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TÜSİAD Note on Free Trade Agreements and Turkey

Free Trade Agreements (FTA), signed in the framework of the provisions of the Turkey-EU Customs Union Decision No. 1/95 have had positive effects on Turkish external trade so far.

In 1996-2006 period, while total Turkish exports increased by 267% and Turkish imports increased by 214%, exports to the countries that Turkey signed FTA, increased by 402% and imports from those countries increased by 289% thanks to the provided market access facilities.

However, in the process of adopting the EU's free trade agreements Turkey faces difficulties stemming from the unwillingness of some countries with which Turkey would like to sign FTAs as in the case of Mexico, Chile and Algeria.

Even though, such an article added to the agreement with Albania as called "Turkey Clause" which requires Albania to conclude the negotiations with Turkey until the end of the transition period determined with the EU, article in question causes delays in finalizing FTA and hampers free market access of Turkish exporters during the period.

Moreover, the prospecting FTAs of EU with South Korea and ASEAN seems to harm the competitiveness of Turkish textile, electronics and motor vehicle sectors dramatically in case Turkey cannot sign FTA with the countries when the EU concludes negotiations with them.

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.

Therefore, an obligatory measure has to be taken in order to ensure the completion of FTAs that are signed between the EU and third countries, with Turkey before its entry into force. The participation of Turkey to the FTA negotiations or having a parallel process of negotiations will also be very helpful in overcoming the trade distortion effect, which is in contradiction with the European business interest.