

**REX/468** 

**Enhancement of EU-Turkey bilateral trade relations and modernisation of the Customs Union** 

# **OPINION**

European Economic and Social Committee

Enhancement of EU-Turkey bilateral trade relations and modernisation of the Customs Union

Rapporteur: Dimitris DIMITRIADIS

Consultation European Commission, Annual letter 2016, 20/04/2016

Legal basis Article 304 of the Treaty on the Functioning of the European Union

Section responsible Section for External Relations

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Outcome of vote

(for/against/abstentions) 252/4/7

#### 1. Conclusions and recommendations

- 1.1 The EESC believes that ongoing developments have rendered the current Customs Union (CU) agreement obsolete and that the parties to the agreement will have to start serious negotiations on strengthening their economic ties by establishing a new type of trade agreement that reflects current needs.
- 1.2 The EESC still considers that Turkey remains a very important partner and that the political will exists to increase levels of cooperation, but only provided that compliance with the fundamental European values and the principles of democracy, the rule of law and human rights is ensured.
- 1.3 The EESC believes that the procedure regarding the CU can be carried out by means of either a review of Decision No 1/95, a new decision of the Association Council, or ultimately a new protocol to the Accession Agreement.
- 1.4 The EESC condemns the coup attempt of 15 July, but is also very concerned by the response of the Turkish government and subsequent political developments in Turkey, which go far beyond the prosecution of those behind the coup, do not reflect measures consistent with the rule of law and are contrary to democratic principles.
- 1.5 The EESC calls on Turkey as an EU accession candidate to protect and uphold universal human rights and to comply with democratic principles and abide by the rule of law. The EESC deplores the attempt to overturn the democratically elected government of Turkey, but also voices its disquiet at the response of the Turkish authorities and expressly calls for human rights to be fully upheld and applied without discrimination, especially freedom of expression and the particular way in which it is manifested in the freedom of the press, and for the rule of law to be completely restored.
- 1.6 In the EESC's view, Turkey must effectively demonstrate that it remains attached to the status of an accession state, which by law and under the Treaties it still holds, by continuing negotiations with the EU as well as by strict compliance with the EU *acquis* and all the requirements as agreed to date.
- 1.7 The new conditions in world trade that have been developing over recent years have prompted the EU to launch a new round of global trade agreements focusing on improved provisions in a wide range of areas with the aim of promoting modern forms of trade as well as applying EU principles and the EU acquis. The Trade for All Communication from the Commission must constitute the basis for EU-Turkey negotiations. The recent adjustments and best practices implemented in various trade agreements have transformed models for sustainability, transparency and the involvement of the social partners and civil society in international trade agreements.
- 1.8 The EESC considers that both ex-ante and ex-post impact and feasibility assessments of the negotiations must be carried out in advance in order to identify the effects on the environment, the economy and society. The social partners and civil society organisations must be involved in these procedures. The EESC moreover considers that the Commission should continue to

- monitor closely the ongoing social and economy situation in Turkey at every step of the negotiations.
- 1.9 It should be borne in mind that over the twenty years since the CU came into effect, the EU *acquis* has widened to include areas that were not regulated previously.
- 1.10 The EESC considers that a new, modern CU agreement is needed and rejects the idea of maintaining the status quo or converting it into an RTA as unrealistic. It believes that the new agreement should contain new chapters that reflect the additions to EU law and practice, since these continue to expand and be revised, together with updated provisions addressing the areas that have proven to be problematic in the implementation of the CU with Turkey and the preliminary requirements.
- 1.11 The EESC also thinks that the new negotiations ought to focus especially on the immediate implementation of the necessary radical reforms of Turkish legislation.
- 1.12 The EESC proposes that the following areas be included in the regulatory framework of the new agreement:
  - agriculture (with all the requirements set out further below in the opinion)
  - services
  - public procurement
  - unprocessed products and raw materials
  - consumer protection
  - environmental protection and sustainable development
  - equivalence of regulatory regimes for veterinary, sanitary and phytosanitary (SPS) measures and of food safety policy
  - effective protection of labour rights and decent jobs
  - protection of health and safety in the workplace
  - facilitation of e-commerce and introduction of a digital agenda that establishes free movement of digital data
  - energy policy and energy security
  - promotion of innovation and protection of intellectual property
  - combating corruption and money laundering
  - improved incentives for SMEs
  - simplified administrative procedures and reduced administrative costs
  - investment and updating of investment legislation with the aim of protecting investors, and concurrent introduction of an impartial dispute settlement procedure
  - improvement of the procedure for transposing and incorporating European legislation into the Turkish legal system
  - more robust provisions to ensure that the content of the revised agreement and the implementing provisions complies with the EU *acquis*.
- 1.13 The EESC considers that, as regards the asymmetry that affecting Turkey's trade relations with third countries with which the EU is concluding a new type of trade agreement, the relevant

clause cannot be improved beyond providing political incentives for the EU's partner countries, with the further option for the Commission to provide effective intermediation services.

1.14 The EESC believes that any type of trade agreement between the EU and Turkey will have to include effective consultation and inclusion of the social partners (employers and employees) and of civil society organisations at both the negotiating and implementation stages.

## 2. **EU-Turkey trade relations**

- 2.1 In 1959 Turkey applied to become an associate member of what was then the European Economic Community (EEC) and is now the European Union (EU). The Association Agreement was signed in 1963 and at the same time provided for the creation of a CU between the EEC and Turkey.
- 2.2 As a result, in 1970 an Additional Protocol was drafted abolishing tariffs and quotas for goods, taking further steps towards the **CU**, the full development of which was completed in 1995<sup>2</sup> and required the abolition of trade barriers. A **Free Trade Agreement (FTA)** was signed<sup>3</sup> the same year, covering coal and steel with the then ECSC.
- 2.3 Turkey was also requested to adopt the EU's Common External Tariffs (CETs)<sup>4</sup> on third-country imports and adopt all pre-existing and future preferential agreements.
- 2.4 The CU was a ground-breaking and original idea for its time and offered a major opportunity to deepen bilateral relations, as it was one of the first agreements to contain harmonisation of legislation with a non-Member State.
- 2.5 In 1997 the EU instituted a parallel process based on Articles 2 and 49 of the Treaty on European Union, following Turkey's application for association in 1987.
- 2.6 Accession negotiations started in 2005 and include 34 chapters of the EU *acquis* and one miscellaneous chapter, making 35 in total.
- 2.7 Heeding the calls of the relevant stakeholders, the EESC takes a positive view of the coal and steel FTA, which should remain as it stands, but highlights the need to reform the CU in order to bring about the modernisation of trade relations;

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Agreement establishing an Association between the European Economic Community and Turkey and the Additional Protocol of 12 September 1963 (OJ C 113/2): <a href="http://ec.europa.eu/enlargement/pdf/turkey/association\_agreement\_1964">http://ec.europa.eu/enlargement/pdf/turkey/association\_agreement\_1964</a> en.pdf.

Decision No 1/95 of the EC-Turkey Association Council of 22 December 1995 on implementing the final phase of the Customs Union (96/142/EC).

<sup>96/528/</sup>ECSC: Commission Decision of 29 February 1996 on the conclusion of an Agreement between the European Coal and Steel Community and the Republic of Turkey on trade in products covered by the Treaty establishing the European Coal and Steel Community, <a href="http://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:31996D0528&from=EN">http://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:31996D0528&from=EN</a>.

Combined Nomenclature, Common Customs Tariff and Integrated Tariff of the European Union (Taric), Council Regulation (EEC) No 2658/87 of 23 July 1987 on the tariff and statistical nomenclature and on the Common Customs Tariff, <a href="http://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=URISERV:111003&from=EN.">http://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=URISERV:111003&from=EN.</a>

## 3. Political situation in Turkey since 15 July

- 3.1 The situation in Turkey following the attempted coup of 15 July which the EESC expressly condemns is a cause for great concern. The authorities' treatment of suspected participants in the coup, as well as of opposition and civil society figures uninvolved in the coup and of press and media outlets that do not support the government, is incompatible with European standards and is weighing heavily on the EU-Turkey negotiations.
- 3.2 Since the events of 15 July, Ankara's official position has shifted, with the Turkish negotiators demanding direct commitments from the EU, which has on several points **demonstrated indecisiveness and a lack of political will and political purpose to date**, matched by Turkey's failure to display the good will needed to implement the adopted texts (e.g. regarding the protocol to the Ankara Agreement, etc.), which is further hampering the creation of the necessary climate of understanding.
- 3.3 The EESC is monitoring and continues to follow with great care and concern the events unfolding in the wake of the attempted coup, and sees the launch of negotiations on the CU to enhance trade relations as an opportunity to begin normalising EU-Turkey relations as well as to turn the embattled Turkish economy around.
- 3.4 It is therefore in Turkey's interests at this difficult juncture to make a long-term commitment to a programme of reforms that includes radical change in both the economic and political spheres.

### 4. Turkey's economy

- 4.1 As of 2015 Turkey achieved a staggering USD 1.576 trillion (2015 estimate) of Gross Domestic Product in purchasing power parity (GDP in PPP), putting it 18th in the global economic ranking. In growth estimates, the country dropped to a still satisfactory 3.8% in 2015, holding 102nd place globally. The country's public debt fell to a moderate 33.1% of GDP, while inflation rates are still high, at approximately 7.7% as of 2015<sup>5</sup>.
- 4.2 Turkey's economy has been transformed over the past few years from being traditionally agricultural to a services- and tourism-driven economy with an export-oriented manufacturing sector. This is attributable in part to the CU, which created important opportunities that were instantly exploited with the adoption of a new legal framework and implementation of EU standards.
- 4.3 From 2012, however, the pace of growth has slowed owing to the fall in direct foreign investment, as well as political and economic developments, which in many cases have acted as a brake on economic growth and a source of uncertainty. In the 2013-2016 period confidence has been eroded by political unrest, geopolitical shifts, corruption allegations, and tensions with neighbouring states as the country has sought a more pivotal political role in the region. This has adversely affected the economy and overshadowed the unprecedented progress of the

Statistics courtesy of the CIA Factbook and the World Bank Country Reports, combined with statistical data retrieved from the Central Bank of the Republic of Turkey.

Turkish economy, since it has, as a result of the current account deficit, been prone to currency and market fluctuations, all of which has discouraged and weakened investment inflows. After the coup attempt the economy suffered a fresh blow, with a further slowdown and dramatic fall in tourism.

The worrying political developments and their direct consequences have caused significant 4.4 harm to the economy in terms of both market confidence in stability and of the robustness of the economic and investment environment in Turkey<sup>6</sup>, while there is doubt about the capacity of the Turkish government to put the economy on a path to growth again, and its credibility and the value of the Turkish lira have suffered considerably<sup>7</sup>.

#### 5. Impact of the CU on the Turkish economy, shortcomings in the regulatory framework and implementation issues

- 5.1 Overall the predictions for the CU proved rather pessimistic, and have thus been confounded by the reality: it had been forecast that Turkey's GDP would not grow by more than 1-1.5%, which although considered substantial does not compare with the actual increase.
- 5.2 The EU is Turkey's number one import and export partner, while Turkey ranks seventh in the EU's import and fifth in its export markets. Turkey's exports to the EU are mostly machinery and transport equipment, followed by manufactured goods. EU exports to Turkey are dominated by machinery and transport equipment, chemical products and manufactured goods.
- Trade with the EU increased by 22% between 1995 and 2014. It has also been suggested that the 5.3 CU has caused trade diversion<sup>8</sup>, but this is insignificant when considered in terms of the total percentage of trade<sup>9</sup>.
- At all events, this reined in the application of tariffs by Turkey on industrial products and made it unnecessary to introduce rules of origin for bilateral trade.
- 5.5 Some of the main inherent disadvantages of the CU may be summarised as:
  - the excessive and unnecessary use of Trade Defence Instruments such as compensatory, antidumping, safeguard and supervisory measures that are affecting bilateral trade <sup>10</sup>;

http://www.bloomberg.com/news/articles/2016-09-26/lira-drops-most-among-emerging-peers-after-turkey-cut-to-junk http://www.bloomberg.com/news/articles/2016-07-21/turkish-assets-extend-selloff-after-s-p-cut-state-of-emergency https://www.ft.com/content/779ef1f6-5b22-11e6-9f70-badea1b336d4

<sup>7</sup> https://www.ft.com/content/5bbbcce4-83b2-11e6-a29c-6e7d9515ad15 http://www.forbes.com/forbes/welcome/?toURL=http://www.forbes.com/sites/dominicdudley/2016/07/18/turkeys-economy-couldslump-in-aftermath-of-failed-coup/&refURL=https://www.google.gr/&referrer=https://www.google.gr/

<sup>8</sup> C.S.P. Magee, "Trade creation, trade diversion, and the general equilibrium effects of regional trade agreements: a study of the European Community-Turkey customs union", Review of World Economics, May 2016, Volume 152, Issue 2, pp. 383-399.

<sup>9</sup> World Bank, "Evaluation of the EU-Turkey Customs Union".

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As of 2013, thirteen Trade Defence Instruments against EU goods were in place in Turkey. More information can be found at: http://ec.europa.eu/trade/policy/accessing-markets/trade-defence/actions-against-exports-from-the-eu/ (accessed on 30.5.2016).

- the absence of an effective compliance mechanism and dispute settlement procedure, without which it is impossible to effectively remedy the selective implementation of the CU in certain cases, and the adoption of indirect discriminatory measures to the detriment of EU products. The prevailing dispute settlement procedure is limited to specific disputes (specifically, jurisdiction is valid only for the period protectionist measures are in effect)<sup>11</sup> that can be examined by the Association Council, which is a primarily political body that takes decisions on the basis of consensus;
- the limited scope of the CU, which covers only industrial products, including components and processed agricultural products made in the EU or Turkey, as well as goods wholly or partly made from products originating from third countries provided they circulate freely within the EU or within Turkey. Specifically, agricultural products represent 10% and services 60% of Turkey's GDP, but both fall outside the scope of application of the CU;
- the process of harmonisation with EU law is also problematic, as is the effectiveness of the method for providing information about this process; consequently the business community faces a legislative see-saw during the process of importing or exporting the same products, so that neither they themselves, through their official representative bodies (chambers of commerce, employers' organisations, etc.), nor the relevant authorities (customs offices, export agencies, market surveillance bodies) can keep up-to-date<sup>12</sup>.
- 5.6 Apart from the problematic domains in the regulatory fabric of the CU, questions are posed by its inadequate implementation or by the unilateral decisions taken by the Turkish side on issues of customs or tariff practices **that are in clear breach of the agreed terms**. Questions are also posed by Turkey's refusal to allow the practice of free trade with the Republic of Cyprus, an EU Member State, in blatant violation of Community law and EU-Turkey trade agreements.
- 5.7 Turkey's current alignment with EU internal market law has advanced in certain areas, such as the free movement of goods, competition policy and state aid, energy, economic and monetary policy, and enterprise and industrial policy, but the European Commission has highlighted the fact that Turkey consistently turns a blind eye to key aspects of the agreement by adopting protectionist measures across the board, contrary to what is provided for under the Customs Union.
- 5.8 However Turkey is not properly implementing law in relation to state aid and setting up of monitoring schemes, and it seems reluctant to fully enable free movement of goods by lifting concealed restrictions; lastly, it has omitted to adopt and effectively implement enforcement measures against intellectual property rights violations.
- 5.9 Assessing the overall benefits of the CU, we could pinpoint as its greatest contribution the fact that it has been used as a means of economic reform that has promoted the integration of Turkey

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In contrast to the dispute settlement mechanism under the Ankara Agreement, which covers a broader range of disputes but requires unanimity among both parties for a settlement to be activated.

<sup>&</sup>quot;Evaluation of the EU-Turkey Customs Union", Report No. 85830-TR, 28 March 28 2014, available at <a href="https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/pdf/financial\_assistance/phare/evaluation/2014/20140403-evaluation-of-the-eu-turkey-customs-union.pdf">https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/pdf/financial\_assistance/phare/evaluation/2014/20140403-evaluation-of-the-eu-turkey-customs-union.pdf</a>

into global markets, that it has helped restore Turkey's credibility and, finally, that it has bolstered the measures taken to contain inflation and stabilise the value of the Turkish lira.

5.10 The modernisation of Turkish trade has also proceeded apace and competition has been boosted between Turkish producers and sellers, who have gained access via the EU market to a more fertile and challenging global trade environment.

## 6. Comparison between the Customs Union and more recent FTAs

- 6.1 The years to come will signal a new economic era inaugurated by the construction and implementation of a series of regulatory initiatives at international level that will affect EU-Turkey economic relations and will necessitate an updating of the CU. At the same time the EU has focused on boosting external economic relations with third countries with a view to improving living standards and increasing prosperity. The **Transatlantic Trade and Investment Partnership** (**TTIP**), the **EU-Canada Comprehensive Economic and Trade Agreement** (**CETA**) and the **Trade in Services Agreement** (**TiSA**), as well as the negotiations on the **trade agreement with Japan**, are the most prominent initiatives being pursued at the moment 13.
- 6.2 As a result of the new conditions, the obsolete CU has already put the Turkish economy at a disadvantage due to its in-built asymmetry<sup>14</sup>: the CU allows Turkey to negotiate trade agreements with third countries only once the EU has completed and signed new FTAs with them, not giving Turkey any scope to intervene at any stage during the negotiations. On the other hand, the "Turkey clause" is a policy guideline and does not oblige third countries to accept conducting negotiations, let alone sign an agreement. Even if agreement is reached, this time-lag puts Turkish businesses at a competitive disadvantage.
- 6.3 Moreover, Turkey was obliged to adopt the Common External Tariff (CET), requiring it to adjust to the changes mostly reductions introduced by the EU due to the conclusions of FTAs, without Turkish products benefiting from this privilege on other markets in the absence of an agreement. This has led to the gradual liberalisation of Turkey's tariff regime.
- 6.4 The aforementioned shortcomings in the architecture of the CU have today become more apparent, more than twenty years after it was concluded.
- 6.5 In 2014, of the EU's 48 trade partners, only 17 had drawn up agreements with Turkey, while among the countries providing new-generation FTAs, only South Korea has agreed to conclude an agreement with Turkey, accepting the invitation formulated in the "Turkey clause" of the KOREU.

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Agreements have also been signed with the **Eastern African States**, **Ecuador**, **Singapore**, **Vietnam** and **West Africa**. None of these agreements have been put into effect, even where finalised.

Global Economics Dynamics Study, Turkey's EU integration at a crossroads, What Consequences does the new EU trade policy have for economic relations between Turkey and Europe, and how can these be addressed?, Bertelsmann Stiftung, April 2016.

### 7. Enhancement of bilateral trade relations

- 7.1 EU-Turkey economic and political cooperation is a necessary requirement, and would suffice to achieve stability in a particularly volatile part of the world, and updating the CU could send a clear positive signal of cooperation and stability.
- 7.2 Alternative options for EU-Turkey trade and economic relations have been carefully discussed, including potentially (i) maintaining the status quo, (ii) replacing or supplementing the CU with an RTA, or (iii) updating the CU. Of these, the EESC deems the last-mentioned alternative to be ideal in terms of promoting and deepening bilateral relations on the basis of mutual advantage.
- 7.3 The "do-nothing" scenario also bearing in mind the long time horizon of accession negotiations does not represent a realistic alternative solution, as it is considered essential to tackle the problems outlined above and to immediately harness the untapped potential of trade relations.

#### 8. Main elements of the revision

- 8.1 In the context of the new EU trade and investment policy launched in 2015 with the publication of the Commission's Communication *Trade for all*<sup>15</sup>, it is already clear that the EU is committed to using its leadership position in the sphere of trade to respond to the new challenges of a globalised market and the needs of the modern-day trade environment, to promote development and to work for institutional change by setting reform priorities<sup>16</sup>.
- 8.2 It is evident in relation to this effort that a new trade policy cannot be one-dimensional but must be multilevel and complex, embracing a multitude of areas of activity, if it is to be regarded as effective and beneficial to more of those affected, such as workers, consumers and SMEs.
- 8.3 Specifically, including European values in the same framework of principles has significance at many levels given that negotiations on trade and investment agreements are now manifestly **not only economic in character but constitute a broader socio-economic project to introduce multidimensional and multilevel reforms**.
- 8.4 **Sustainable development and protection of the environment** are now of equal importance and integral to these values, particularly since the adoption of the Paris Agreement (COP21) by the EU and the new Sustainable Development Goals (SDGs) by the UN Economic and Social Council<sup>17</sup>.

<sup>15</sup> http://trade.ec.europa.eu/doclib/docs/2015/october/tradoc\_153846.pdf

EESC (J. Peel - Rapporteur), Opinion on the Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of Regions, Trade for All - Towards a more responsible trade and investment policy, COM(2015) 497 final.

The nexus of commitments of course includes the UN Framework Convention on Climate Change and the Kyoto Protocol. For the Paris agreement, see FCCC/CP/2015/L.9, 2015.

- 8.5 This feature is obviously even more prominent where the countries with which an agreement is being negotiated are in the process of accession talks, Turkey being the prime example.
- 8.6 The revision must also be based on international standards and conventions to protect labour rights<sup>18</sup>.
- 8.7 This is why the EU decided to proceed on the basis of three basic principles to achieve the above. Those principles are:
  - a) **Effectiveness**: so that both macroeconomic (e.g. the economic situation of EU countries in crisis) and microeconomic (e.g. SME) needs are taken into account, ensuring optimum adaptability to new trade projects;
  - b) **Transparency**: through greater visibility and participation of as many stakeholders as possible in negotiations;
  - c) **European values and models**: an evolving concept that has now been extended to include issues such as the protection of human rights and fundamental freedoms (including those of workers), sustainable development and combating corruption.
- 8.8 Any attempt at convergence with trade partners must thus include:
  - 1. high-level studies on existing global value chains (GVCs) and global supply chains (GSCs);
  - 2. updated measures to promote trade and services so that they reflect the current global situation of fragmented production based on subcontracting (outsourcing), shifting production overseas (offshoring) and setting up of branches ("branching");
  - 3. measures to facilitate e-commerce and mobility, and of course effective extension of formal cooperation both at the negotiating stage and when evaluating and overseeing the implementation of agreements.

### 9. Conclusion process and content of the new agreement

- 9.1 The scope of application of the new agreement should be extended to include other sectors such as:
  - agriculture (with rigorous application of European standards and traceability of products, but also after research into the impact of import liberalisation on European farmers), with consideration also being given to maintaining or introducing temporary protectionist measures beyond the adjustment period if this is deemed absolutely essential to protect European products;
  - b) investment;

c) regulation of public procurement;

d) services:

e) more topical areas such as sustainable development, environmental protection, the energy sector, etc., as well as raw materials and unprocessed products, etc.

ILO Core Labour Standards, OECD Guidelines for Multinational Enterprises, UN Guiding Principles on Business and Human Rights.

### f) protection of copyright and patents.

The agreement should also include binding provisions for the immediate transposition and incorporation of European legislation, as well as special provision for the mandatory settlement of disputes arising in the course of its implementation by means of a mechanism **that does not require a political decision for it to be triggered**, unlike the situation to date, which is making it very difficult to resolve disputes effectively and in a transparent way.

- 9.2 It is also considered of the utmost importance that the whole endeavour be linked to the EU's revised trade approach, with the EU bringing to the table non-negotiable calls for democratisation and transparency in decision-taking, at both international and national level, as well as emphasis on the role of the social partners and civil society in processes of public dialogue and negotiation, the aim being to achieve more effective and people-centred implementation of the revised agreement.
- 9.3 Enhanced trade relations through the new CU Agreement could have a number of positive effects, including:
  - liberalisation of the newly regulated sectors will generate revenue and an increase in foreign direct investment;
  - bilateral liberalisation of public procurement by lifting barriers for non-nationals wishing to take part in tenders will benefit European companies since these represent 7% of the country's GDP;
  - opportunities will be created for small and medium-sized companies, boosting average income in Turkey, creating new jobs and increasing productivity.
- 9.4 The process of concluding the agreement must be initiated with negotiations starting immediately and with the involvement of the social partners and civil society organisations, to be conducted on the basis of transparent procedures.
- 9.5 The EESC welcomes the public consultation and recommends that comparable studies be carried out on social and well-being indicators, and in other areas such as consumer and workers' rights.
- 9.6 The EESC believes it should be made clear from the outset that the process is part of the broader accession negotiations and not simply a monolithic deepening of EU-Turkey trade cooperation, and also that successful conclusion of the talks will require full harmonisation of aspects agreed on up to this point.
- 9.7 Not only must the current issues be addressed in the new agreement, but it must be broadened to include a specific chapter on environmental protection, sustainable development and energy security and cooperation (renewable and conventional sources).
- 9.8 The EESC also considers it necessary to draw up a new framework for investment cooperation, with enhanced standards for investor protection together with provision for an impartial dispute settlement mechanism, an aspect which will strengthen market confidence in the ability of the

economy to weather political shocks in the future. Such a framework should take account of the concerns about investor protection <sup>19</sup>.

9.9 Obviously the new agreement must contain rigorous provisions on protectionist and discriminatory measures against foreign products and supplementary or hidden tariffs, which revised EU trade legislation regulates against. More robust legislation will also be needed to combat money laundering, corruption and the grey economy, and there will have to be closer institutional cooperation in tackling cross-border crime.

Brussels, 14 December 2016

Georges Dassis

The president of the European Economic and Social Committee

<sup>19</sup> 

Some of these concerns were summarised in point 8.8 of the EESC's Opinion "The position of the EESC on specific key issues of the TTIP", 0J C 487, 28.12.2016, p. 30.