markets of the enlarged Community;
16. asks once again that Turkey be included from 1 January 1974 at the latest among the countries benefiting from the system of generalized tariff preferences to be implemented by the enlarged Community;

VI - Future of the Association

17. emphasizes the political content of the Association Agreement between the

Community and Turkey and the special ties uniting the two Parties with a view to Turkey's future accession to the Community;

18. notes the importance of the EEC-Turkey Association particularly from the standpoint of Community policy in the Mediterranean and Middle East, and of its relations with the Comecon countries;
19. instructs its President to forward this resolution and the accompanying report to the EEC-Turkey Association Council, the Council and Commission of the European Communities, the Grand National Assembly of Turkey, the parliaments of the Member States of the Community and the Turkish Government.

EXPLANATORY STATEMENTI. Introduction

1. At the end of its discussions which centred on the 8th Annual Report on the activities of the EEC-Turkey Association Council, the 15th session of the Joint Committee of the Association with Turkey, held at Strasbourg and Luxembourg from 10 to 14 May 1973, adopted three recommendations which were then forwarded, as in the past, to the European Parliament, the Grand National Assembly of Turkey, the Association Council, the Turkish Government and the Council and Commission of the European Communities.

2. These recommendations reflect the conclusions reached by the session on the subjects under discussion, in particular:

- the 8th Annual Report of the EEC-Turkey Association Council;
- the inclusion of Turkey among the countries benefiting from the Community system of generalized preferences;
- the conclusion of the Additional Protocol necessitated by the enlargement of the European Community.

According to its established custom, the Committee on External Economic Relations, which includes the members of the European Parliament's delegation to the Joint Committee considered jointly the recommendations adopted in Luxembourg on the 14 May and the 8th Annual Report of the Association Council.

II. 8th Annual Report of the Association Council

3. The Annual Report considers institutional, economic and commercial aspects of the implementation of the EEC-Turkey Association Agreement in the calendar year 1972. It also outlines the progress of the current negotiations for the conclusion of the Additional Protocol necessitated by the enlargement of the Community, and deals with other important problems such as generalized preferences and the financial Protocol. In addition to the statistics on implementation of the Association Agreement, other figures reflecting the improvement in the Turkish economic situation and the documents on the Association adopted by the Council of the Communities help to give a more complete picture, on which the Association's parliamentary control body based its analysis and discussions.

(a) Institutional functioning of the Association

4. The Joint Parliamentary Committee noted with satisfaction the efficient functioning of the institutional organs of the Association and emphasized the importance of the parliamentary body consisting of the delegations from the Turkish Parliament and European Parliament. In this context attention was drawn once again to the desirability of closer contacts between the Grand National Assembly of Turkey and the European Parliament in the intervals between committee meetings.

The European Parliament delegation has informed the Turkish delegation of the decisions taken by the Bureau of the European Parliament¹ on the proposals for intensifying contacts between the European Parliament and the Grand National Assembly of Turkey and on rationalization of the work of the Joint Parliamentary Committee.

In order to gain a clearer picture of the political aspects of the Association and its future prospects for development, it would be desirable for the Annual Report of the Association Council to contain in future an introductory chapter devoted to these subjects.

(b) Trade relations

5. 1972 was the first full year of application of the trade arrangements laid down in the Additional Protocol² for the first year of the transitional phase; these arrangements took effect earlier than anticipated through an interim agreement which came into force on 1 September 1971 and was extended until 31 December 1972.

Under these arrangements, all Turkish industrial products imported into the Community, with the exception of some petroleum products and two textile products, are exempt from tariffs and quotas, while Turkish agricultural products enjoy special advantages over those imported into the Community market from other third countries.

For its part Turkey applies tariff reductions of 5% or 10% to import of Community industrial products depending on whether a period of 22 or 12 years is stipulated for the removal of tariffs on these products.

¹ These decisions were taken on the basis of an opinion drafted by Mr Jozeau-Marigné on behalf of the Legal Affairs Committee.

² The Additional Protocol to the Ankara Agreement governing the second phase of the Association signed at Brussels on 23 November 1970 in fact only took effect on 1 January 1973 after the signatory States had deposited their instruments of ratification.

6. There was a substantial increase in trade between the Community and Turkey in 1972. It should also be emphasized that this year saw the greatest expansion of Turkey's external trade since the Association Agreement came into force - not only with the Six but also with third countries.

Turkish exports to the Community rose from 266.6 million dollars in 1971 to 347 million dollars in 1972, an increase of 30.2% over the previous year (in 1971 there was an increase of 11.5% over 1970).

The increase was even more striking in the case of Turkish exports to the rest of the world, which rose from 410 to 538 million dollars, an increase of 31.2% which was considerably higher than that registered in the previous year (17.3%). The Community's share of Turkey's total exports fell slightly again from 39.4% to 39.2% (after declining from 40.6% in 1970 to 39.4% in 1971).

The exceptional increase in Turkish exports (particularly of tobacco and nuts) to the dollar area accounts in large measure for the percentage change in Turkish exports to the rest of the world.

7. Total Turkish imports from the Community rose steeply again by comparison with the previous year, from 455.7 million dollars in 1971 to 652.5 in 1972 (i.e. an increase of 43.2%, as against a previous increase of 40.1%). Imports from the rest of the world rose from 715 million dollars in 1971 to 937.1 in 1972, an increase of 31% (in 1971 the increase had been 15%). The Six's share of total Turkish imports therefore rose from 38.9% in 1971 to 40% in 1972 (in 1970 it had been 34.3%).

8. The general and indeed spectacular progress of Turkish trade with the Community is once again a source of satisfaction, reflecting as it does the vitality of the Association on the eve of the transition to the second phase and the dynamism of the Turkish economy. However, the increase in imports from the Community has far exceeded the increase in Turkish exports to the EEC, with the result that the rate of coverage of imports by exports in Turkish trade with the Community has further deteriorated.

This is a normal phenomenon for a country undergoing rapid industrialization which needs to import capital goods in large quantities. This gap between imports and exports is not helped either by the persistent international monetary crisis which has generated accelerated inflation in the Turkish economy, leading to heavy imports as a safeguard against future increases in domestic prices.

9. However, the balance of trade deficit of 678 million dollars is almost completely offset by invisible earnings (622 million dollars), the main item being remittances by emigrants which rose from 471 million dollars in 1971 to 740 in 1972. As a result the balance of current operations shows only a

small deficit (48 million dollars), less than in any previous year. Since capital movements showed a credit balance at the end of 1972, Turkey has seen its currency reserves increase by 300 million dollars; they now exceed 1,000 million dollars. As in the previous year, the knowledge that the necessary gold and currency reserves were available enabled large quantities of capital goods to be imported without any undue anxiety.

10. It is to be hoped, as seems possible, that future trade between Turkey and the Community will be more balanced and that greater quantities of Turkish products will be sold on the Community market. Better sales promotion, especially if accompanied by an improvement in Turkish marketing methods could lead to the desired results.

There is no doubt that Turkey, which is undergoing rapid industrialization under its own five-year plan, needs to be assured of a flexible application of the additional Protocol and a revision of some of its provisions. Your committee endorses the recommendation of the Joint Committee that Turkey's wishes in this matter should be carefully considered.

(c) Financial questions

11. The second financial Protocol could not take effect in 1972 because the ratification procedures were not completed by the end of that year. Nevertheless, on the basis of the 1963 financial Protocol (covering a total of 175 million u.a.), most of the 43 financed projects are already in operation or at the commissioning stage.

Loans granted in 1972 totalled 14.47 million u.a., bringing the total payments by 31 December 1972 to 160.48 million. The remaining amount of 14.52 million u.a. earmarked for the energy supply line from Gökçekaya to Smirnd, the Keban dam and hydro-electric power station and the Bosphorus bridge will be paid out this year and in 1974, in accordance with the timetable for the completion of these projects.

12. Preparatory work on the second financial Protocol was continued in 1972 on the basis of a 'portfolio' of projects meeting the conditions laid down in the Protocol and for which the Turkish Government had requested an aid programme drawn up by the European Investment Bank in cooperation with the Turkish authorities.

Six loan projects with a total value of about 70 million u.a. are being finalized so that it will be possible to complete the corresponding operations - financing of loans in the manufacturing industry, energy, transport and petrochemical sectors, as well as preinvestment costs - in 1973, the first year of application of the second financial Protocol.

13. Within the framework of the outline protocol signed on 4 February 1971 by the Turkish Government and the European Investment Bank (EIB) on reconversion operations, envisaged by the general agreement of 8 December 1964, the Turkish Government made a loan of 45 million Turkish lire to the Turkish Industrial Development Bank (T.S.K.B.) by 31 December 1972, 37.8 million of which has been used. In September 1972, the EIB agreed to the granting of a second loan of 60 million Turkish lire by the Turkish Government to the T.S.K.B. to be used during the current year.

Your committee expresses its satisfaction at the success of these financial operations which were carried out under extremely favourable conditions and involved a substantial sum. It hopes that cooperation between the Community and Turkey will continue to develop in this sector.

III. The situation of Turkish workers employed in the Community.

14. The problems of Turkish workers employed in the Member States of the Community have been discussed many times by the Joint Committee and the European Parliament. In several recommendations and resolutions,

they have expressed their anxiety and their wish to see a solution to the complex situation caused by the presence of hundreds of thousands of Turkish workers in the Community, with particular reference to 'clandestine' workers', that is to say those who do not have regular work permits.¹

At the 15th session of the Joint Parliamentary Committee, this problem was once again the centre of attention and it was stressed that as from 1 January 1973 with the entry into force of the additional Protocol, the Association Council will be empowered to take specific decisions in this field. Notwithstanding the concerted action already taken, the Association Council at ministerial level should help to work out a coordinated system of measures to deal with the problems of Turkish workers, particularly in the light of Title II of the additional Protocol (free movement of Turkish workers, conditions of employment and payment, social security etc.).

IV. Generalized preferences

15. Turkey attaches great importance to being included in the list of countries benefiting from the Community system of generalized preferences which took effect on 1 July 1971. The Turkish request, based on objective economic reasons and also on political grounds, had the full support of the Joint Parliamentary Committee at its meeting in Marmaris and Catania and at its last meeting in Strasbourg and Luxembourg.

In spite of the wish repeatedly expressed by the parliamentary body of the Association and by the European Parliament and taken up by the Commission of the Communities in its proposals, the Council of the European Communities has not yet been able to reach a decision, which it has deferred several times in the interests of an overall policy on the Mediterranean countries.

16. Within the framework of the interim agreement and by taking other autonomous measures, the Community has given Turkey additional concessions which go beyond generalized preferences. However, your committee does not consider these measures entirely adequate to the needs of Turkey, whose exports of certain products might to some extent be discriminated against on the markets of the enlarged Community.

The Association between the EEC and Turkey must give the latter every facility to promote its economic expansion, especially in the industrial sector, with a view to facilitating Turkey's full accession to the EEC. Your

¹ For an analysis of this problem, see e.g. the MÜLLER report (Doc. 108/72)

committee requests therefore that as from 1 January 1974 at the latest Turkey should benefit from the new system of generalized preferences to be implemented by the enlarged Community.

It has in any case noted Council's decision of June 4th 1973 to take the necessary steps for the benefit of Turkey, from January 1st 1974, with no less favourable treatment than that accorded to the beneficiary countries of generalised preferences.

V. Supplementary Protocol necessitated by the enlargement of the European Community

17. The enlargement of the Community with the accession of three new Members means that the Association has had to adapt itself to the new situation. The negotiations for the conclusion of a supplementary Protocol governing the extension of the Association to the new Members have not been easy. These negotiations have recently been successfully concluded and the protocol should be initialled and signed in the very near future. It has in any case acted on Council's decision of June 4th 1973 to take the necessary steps for the benefit of Turkey, from January 1st 1974, with no less favourable treatment than that accorded to the beneficiary countries of generalized preferences.

18. Your committee expresses its pleasure at this successful conclusion of the negotiations, the protracted nature of which had been a cause of concern to the Joint Committee at its meeting in Strasbourg and Luxembourg. However, it is waiting to learn the contents of the agreement before pronouncing on the matter.

It hopes that the trade provisions of the supplementary Protocol will be implemented without delay, as was envisaged in the past with regard to the trade provisions of the additional Protocol, and it hopes that the procedures for ratification in the signatory States of the supplementary Protocol will be taken in hand with all possible speed, so it can be put into effect without delay.¹

VI. Future of the Association

19. The discussions of the 15th session of the Joint Committee not only enabled an overall picture to be gained of the results achieved by the Association in the ten years of its existence but also considered the future of the Association itself, which entered into the transitional phase on 1 January 1973.

¹ The External Economic Relations Committee has just been informed by the Council of Ministers in the context of the "Luns procedure" of the contents of the supplementary Protocol before its signing.

It was pointed out in particular how important the Association is for Community policy in the Mediterranean, the Middle East and in relations with the Eastern European countries and for dealing generally with the problems of economic, commercial and political stability in these areas.

Your committee endorses the conclusions of the Joint Committee which emphasized once again the political content of the Association Agreement and the ties uniting the two parties with a view to Turkey's ultimate accession to the Community.

EEC-TURKEY JOINT PARLIAMENTARY COMMITTEE

15th Session

10 to 14 May 1973

in STRASBOURG and LUXEMBOURG

FINAL COMMUNIQUE

The EEC-Turkey Joint Parliamentary Committee, meeting in Strasbourg and Luxembourg from 10 to 14 May 1973 under the Chairmanship of the chairman-in-office Mr Aydin YALCIN and the joint chairman Mr Ludwig FELLERMAIER,

- having heard Mr Umit Haluk BAYULKEN, Minister of Foreign Affairs of the Turkish Government and President-in-Office of the EEC-Turkey Association Council, Mr André KEMPINAIRE, Belgian State Secretary for Foreign Trade and President-in-Office of the Council of the European Communities, and Mr Claude CHEYSSON, Member of the Commission of the Communities;
- following a wide-ranging discussion based in the main on the 8th Annual Report of the Association Council and on the statements and proposals made by the rapporteurs Sir Tufton Beamish and Mr Ozer OLCMEN;
- having heard a comprehensive statement by the Minister Mr BAYULKEN on the international significance of the Association;

has adopted the following recommendations which have been forwarded to the Association Council, the Council and Commission of the European Communities, the Turkish Government, the Grand National Assembly of Turkey and the European Parliament:

RECOMMENDATION NO. 1

on

the inclusion of Turkey among the countries
benefiting from the Community system of
generalized preferences

THE JOINT PARLIAMENTARY COMMITTEE,

- Recalling its previous recommendations, in particular those adopted in MARMARIS and CATANIA;

- Stressing that the Association established by the Agreement of Ankara must make it possible to extend to Turkey all facilities which could help to promote its economic development, particularly in the industrial sphere, with a view to its accession to full membership of the European Community at the earliest possible date;
- Regretting that a decision in accordance with the wishes expressed by the parliamentary bodies and the Commission of the Communities has not yet been taken;
- Convinced that the ad hoc measures adopted by the EEC are not entirely adequate to the needs of Turkey, whose exports of certain products could to a certain extent be discriminated against on the markets of the enlarged Community;
- Pointing out that new decisions will have to be taken in the near future with a view to the implementation on 1 January 1974 of the system of generalized preferences of the enlarged Community;

INSISTS once again that Turkey be included as from 1 January 1974 at the latest among the countries benefiting from the system of generalized tariff preferences to be implemented by the enlarged Community.

RECOMMENDATION NO. 2

on

the conclusion of the Additional Protocol
necessitated by the enlargement of the
European Community

THE JOINT PARLIAMENTARY COMMITTEE,

- regretting that the negotiations in progress since January 1972 to adapt the EEC-Turkey Association to the new situation created by enlargement of the Community have not yet reached a conclusion;
- underlining the disadvantages of this delay, particularly at a time when the enlarged Community, together with its associates, is playing an increasingly important political role in promoting peace and stability throughout the world;

INSISTS that the additional Protocol be concluded as soon as possible;

RECOMMENDS that in anticipation of ratification of this Protocol its trade provisions should be implemented without delay.

RECOMMENDATION NO. 3

on

the 8th Annual Report of the Association Council

THE JOINT PARLIAMENTARY COMMITTEE

- having noted the 8th Annual Report of the EEC-Turkey Association Council submitted to it by the President-in-Office Mr Umit Haluk BAYULKEN, Minister of Foreign Affairs of the Government and the Republic of Turkey,
- welcoming the entry into force of the Protocol, the second financial Protocol and the other documents signed on 23 November 1970;

I. Functioning of the Association

1. Notes with approval the satisfactory institutional functioning of the Association;
2. Attaches great importance to the intensification of contacts between the Grand National Assembly of Turkey and the European Parliament between the sessions of the Joint Parliamentary Committee;
3. Hopes that the annual report of the Association Council will in future include an introduction underlining the political aspects of the Association and its development prospects;

II. Trade

4. Notes with satisfaction that trade between the Community and Turkey has increased considerably but regrets that in spite of this the Turkish balance of trade deficit with respect to the Community has worsened;
5. Insists on the need for greater efforts to intensify the promotion of sales of Turkish products on Community markets;
6. Hopes that in view of Turkey's policy of industrialization the greatest possible consideration will be given to Turkish requests for flexible application of the additional Protocol and for a revision of some of its provisions;

III. Financial questions

7. Welcomes the fact that most of the 43 projects financed on the basis of the financial Protocol of 1963 are already in operation or in the process of completion;
8. Hopes that cooperation between the Community and Turkey will continue to evolve;

IV. Turkish workers employed in the Community

9. Regrets that the problems of Turkish labour employed in Community countries were not mentioned in the Association Council's report;
10. Points out in this connection that as from 1 January 1973 the Association Council has been empowered to take specific decisions in this field;
11. Stresses that, notwithstanding the concerted action already taken in this field, it is highly desirable for the Association Council at ministerial level to help to work out a coordinated system of measures for dealing with the problems of Turkish workers, particularly in the light of Title II of the additional Protocol;

V. Future of the Association

12. Emphasizes particularly the political substance of the Agreement of Association between the Community and Turkey and the special ties uniting the two Parties with a view to Turkey's ultimate accession to the Community;
13. Draws attention to the importance of relations between Turkey and the Community in the context of the problems of stability and of economic, commercial and political balance in the world;
14. Notes the importance of the EEC-Turkey Association particularly as regards Community policy in the Mediterranean and Middle East, and in its relations with the Comecon countries.
15. Reaffirms that the Community and Turkey - on the basis of the principles governing the Association - are resolved to work together towards a stronger European unity.

