

EU statement at the Trade Policy Review of Turkey, 15/03/16

Statement by EU Deputy Ambassador Detlev Brauns

I would like to welcome the Delegation of Turkey, led by Mr Hüsnü DİLEMRE, Deputy Undersecretary, Ministry of Economy and express our sincere condolences and solidarity with the Turkish people and the government after the recent bomb attack in Ankara. I would also like to thank the WTO Secretariat for their report and the Discussant, H.E. Ms Mariam MD Salleh (Malaysia), for introducing us to the 6th Review of Turkey's Trade Policy.

Turkey's economy resisted well the effects of the financial crisis, even if after a post-recessionary boom in 2010-2011 growth has somewhat slowed to an annual average of about 3%. In recent years, Turkey's economic performance has been negatively affected by the conflicts in neighbouring countries and their repercussions.

Trade is particularly important for Turkey. In fact, trade in goods and services represented about 60% of Turkey's GDP in 2014. During the review period, the authorities have started to develop a strategy to reduce the current account deficit. There are two components to the strategy: an export part (with the goal to increase exports by 12% annually until 2023) and an import part aiming at reducing dependence on imports by encouraging the use of domestic inputs. It will of course be important for Turkey to ensure that this strategy is carried out in full respect of WTO rules.

The EU and Turkey enjoy a very close and special relationship that cannot be solely described in economic terms. In the context of this review, I would like to highlight the three following elements.

First, the EU remains Turkey's main trade and investment partner, whilst Turkey is the EU's fifth partner. Bilateral trade reached €140 billion in 2015 and represents about 40% of the total trade of Turkey. Two thirds of Foreign Direct Investment inflows into Turkey originated in the EU over the past years.



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Second, Turkey is a candidate country for accession to the EU. To support this process, the EU cooperates with and assists Turkey in its efforts to align with "the EU *acquis*" (the body of EU law that underpins *inter alia* the internal market and the EU trade policy). Further alignment to the EU *acquis* significantly facilitates Turkey's implementation of the relevant WTO legal framework.

Thirdly, the EU and Turkey are part of a Customs Union. In May last year we decided to modernize our Customs Union in order to improve its functioning and expand the scope of the bilateral preferential framework. Such modernization could consist, for example, in covering very significant sectors such as public procurement or services. However, modernizing the Customs Union or expanding our bilateral relationship is an ambitious and important goal. The success of our effort depends on full implementation of the rules of the customs union and on our capacity to find solutions to some challenges that we are currently experiencing. In this respect, let me mention Turkey's restrictive import procedures for "second hand goods", and surveillance measures based on the setting of a minimum import reference price. Both measures often materialize into burdensome and discriminatory treatment. Also, the EU pharmaceutical sector faces huge difficulties to enter the Turkish market because of the lack of recognition of international certificates on Good Manufacturing Practices.

Therefore we would like to use the opportunity of this review today to convey our strong encouragement to our partners in Turkey to take without delay the necessary measures to fully implement the Customs Union *vis à vis* all EU Member States and in all its aspects. This would greatly facilitate progress towards an enhanced bilateral relationship.

Regarding Foreign Direct Investment, Turkey's attraction of FDI seems to have decreased during the review period. Of course, one cannot exclude the impact of the geopolitical situation; still, there are important factors on which the government can work in order to improve the business climate. Economic operators and the members of this Organisation look for proper notifications, inclusive consultation processes, transparent decisions and full application of existing regulations. Economic actors need sufficient transitional periods when regulations are changed. Legal security, including enforcement of legislation and the independent functioning of the judicial system is a prerequisite for attracting investors and for business to stay.

Regarding transparency, which is a cornerstone of this Organisation, the EU strongly regrets that Turkey has not been able to fulfil the minimum WTO notification requirements for agriculture, in particular, but not only, on different aid schemes and on agricultural support. Turkey should also clarify other elements of its policies such as export subsidies, import licenses and agricultural state trading enterprises.

On trade facilitation, we are pleased to note that Turkey ratified the TFA last January. This could also create an opportunity for Turkey to consider that resorting to more risk analysis could be an avenue worth exploring to expedite legitimate trade transactions and to remove trade obstacles. On intellectual property rights, counterfeiting and enforcement of patents remain issues of concern. On services, we have asked for certain clarifications, in particular regarding telecoms and postal services. Finally, on public procurement, we regret to note that the

recently revised legislation has not eliminated the domestic preference, but maintained a number of exemptions and introduced civilian off-sets. We trust that our concerns will be addressed in the legislative reform process planned for the end of this year.

Given our very special and strong bilateral relationship with Turkey, the EU takes great interest in this TPR. We are confident that it will provide valuable feedback to the Turkish authorities and help to further identify and refine the means to achieve their trade objectives and to strengthen Turkey's position in international trade. We wish Turkey a very successful TPR.

Thank you.