



TURKISH INDUSTRIALISTS' AND BUSINESSMEN'S ASSOCIATION

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TÜSİAD Views on FTA between EU and South Korea and The Effects of FTAs in General on Turkish Industry

An EU-Korea FTA will cover our key exports sectors to the EU like cars, textiles, electronics where Korean companies currently enter into the EU with up to 14 percent tariffs. The EU applies a 14 percent tariff on imported Korean electronic appliances such as LCD and PDP televisions, a 10 percent tariff on imported Korean cars and 12 percent tariff on Korean apparel. Turkey's key export sectors are currently enjoying the duty-free access to the EU market. The advantages of the EU-Turkey Customs Union agreement for the Turkey's key export sectors will be lost.

In order to prevent potential trade diversion and neutralize the adverse effects of the EU-Korea FTA on the key export sectors, our suggestion is the inclusion of an obligatory measure in the agreement in order to ensure the completion of the EU's FTAs also with Turkey simultaneously or keeping Turkey's customs duties on goods concerning her main exports to the EU at the above base rates during a transition period will also be helpful in overcoming the trade distortion effect. The tariffs should be eliminated gradually in a time span, which should be negotiated.

Even though the EU inserts "Turkey clause" in its Agreements with the third countries like its free trade agreements with Algeria, Albania and Montenegro, which envisages concluding a similar agreement with Turkey for third countries, together with the negotiation process and the internal approval procedure, entry into force of this provision may probably take minimum 2 or 3 years.

In that sense Turkey clause, which has been introduced by the EU as a solution, unfortunately has not been able to solve Turkey's problems encountered during the initiation of the FTA negotiation process.

Adopting the EU's free trade agreements, Turkey has already faced difficulties stemming from the unwillingness of some countries with which Turkey would like to sign similar agreements as in the case of Algeria, Mexico, Chile and the Republic of Southern Africa.

Regarding the fact that Customs Union Agreement is based on the principal of mutual benefit, it is seen that trade distortions caused by non-completion of the FTAs are against the interests of the Turkish and the EU companies invested in Turkey.

