

# IKV BRIEF

## REVISION OF THE CUSTOMS UNION IN 5 QUESTIONS

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The Memorandum of Understanding (MoU) regarding the revision of the Customs Union between Turkey and the EU was signed in Brussels on 12 May 2015.

### **1- What is the revision of the Customs Union?**

The revision of the Customs Union aims to wider the economic integration between Turkey and the EU and to overcome the obstacles in the functioning of the current Customs Union.

### **2- Why the Customs Union is being revised?**

As it is known, increasing momentum of the new generation FTAs in EU's trade policy and Turkey's exclusion from decision-making mechanisms have created negative impacts on Turkey's trade relations. More importantly, TTIP, which has a potential to redefine the rules in the global economic system, will negatively affect Turkey's trade balance as well as decreasing Turkey's competitive power in the US market vis-à-vis the goods produces in the EU. Besides, Turkey will have to act according to new rules and regulations for trade in goods and services as well as investments in the EU and the US market which are extremely important for Turkey's foreign trade. Under these circumstances, revision of the Customs Union is essential for Turkey to be prepared for such a major change in the global economic system.

In addition, the revision of the Customs Union is needed to overcome the chronic obstacles in the functioning of the current Customs Union. Among these obstacles, transport quotas and visa restrictions towards Turkish citizens stand as major problems.

### **3- What is going to change through the revision of the Customs Union?**

The revision of the Customs Union will provide an efficient way for Turkey to further integrate to the changing global economic system and will help Turkey to become a part of the initiatives that are to redefine the global trade such as TTIP.

The revision is also important for providing opportunities for the parties to overcome the chronic obstacles in the current relationship. In addition, through the inclusion of agriculture, services and public procurement to the scope of the Customs Union, the economic and trade relations will deepen between Turkey and the EU.

### **4- What are the stages of the revision of the Customs Union?**

It is reasonable to expect that the earliest time for beginning of the negotiations on the revision of the Customs Union will be 2016.

Following the signing of the MoU, the EU will start developing its negotiation stance and, in this context, the impact analysis report prepared by the European Commission will be shared with the Member States. After receiving opinions of the Member States on the impact analysis, the negotiation stance will be developed and the EU Council will delegate negotiation authority to European Commission. After the delegation of the

authority, it is reasonable to expect that the negotiations Turkey and the EU to start in 2016.

## **5- How Turkish business community should be prepared to the revision process?**

**1- To improve the negotiation capacity of public and private sectors:** In this process, it is essential for public sector to have consultation of the private sector. In this respect, it is necessary to build a strong negotiation capacity for public and private sectors.

**2- To build an efficient public-private communication mechanism:** Knowledge that can be constantly updated and mobilized accordingly; ways to achieve such knowledge both for public and private sectors; and a strong communication mechanism that will be used to manage the communication between public and private sector are integral parts of this process. In this respect, private sector should insist on to have a permanent representative in the negotiating team of the public sector.

**3- Developing a stance for private sector along with a strong will:** Agriculture and services, with no doubt, will be among the most challenging areas of the upcoming trade diplomacy. In addition to the challenges, the experience and willingness of the European negotiators to include new rules to the game should also be underlined. For a “successful” negotiation with the European counterparts, Turkish business community should have a strong negotiating stance. Developing such a strong stance depends on the willingness of Turkish private sector.

