

THE POLICY OF ECONOMIC RELATIONS BETWEEN TURKEY AND THE EUROPEAN UNION

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*A Customs Union came into force on 31 December 1995. The Customs Union covers all industrial goods but does not address agriculture (except processed agricultural products), services or public procurement. Bilateral trade concessions are applied to agricultural products. In addition to providing for a common external tariff for the products covered, the Customs Union foresees that Turkey is to align to the *acquis communautaire* in several essential internal market areas, notably with regard to industrial standards. Following the Commission's proposal on "extending and deepening" the Customs Union, in November 1996 the Council agreed to negotiating guidelines on the liberalisation of services and public procurement between the EU and Turkey. Negotiations were, however, suspended in 2002. The main characteristic of this very dense and complex relationship is the fact that it is handled through a multitude of different modes, forums, and procedures without much consistency among them. And the difficulties encountered in the EU accession process, which is currently stalled, have tended to poison the relationship in other domains. Now, facing a number of shared challenges, the two have a major opportunity to move their relationship to a higher level by working together to deal with short- and long-term issues that are of vital importance for both. As Europe's political and economic weight declines and Turkey is consolidated as a regional power, cooperation on economic issues will be increasingly supplemented by cooperation in other areas in order to maintain a geopolitical balance in the region and limit the presence of external players.*

Key words: *economic relations, economic growth, cooperation, economic collaboration, customs union, the benefits of cooperation in the region.*

Uniunea Vamală UE-Turcia a intrat în vigoare la 31 decembrie 1995. Ca urmare a propunerii Comisiei privind „extinderea și aprofundarea” Uniunii Vamale, în noiembrie 1996, Consiliul a fost de acord să negocieze orientările privind liberalizarea serviciilor și achizițiile publice între UE și Turcia. Cu toate acestea, negocierile au fost suspendate în 2002. Principala caracteristică a acestei relații foarte complexe este manipulată printr-o multitudine de moduri, forumuri și proceduri. La momentul actual, relațiile UE-Turcia se confruntă cu o serie de provocări comune, cele două țări au oportunități majore de a transfera relația lor la un nivel superior de lucru pentru a rezolva problemele pe termen scurt și lung, care sunt de o importanță vitală pentru ambele spații.

Cuvinte-cheie: *relații economice, creștere economică, cooperare, colaborare economică, uniune vamală, beneficii ale cooperării în regiune.*

Таможенный союз ЕС-Турция вступил в силу 31 декабря 1995 года. Таможенный союз охватывает все промышленные товары, но не распространяется на продукцию сельского хозяйства, услуг и государственных закупок. Двусторонние торговые уступки применяются к сельскохозяйственной продукции. В дополнение к предоставлению общего внешнего тарифа для товаров, подпадающих, при условии, что Турция в Таможенном союзе действует, чтобы примкнуть к требованиям Сообщества в нескольких ключевых областях внутреннего рынка, особенно в отношении отраслевых стандартов. По предложению Комиссии по «расширению и углублению» Таможенного союза, в ноябре 1996 года Совет согласился на переговоры по либерализации услуг и государственных закупок между ЕС и Турцией. Переговоры были приостановлены, однако в 2002 году. Главная особенность этих отношений очень насыщены и

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сложны, однако сотрудничество будет развиваться различными способами, на форумах и процедурах, хотя без видимых подвижек между ними. И трудности в процессе вступления в ЕС, которые в настоящее время заблокированы, несколько отравили отношения и в других областях. Теперь они сталкиваются с рядом общих проблем, хотя оба имеют важную возможность для продвижения их отношения на более высокий уровень вместе, чтобы решить проблемы в краткосрочном и долгосрочном периоде, которые имеют жизненно важное значение для обеих сторон. Значимость политических и экономических отношений Европы и Турция консолидируется в качестве региональных игроков, сотрудничество по экономическим вопросам будет более дополнено сотрудничеством в других областях, для того, чтобы поддерживать геополитический баланс в регионе и ограничить присутствие иностранных игроков.

Ключевые слова: экономические отношения, экономический рост, кооперация, экономическое сотрудничество, таможенный союз, преимущества сотрудничества в регионе.

JEL Classification: F50; F51; F60; F68; O19.

Introduction. Europe is the common house around which gathered the principles of values, standardized. As a member of the European family, Turkey has influenced not only the political, economic and socio-cultural continent, but was itself influenced by these developments. A complete analysis of the history of Europe cannot be done without taking into account the important role played by Turkey on this continent. As in the past, Turkey and other European countries destinies are interlinked. We face a future together. In this context, Turkey's EU membership is a strategic choice. Turkey's EU accession will increase the size of the European internal market and strengthen the EU's competitiveness relative capacity in the global economy. Turkey will be a real asset for the EU, with its geostrategic position, its economic potential, its educated population, dynamic and multidimensional foreign policy. Turkey's membership will add value to the EU, and will not be a burden. Advancing this relationship with the ultimate goal of accession – is of an strategic importance for Turkey and the EU.

Turkey continues to progress with decisive steps to become a full member. Development with democracy and human rights, institutionalization of free market economy and establishing standards in all areas of modern life are among the fundamental dynamics of policy strategies vis-à-vis the EU. Relations between Turkey and EU began by association agreements under the Ankara's agreement, which was signed with the European Economic Community on 12 of September 1963 and entered into force on December 1, 1964.

Ankara's agreement foresees three steps for Turkey's integration into the EU: a preparatory stage, a transitional stage and a final stage. The establishment of the Customs Union has been scheduled for the end of the transitional phase. At the end of the preparatory phase under the agreement, provisions and obligations of the parties during the transition phase were determined Additional Protocol signed on 13 of November 1970 and entered into force in 1973. The Ankara's agreement also explicitly stated that the partnership arrangements would facilitate Turkey's EU accession.

Customs Union:

After completion of the transition phase, the Customs Union is an important step for Turkey's integration into the EU, and came into force on the first of January 1996.

The level of integration Turkey-EU with the Customs Union reached an advanced point, the next effort is the advancement of Turkey Accession to the objective indicated in the Ankara's agreement (article 28). The Customs Union continues to be a fundamental dimension of our relations with the EU. The main organs of the Association consist of the Association Council, the Association Committee, the Customs Cooperation Committee and the Joint Customs Cooperation Committee.

On the other hand, bilateral free trade agreements have gradually spread worldwide and deepening their content is in order to cover all aspects of commerce. Similar free trade agreements have been concluded by the EU with the countries such as South Korea, Canada and Singapore. Further strengthen trade relations between Turkey and the EU has become a necessity. Considering all the experience gained in the customs union, we note the existence of positive effects regarding the harmonization of legislation that contained a candidate country for accession to the EU, the improving of the business relations between Turkey and EU, as some of the most important trading partners. We also believe that such a development will bring mutual economic benefits for both sides, will also accelerate the process of Turkey's accession to the EU.

In this spirit, Turkey will continue the negotiations with the European Commission on methods to follow to update the customs union and the trade based on mutual benefit.

The summit from the Helsinki, the recording of the “candidate status” and the opening of the accession negotiations:

A new period began in the relations between Turkey and EU, with the registration of the “candidate status” at the Summit of the Heads of the State and the government of the EU in Helsinki, held on 10-11 of December 1999. At the summit of the heads of the state and the government of the EU which took place on the 17 of December 2004, in Brussels, the decisions took previously in Helsinki in 1999 was reaffirmed by the Council, noting that Turkey sufficiently fulfils the political criteria, being decided to negotiate the accession of Turkey on the 3 of October 2005.

The negotiations process:

In the accession process, the negotiations have been conducted on 14 chapters till now (“4-Free Movement of Capital”, “6-Company law”, “7-Intellectual Property”, “10-Information society and media”, “12-Policy veterinary, phytosanitary and food safety”, “16-Taxation”, “18-Statistics”, “20-Policy enterprise and industrial policy”, “22-Regional Policy and coordination of structural instruments”, “21-Networks Trans”, “25-Science and research”, “27-Media”, “28-Consumer and health”, “32-Financial control”).

An official statement was made stating explicitly that Turkey did not recognize “the Greek Cypriot administration of Southern Cyprus” by signing the Additional Protocol.

With the European Councils decision from the December 2006, the negotiations on the eight chapters have not been achieved (“1-Free movement of goods”, “3-Establishing free society of performance”, “9-Financial Services”, “11-Agriculture and rural development”, “13-Fishing”, “14-Transport policy”, “29-Customs Union” and “30-External relations”) and other items, which Turkey has not assumed any responsibility.

From the other hand, France does not agree to start the negotiations only with 5 chapters (“11-Agriculture and rural development” (one of the eight chapters are blocked by the Protocol Association) “17-Economic and Monetary Policy”, “22-Regional policy and structural instruments coordination”, “33-Financial and budgetary provisions”, “34-Institutions”), it seems directly related to the accession process. Then France lifted the blockade in February 2013. This chapter was opened for negotiations in the Intergovernmental Conference in Brussels on the 5 of November 2013 by Mr. Hollande, the French president, who said during his visit in Turkey on 27 to 28 of January 2014, that France is open to the negotiation process.

Moreover, following the European Council meeting in December 2009, the Greek Cypriot administration of Southern Cyprus unilaterally declared that it would block the opening of six chapters (“2-Free movement of workers”, “15-Energy”, “23-Judiciary and fundamental rights”, “24-Justice, Freedom and Security”, “26-Education and Culture”, “31-Foreign, Security and Defence Policy”).

In fact, to continue negotiations on chapters only on the basis of the acquits is an EU commitment. Both the EU institutional contacts and contacts with representatives of the Member States, stressed that the technical negotiation process should not be slowed due to political reasons and are made ongoing efforts to revive the process of negotiations.

The new EU Strategy for Turkey and the Action Plan for EU:

The reform efforts are conducted in parallel with the expectations of the Turkish people and the harmonization of working with the *acquis* Community. In these sense, in September 2014 “The new EU Strategy for Turkey”, announced that aims to establish new communication channels between Turkey and the EU to accelerate the reform process. This strategy was based on the determination, durability and efficiency on three principles: “political reform”, “socio-economic transformation process”, “EU communication strategy”.

The national dimension of the communication strategy of the EU is ready to provide the support in the formation of public opinion regarding the relations between Turkey and the EU for Turkey’s EU membership; in October 2014 it was announced that there is intended to build the confidence of the Turkish people in the process of EU membership as a project of modernization and democratization, bringing living standards in all areas and strengthening support for reforms. The external dimension of the communication strategy is to ensure the consistency facts and the perception of Turkey by the European citizens, to restore the mutual trust and to demonstrate the confidence in their forces in the EU accession process.

The national plan for the EU membership was based on that strategy. This action plan is like a roadmap outlining the priorities and the actions to adopt for maintaining and to strengthen the political reforms in Turkey and the transforming of socio-economic existence. The first phase of the action plan covering work was performed in the period of November 2014-June 2015. The second phase will be carried out during the period of 2015-2019.

Along with the monitoring reports on each candidate and potential candidates, the Commission also published a strategy document for enlargement, including the assessment enlargement agenda.

The Positive Agenda:

The European Commission has proposed to develop a positive agenda between Turkey and the EU; in its strategy of expending, the European Commission identified a range of areas, elements of “intensifying dialogue and cooperation on political reforms”, “ease visa”, “Mobility and Migration”, “energy”, “fighting terrorism”, “efficient participation of Turkey in Community programs”, “cities twinning”, “customs union and trade” and “support efforts and harmonization alignment to the acquis community including chapters for accession negotiations”. This proposal was adopted by Turkey, providing that it is a tool for supporting the negotiation process with the EU.

In the framework of Agenda, the working groups have been established for eight chapters (“6-Company law”, “10-Information society and media”, “18-Statistics”, “23-The judiciary and fundamental rights”, “24-Justice, freedom and security”, “28-Consumer protection and health” and “32-Financial control”).

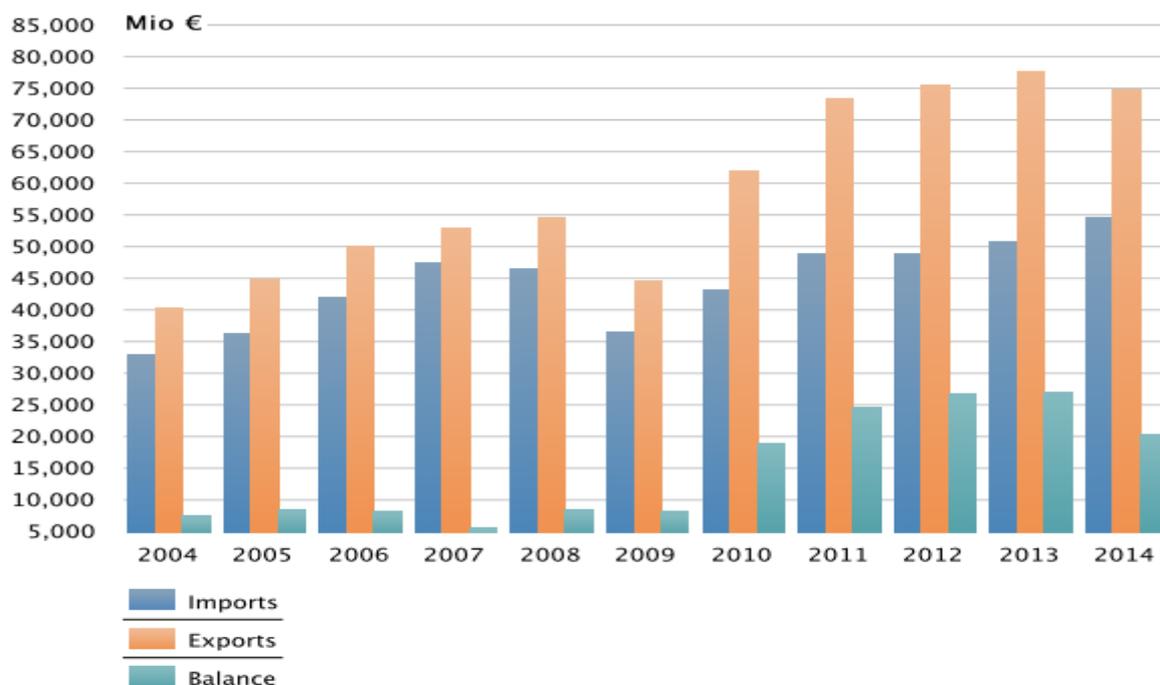


Fig. 1. Total goods: EU Trade flows and balance, annual data 2005-2014

Source: Based on http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113456.pdf

The current state of economic and trade relations:

Turkey is the sixth largest economy in Europe. At the same time, Turkey has vast trade relations with the EU. EU is the largest trading and investment partner. About 40% of Turkey’s exterior trade was conducted with the EU in 2014. These figures have increased by 42% in the first half of 2015. The 64% of FDI in Turkey comes from the EU.

Conclusions. Turkey’s contributions to EU operations and missions

Turkey contributes to the EU civilian and military operations. In this context, Turkey’s contribution is due to its status as a candidate for EU membership, but also as an element of its foreign policy to support multilateral international and the regional peace and stability. Turkey has contributed to the new EU operations and missions in total so far.

The accord with the EU will signify that the EU has agreed to update the customs union as requested by Turkey. Negotiations between the EU and Turkey on revising the customs union will commence at the beginning of 2016. These negotiations are expected to be finalized in six months, before the TTIP goes into effect.

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