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THE QUOTA ISSUE OF THE TURKISH ROAD TRANSPORT SECTOR IN THE EU

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Key Findings

- ✓ International road transportation has been liberalised within the EU;
- ✓ Whilst the Lisbon Treaty has given to the EU the role of signing agreements with third countries, one should note that the responsibility of signing international road transportation agreements with third countries lies upon the Member States;
- ✓ Since 2013, Turkey has had bilateral road transportation agreements with 25 EU Member States and a total of 961,087 permits of all types were issued to Turkish road transport companies (the only countries not to have signed such agreements with Turkey are Cyprus, Ireland and Malta);
- ✓ The most significant issue of Turkish hauliers continues to be the quota issue as some Member States grant transit permits but at an insufficient pace;
- ✓ The quota issue has been discussed at the ECJ for the first time in the history of the sector on 19 January 2017;
- ✓ 2017 had been determined before as a crucial year with respect to the launch of the negotiations on the modernisation of the Customs Union between the EU and Turkey;
- ✓ Although the quota issue continues to significantly affect Turkey's exports towards the EU, it is safe to say that Turkey-EU trade has been consistently growing in the last ten years;
- ✓ The EU constitutes Turkey's number one import and export partner while Turkey is currently ranking as the EU's 5th top import and 4th in terms of export markets;
- ✓ In case full liberalisation is achieved, it is expected that trade between the EU and Turkey would increase by 3.5 billion euros, In other words, Turkey's exports to the EU would increase by 1.9 billion euros whilst those of the EU to Turkey would increase by an additional 1.6 billion euros. Full liberalisation is widely seen as the best and most plausible solution in order to terminate the quota issue between the parties.

For the first time ever in the history of the Turkish road transport sector, a small team of approximately 20 people came to the European Court of Justice (ECJ) in Luxembourg on 19 January 2017. The case brought in front to the ECJ is with respect to a Turkish road transport firm which, it claims, had been subjected to unfair practices and extra fees by the Hungarian authorities as its hauliers were transiting through the national territory of Hungary. This bears a significant importance as it is the first time that the Turkish road transport sector's quota issue is so openly discussed in front of the EU's primary and most important judicial body. The Turkish delegation was composed of top officials from the relevant ministries along with representatives from TOBB, TİM, UND and IKV. Furthermore, one should recollect that the officials from the European Commission were upholding the Turkish delegation's main theses insofar as the adverse part was challenged with a variety of questions and sometimes in difficulty of answering them. Nonetheless, in order to better grasp the full extent of this critical issue for the sector, it is of utmost importance to analyse in further depth the current situation of the Turkish road transport sector within the EU.

Current Situation of the Turkish Road Transport Sector in the EU: Bilateral Agreements and the ITF Multilateral Quota System

The EU and Turkey have signed a variety of different agreements with respect to road transportation which often include important differences. Indeed, transit permits are not uniform among all EU Member States, permits which are of paramount importance for Turkish hauliers. Furthermore, some of these agreements include different transit permits with respect to transit trade and bilateral trade whereas others do not include such properties.

Along with bilateral agreements signed between EU Member States and Turkey, the multilateral transit permit is governed by a quota system which has been accepted and approved within the framework of the International Transport Forum (ITF) and the European Conference of Ministers of Transport (ECMT). As such, all parties have adhered to a uniform system and there is a corpus of transport laws with respect to road transport quotas and the way permits are and can be distributed accordingly. Such permits are distributed to the goods transport sector among all ECMT parties and all have thus adhered to one uniform framework in that context.

The Multilateral Quota System was introduced on 1 January 1974 within the framework of ECMT (which had evolved into the ITF in 2006). Thanks to these licences, hauliers can undertake an unlimited number of multilateral freight operations in the 42 European countries where this system is operational. Furthermore, one should note that the Council of Ministers of ECMT had considered from the start this system as a step towards a gradual liberalisation of road freight transport and also as a way of enhancing harmonisation in terms of competition for road hauliers from all the different countries participating in this system. Along with this system, some standards with respect to noise and exhaust emissions as well as safety requirements had also been introduced (from the so-called "EURO III" to "EURO VI" safe lorries). Indeed, this system has vowed to promote the use of environmentally friendly vehicles by supporting the principle of

sustainable mobility. Furthermore, one can say that these principles have been further enhanced thanks to the policies regarding climate change and the need to modernise and adapt the transportation systems to an ever evolving international environment regarding environmental legislation. In May 2015, Ministers of member countries of the IFT had approved a "Quality Charter for Road Haulage under the ECMT Multilateral Quota System", thus further enhancing the standards for companies, managers as well as drivers. This Quality Charter entered into force on 1 January 2016[1].

With the entry into force of the Lisbon Treaty, it is safe to say that a new role has been attributed to the EU with respect to the signature of agreements with third countries. As such, the EU has already concluded an international agreement on that particular area with Switzerland whereas the commercial road transport market has been liberalised (both passenger and freight). Furthermore, one should note that the bilateral relations between the EU and third countries show a difference.

Moreover, a feature of the bilateral agreements on road freight services is actually the application of a system of quotas within the EU. As such, the hauliers which are authorised to circulate within EU territory are required to hold a permit of the country with which the bilateral agreement has been concluded. Henceforth, these bilateral agreements actually divide, on a reciprocal basis, the traffic between the two signatory parties to the exclusion of all others. It is of utmost importance to stress that there are five general types of permit which are as follows:

- ✓ Bilateral transport permits, which grant the right to carry goods from one signatory country and vice versa;
- ✓ Transit permits, which grant the right to carry goods in transit through the territory of the country specified in the permit;
- ✓ Bilateral and transit permits, which are a combination of the two permits above;
- ✓ Third country permits, which grant the right to carry goods from the country indicated, which grant the right to carry goods from the country indicated on the permit to any third country or vice versa;
- ✓ Universal permits, which are a combination of all the permits cited above[2].

Moreover, there exist also other categories of permits. Indeed, as means of example, one can note the multi-convention permits which are delivered annually and which are bound to be limited to 5 vehicles per permit. Other more specific permits can also eventually be granted on certain conditions, Furthermore, it is worth noting that some EU Member States have both free and payable transit permits.

In 2013, a total of 961,087 permits were attributed to Turkish hauliers transiting through 25 different EU Member States which had signed bilateral road transportation agreements with Turkey, Most of these were either bilateral or transit permits.

[1] International Transport Forum, "About the Mulilateral Quota", OECD, 2017, http://www.itf-oecd.org/about-multilateral-quota Date retrieved: 24.03.2017

[2] ICF International, TRT and DIW Econ, "Study on the economic impact of an Agreement between the EU and the Republic of Turkey", Final Report, 14 October 2014.

Number of Permits Granted to Turkish Hauliers in EU Member States (2005-2014)

COUNTRY	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Change
AUSTRIA	7,168	7,500	7,757	7,635	6,404	6,267	6,927	6,911	6,733	7,099	5%
BELGIUM	4,807	6,024	7,168	7,526	6,542	7,194	8,280	8,086	7,928	8,288	5%
BULGARIA	18,451	19,153	25,068	28,079	25,094	14,972	10,898	12,355	11,973	13,399	12%
CROATIA	2,754	3,548	3,938	3,703	2,480	1,707	1,538	1,686	1,393	1,523	9%
CZECH REPUBLIC	1,452	1,594	2,645	3,364	2,727	3,206	3,849	3,689	3,319	3,967	20%
DENMARK	1,673	2,200	2,276	2,630	2,129	2,182	1,891	2,274	2,068	2,215	7%
ESTONIA	2	24	46	117	28	55	28	69	109	128	17%
FINLAND	353	328	508	636	827	732	606	578	551	657	19%
FRANCE	19,405	22,556	25,731	24,833	21,584	27,869	28,633	28,204	27,884	27,237	-2%
GERMANY	63,970	70,651	81,152	81,660	68,825	80,684	90,104	87,889	85,577	87,532	2%
GREECE	23,568	26,200	28,403	31,113	27,490	20,406	18,846	16,977	16,204	17,744	10%
HUNGARY	5,389	5,641	6,334	5,869	4,535	4,265	3,765	3,211	3,599	4,205	17%
IRELAND	364	212	345	290	300	194	206	155	165	146	-12%
ITALY	37,599	37,184	37,743	36,053	29,414	34,628	36,004	37,776	40,620	41,842	3%
LATVIA	25	98	118	74	94	115	155	169	173	225	30%
LITHUANIA	131	224	291	284	170	140	253	457	555	504	-9%
LUXEMBOURG	363	316	139	671	225	205	328	370	320	321	0%
NETHERLANDS	8,609	9,181	11,222	10,761	9,197	10,750	10,967	12,012	10,632	11,639	9%
POLAND	5,563	7,235	10,973	9,586	8,487	8,920	8,684	9,812	9,217	10,366	12%
PORTUGAL	135	142	281	380	258	263	183	183	275	254	-8%
ROMANIA	33,609	35,868	53,294	49,348	32,279	35,585	31,263	28,136	23,830	23,849	0%
SLOVAKIA	710	837	1,769	1,686	1,749	2,522	2,083	1,987	2,194	2,176	-1%
SLOVENIA	1,087	1,137	1,557	1,353	1,199	1,623	1,458	1,599	1,334	1,366	2%
SPAIN	4,452	5,546	7,374	6,955	5,829	7,574	7,135	8,165	10,514	11,582	10%
SWEDEN	2,513	2,748	3,506	3,384	2,780	3,675	4,394	4,645	4,729	4,597	-3%
UNITED KINGDOM	17,988	20,157	23,860	18,375	14,062	16,208	15,742	17,088	17,059	16,802	-2%

Source: International Transporters' Association (UND)

The Turkish Road Transport Sector's Main Issues

The longstanding issue of the Turkish road transport sector has been that EU Member States such as Hungary and Romania have been inadequate in the deliverance of the transit permits. Indeed, many cases have shown that the supply of such permits does not sufficiently match the ever growing demand of hauliers transiting through such countries. Furthermore, this leads to extra fees for the Turkish road transport sector. In contrast, one can add that some Member States do grant transit permits through an accorded fee once the free of charge transit permit stock has been exhausted.

Moreover, the fact that trade in services is still not integrated within the framework of the Customs Union agreement is one of the underlying reasons for the continuation of the quota problem. Another reason is also the fact that, as a result of the Cyprus issue, the chapter with respect to transportation within the EU *acquis* (that is, Chapter 14) is blocked unilaterally within the EU Council. Indeed, one of the overarching issues in that respect from the EU perspective is the fact there are no direct transportation links

between the Greek Cypriot Administration of Southern Cyprus and Turkey. In contrast, Turkish authorities defend the view that the current situation is actually in contradiction with the Fifth Article of the General Agreement on Trade and Tariffs (GATT, now known as the World Trade Organisation, WTO since 1995) which permits international transit rights for all Member States of the WTO. Moreover, according to Articles 5 and 6 of Decision 1/95 of the Turkey-EU Association Council, quantitative restrictions both on imports and exports are supposed to be prohibited between the parties[3].

Furthermore, in a report published by the World Bank in 2014 entitled "Evaluation of the EU-Turkey Customs Union", it is stipulated that the road quotas continue to create further obstacles to the free movement of goods and thus impede transit traffic. This results in a hindrance of the full operation of the Customs Union[4]. Currently, Turkey has road transport agreements with 58 countries across the world and it has achieved some degree of liberalisation with 25 of them (including some EU Member States such as Italy). Currently, the signature of bilateral road transport agreements remains the sovereign attribute of all EU Member States, thus leading EU institutions to call Turkish authorities to resolve pending issues with the Member State in question (i.e. Bulgaria or Romania). As a result of significant limitations on the number of Turkish-registered vehicles which are allowed to carry goods and transit through the territory of the Member States, these very Member States set limits on the amount and nature of goods which can be transported through their own territory. However, one should note here that this is not included for EU road transport operators which can freely transport goods from Turkey to the EU without being subjected to such restrictions[5]. At this point, it is useful also to remind that 50% of Turkey's exports by means of road to the EU are actually made by EU companies based in Turkey[6]. This thus leads to increasing costs for Turkish road transport operators, thus slowing down their operations, which leads to a significant loss in terms of competitiveness.

There are also other elements which continue to hamper international road transport such as the national licensing system along with continuing visa restrictions (for professional drivers) imposed by some of the Member States upon Turkish hauliers. Currently, Turkey is maintaining a total of 37 types of licences for access to its road haulage market, which is more detailed and comprehensive than in the EU. The World Bank argues that such administrative procedures act as a restriction for market access on Turkey's very own hauliers: indeed, a road transport operator which is willing to carry different goods is required to apply for each type of license separately, which one can expect is both costly both financially and time consuming. Furthermore, such a licensing system is also creating difficulties insofar as Turkish hauliers are thus unable to load other types of goods in their return routes respectively.

One of the issues which have systematically been raised by the main actors of the Turkish road transport sector is the issue of visa which Turkish professional drivers are being faced with during their voyages to the EU. Indeed, besides the important costs of

[3] European Commission, "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, 1995.
[4] Word Bank, Evaluation of the EU-Turkey Customs Union, Report No. 85830-TR, 28 March 2014.
[5] Ibid.
[6] Statistics shared by the courtesy of the International Transporters' Association (UND)

transit and other types of permits and licenses, the visa issue remains another costly problem for the Turkish road transport sector. At this point, it is important to note that Turkish companies do obtain Schengen visas for their drivers which are multiple entries, with a validity of about a year and with a total cost approximating 130 to 150 euros. Nonetheless, such a visa only gives an access of 90 days for the drivers within the territory of the Member States, thus being faced with prospects of renewing the visas. One should note, though, that this issue has been the object of discussions between the parties not only within the framework of the negotiations on the liberalisation of the visas for Turkish citizens launched in December 2013 but also with respect of the ongoing negotiations on the modernisation of the Turkey-EU Customs Union.

Despite the Quota Issue, Turkey-EU Trade Has Grown Rapidly

Turkey is considered as one of the most important trading partners of the EU. Thanks to growing EU investments in Turkey following the establishment of the Customs Union between the parties in 1995, one can say safely that both EU exports and imports with Turkey to and fro have increased rapidly. Whilst the trade volumes did experience a decrease as a result of the global financial crisis in 2007, the recovery came without delay, thus strengthening exports especially. In 2012, EU exports to Turkey amounted to a total of €78 billion whereas imports from Turkey were estimated at €66.6 billion. The main exporters to Turkey and which provide the largest EU markets for Turkish goods are respectively Germany, Italy, France, Spain and the UK.

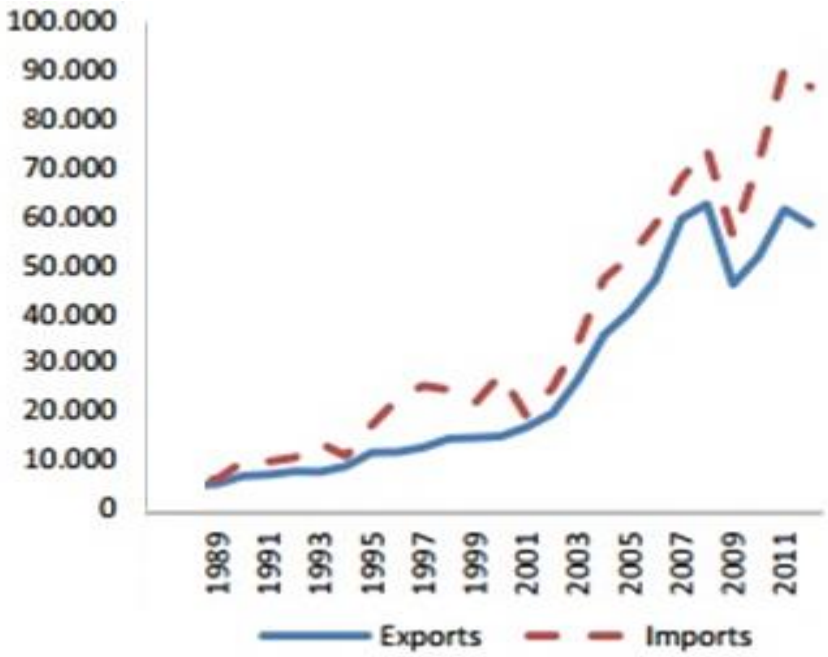
This issue is of critical importance for Turkey's economy and more specifically its exports to the EU (which represents its most important trading partner by far) as it can lead to difficulties and further delays as such export products have to wait considerable amounts of time in third country territories before reaching their final destination. Although such limitations continue to significantly affect the effectiveness of Turkey's exports towards the EU, it is safe to say that Turkey-EU trade has been consistently growing in the last ten years. Indeed, as it is known, the EU constitutes Turkey's number one import and export partner while Turkey is currently ranking as the EU's 7th top import and 5th in terms of export markets. These figures have significantly grown since the Customs Union was established between the parties in 1995.

Figure 1: Turkey's exports to the EU, 2007-2016 (in thousand dollars)

2007	60,754,022
2008	63,719,097
2009	47,228,119
2010	52,934,452
2011	62,589,257
2012	59,398,377
2013	63,039,810
2014	68,514,370
2015	63,998,494
2016	68,356,586

Source: TÜİK

Figure 2: Turkey's trade with the EU (Nominal trade with the EU, in million US dollars)



Source: TÜİK

Moreover, one should note that Turkey has experienced a significant growth rate in the last 5 years in comparison to some Member States. However, one should also note that with the enlargement of the EU to Central and Eastern European countries, companies from these countries have expanded their operations in Turkey with respect to road transport and they are currently holding a third of the Turkey-EU road transport market.

Undoubtedly, in light of these figures, the conclusion of the Customs Union between Turkey and the EU along with the opening of accession negotiations between the parties have provided positive impetus in increasing bilateral trade, also with further foreign direct investments pouring into the Turkish economy. Indeed, one should remind that the EU also constitutes the single largest source of foreign direct investments performed in Turkey. Consequently, it can be said that thanks to a positive economic environment open to competition and further trade, EU companies have tremendously increased their investments in Turkey in the last ten years.

Moreover, the launch of the Customs Union led to greater and deeper integration between the Turkish and European companies. This has notably been the case with such sectors as the automobile and clothing sectors. Thanks to the reduction of trade costs with the implementation of the Customs Union, including with the harmonisation of standards between the parties, trade in goods has notably increased.

Another positive development for the Turkish economy as a whole of the Customs Union along with greater trade between the parties has been the creation of new employment opportunities in Turkey, which also led to the increase in average wages and further

growth in the productivity of the economy. Indeed, thanks to increased productivity and further investments, there has been a positive development with increased number of employees in both Turkish and EU firms operating in Turkey. This has also further coincided with an enhanced degree of integration for Turkey in terms of EU supply and production networks.

Figure 3: FDI inflows to Turkey by source country (2007-2013)

US$ millions (% of total)	2007	2008	2009	2010	2011	2012	2013 Jan-May	Total 2007-May 2013
World	19,137 (100%)	14,747 (100%)	6,252 (100%)	6,238 (100%)	15,855 (100%)	10,136 (100%)	3,129 (100%)	75,494 (100%)
Europe	12,974 (68%)	11,367 (77%)	5,234 (84%)	4,920 (79%)	12,336 (78%)	7,795 (77%)	1,996 (64%)	56,622 (75%)
Netherlands	5,442 (28%)	1,343 (9%)	718 (11%)	486 (8%)	1,589 (10%)	1,182 (12%)	374 (12%)	11,134 (15%)
Austria	370 (2%)	586 (4%)	1,019 (16%)	1,584 (25%)	2,235 (14%)	1,491 (15%)	300 (10%)	7,585 (10%)
UK	703 (4%)	1,335 (9%)	350 (6%)	245 (4%)	917 (6%)	2,004 (20%)	56 (2%)	5,610 (7%)
Luxembourg	583 (3%)	3,140 (21%)	493 (8%)	292 (5%)	481 (3%)	1,261 (12%)	77 (2%)	6,327 (8%)
Germany	954 (5%)	1,237 (8%)	498 (8%)	597 (10%)	605 (4%)	551 (5%)	241 (8%)	4,683 (6%)
Spain	583 (3%)	838 (6%)	145 (2%)	205 (3%)	2,230 (14%)	170 (2%)	443 (14%)	4,614 (6%)
USA	4,212 (22%)	868 (6%)	260 (4%)	323 (5%)	1,402 (9%)	438 (4%)	158 (5%)	7,661 (10%)
Azerbaijan	10 (0%)	18 (0%)	69 (1%)	12 (0%)	1,265 (8%)	339 (3%)	39 (1%)	1,752 (2%)
Saudi Arabia	10 (0%)	1312 (9%)	34 (1%)	39 (1%)	25 (0%)	152 (1%)	16 (1%)	1,588 (2%)
Russia	108 (1%)	71 (0%)	12 (0%)	2 (0%)	762 (5%)	11 (0%)	147 (5%)	1,113 (1%)
Kuwait	77 (0%)	330 (2%)	73 (1%)	193 (3%)	38 (0%)	245 (2%)	177 (6%)	1,113 (2%)
Kazakhstan	613 (3%)	1 (0%)	20 (0%)	2 (0%)	1 (0%)	1 (0%)	1 (0%)	639 (1%)
Japan	2 (0%)	11 (0%)	3 (0%)	347 (6%)	227 (1%)	33 (0%)	304 (10%)	927 (1%)

Source: Central Bank of the Republic of Turkey

As one can see above, European countries represented more than three thirds of foreign direct investments realised in Turkey between 2007 and 2013. One can also add that thanks to the opening of accession negotiations between Turkey and the EU in 2005, this created impetus for further investments in Turkey as the Turkish economy further opened up and created new opportunities in that respect. As means of example, worldwide brands from the automobile sector such as Renault, Fiat and Volkswagen are well based in Turkey, providing employment for thousands of people.

Prospects of Liberalisation of Transport Quotas and Possible Effects Upon Turkey's Trade with the EU

With the beginning of the negotiations regarding the modernisation of the Customs Union, one can say that the possibility of solving the issue of transport quotas is quite real, as long as both parties are sincere and honest in the need to tackle this issue thoroughly and with the necessary political will in that respect. According to a report published in 2015 regarding that issue, there is a variety of different scenarios of liberalisation which could be realised. One can see below the liberalisation scenarios respectively:

Figure 4: Definition of the scenarios of liberalisation

Nr	Scenario Name	Bilateral permits	Transit permits	EU permits / licenses	EU agreements
1	**Business as usual**	no change to baseline	no change to baseline	none	none
2a	**Transit liberalisation**	Agreement adaptation	removal	none	Not required, but transit liberalisation needs a decision of individual Member States
2b	**Transit liberalisation + additional EU permits**	Agreement adaptation	removal	add according to real needs	yes
3	**EU management of quotas**	removal	removal	bilateral EU permits	yes
4	**Full liberalisation**	removal	removal	not necessary	not necessary

Source: ICF International, TRT and DIW Econ, Study on the economic impact of an agreement between the EU and the Republic of Turkey, 14 October 2014.

As one can see above, not all the scenarios would lead to the same results regarding bilateral permits, transit permits, EU permits and licences and EU agreements. Furthermore, one should add that that the role that the EU would have with respect to the possibility of the realisation of such scenarios is not as of yet determined, as indeed the Member States would have to further give a mandate to the EU to negotiate such scenarios. In order to better grasp what is really meant with the scenarios above, it is of utmost importance to understand them thoroughly.

- **Business as usual**

  This scenario actually assumes that the current quota system would be maintained as it is today within the reach and control of the Member States. They would thus evolve in relation to the needs of the respective markets along with the possibility of bilateral agreements. Nonetheless, one can say that it could also signify further alignment in terms of legislation in Turkey (i.e. transport legislation), thus leading to positive results also in terms of number of permits granted (both number and type) to Turkish hauliers.

- **Transit liberalisation**

  In this scenario, bilateral quotas would be maintained, thus restrictions in terms of access of Turkish hauliers to the EU market and vice versa would continue. This scenario would thus mean that the Turkish authorities are supposed to act with the respective counterpart in the EU, with the possibility nonetheless of positive developments in helping to tackle constraints on Turkey-EU trade. However, one should add that the possibility of practical problems does exist with such a scenario as it is within the bilateral agreements that would have to be discussed and solved issues such as the number of permits which can be granted to the hauliers.

- **Transit liberalisation plus additional EU permits**

  With the implementation of such a scenario, the overarching aim would be to remove all hurdles to bilateral trade imposed as a result of the limited number of permits which are granted at the current moment to the hauliers. However, one should add that certain parameters such as an estimate figure of the demand and how the offer could meet it would have to be determined by the parties. It is said that the overall result of such a scenario would be very close to that of the scenario of full liberalisation.

- **EU management of quotas**

  With this scenario, it is assumed that the EU would actually have legal ownership upon the negotiation process between the Member States and Turkey. Thus, the EU would act as the guarantor of the swift implementation and management of the quota system, negotiated at the EU level. One could assume that this scenario would give further leverage to Turkey as the Turkish authorities would have the possibility to directly refer to the EU when being faced by any kind of issue or problem with one of the Member States.

- **Full liberalisation**

  Undoubtedly, this would represent the most ambitious scenario for both the EU and Turkey as it would signify a full liberalisation of services between the parties. Indeed, it would effectively result in the lifting of all bilateral and transit permits and extra costs which result from the current situation. However, such a scenario would require important and swift measures in order to properly secure and enforce EU regulations both in the Member States and in Turkey. Indeed, this would be needed in order to monitor thoroughly how the system is being implemented and to make sure that no fee or other type of restrictions at introduced at the national level which could undermine in one way or another the full liberalisation scenario. Within the scope of this scenario, another important point which needs to be highlighted is the fact that the ECMT licenses system would also further affected by such a scenario as a remarkable reduction

in terms of overall ECMT licenses which are distributed to the hauliers would be realised.

Economic Impact of the Scenarios

The economic impact of such scenarios would be positive for both parties, and one can safely say that the more liberalisation would happen, the more positive would be the impact for both the Turkish and EU economies. Nonetheless, according to different figures released by both the World Bank and the European Commission, it is assumed that the macroeconomic effects would be greater for Turkey and for the EU. Indeed, some conservative estimates regarding the effects of full liberalisation on the Turkish economy note that it may lead to an increase of its GDP by 0.15%. Furthermore, it is also noted that EU consumers would also enjoy positive developments thanks to full liberalisation as it would result in lower prices of Turkish products entering the EU market. As for the employment opportunities, it is estimated that it may lead to the creation of an extra 25,000 new job opportunities within the Turkish economy and 14,000 additional new jobs in the EU which would be above the business as usual scenario.

Figure 5: Economic effects of the liberalisation of freight transport between the EU and Turkey

Liberalisation of freight transport between EU and Turkey	Transit liberalisa-tion	Additional quotas	EU manage-ment	Full liberalisa-tion
Effects on the EU, change with respect to BAU:				
EU road exports to Turkey, mln €	1466	1566	1566	1566
change in %	4.6%	4.6%	4.6%	4.9%
EU road imports from Turkey, mln €	1781	1841	1841	1894
change in %	7.4%	7.7%	7.7%	7.9%
Employment, thousand new jobs	13.2	14.1	14.1	14.1
Direct consumer cost savings, mln €	136	143	143	143
Selected effects in Turkey:				
Output expansion, mln €	2122	2193	2193	2257
change in %	0.20%	0.20%	0.20%	0.21%
Extra output of EU-majority owned firms, mln €	148	153	153	158
Employment effect, thousand new jobs	23.4	24.2	24.2	24.9
GDP effect, %	0.14%	0.15%	0.15%	0.15%
Additional GHG emissions, Gg CO_2 eq./yr	61	64	64	67

Source: ICF International, TRT and DIW Econ, Study on the economic impact of an agreement between the EU and the Republic of Turkey, 14 October 2014.

As it can be seen above, full liberalisation would render the best results for both parties in terms of exports, employment opportunities and direct consumer cost savings. Nonetheless, it is important to add that with respect to employment and direct

consumer cost savings, the additional quotas and EU management of quotas scenarios are identical with the full liberalisation scenario in the EU. As it can be seen above, the most significant benefits would be for the Turkish economy, leading the creation of 23,400 to 24,900 jobs and with a possible increase of the GDP by 0.15%. One negative effect of the full liberalisation, though, which it is worthwhile noting would be that it would lead to extra greenhouse gas emissions. Indeed, the transit liberalisation model would add an extra 61 Gg CO2 eq. per year whereas the full liberalisation would see the increase of such emissions by 67 Gg Co2 eq. per year.

İstanbul Lojistik's Case brought to the ECJ

As a result of a fee imposed upon a company entitled *Istanbul Lojistik* in Hungary, this issue was brought upon the jurisdiction of a Hungarian court. The Hungarian court ruled that the case is beyond its jurisdiction, and henceforth, the ball was directed to the European Court of Justice (ECJ) in Luxembourg. Thus, the case was officially discussed in a first hearing on 19 January 2017. Furthermore, the Legal Service of the European Commission was a party to the case and it is noteworthy that the views expressed by its representatives echoed those of the Turkish firm and its defendants.

European Court of Justice (ECJ), Luxembourg

At this juncture, it would be useful to give further insight on the main issues the Turkish road transport and logistics sector is being faced in some EU Member States. They are as follows:

- Some Member States on the eastern parts of the EU (i.e., Bulgaria, Romania, Hungary, etc.) do agree to grant free of charge transit permits to some Turkish hauliers within the framework of the quota system, However, these are generally at a limited amount, thus not being able to meet the ever growing demand from the hauliers;
- In case the road transport quotas have been surpassed, Turkish hauliers are granted other types of transit permits which are obviously not free of charge (such as the "dozvola" in Bulgaria);
- Certain routes utilised by Turkish hauliers are closed to traffic and as such, the goods are transferred into trains (this is notably the case between Slovenia and Austria with the "Ro-La" system);

- At some instances, the crossing points at Turkey's borders with the EU (such as the Kapıkule crossing point with Bulgaria) may be closed to traffic, thus leading to a significant delay in customs procedures;
- The visas imposed upon Turkish drivers also constitute another hurdle.

The future timetable of the case will continue according to the procedures of the ECJ and as such, the Advocate-General of the ECJ in charge of the case will declare his written opinion regarding the case on 6 April 2017. This will be decisive as regarding to the opinion expressed, the Court would in the majority of situations uphold the opinion of the Advocate-General. The Court will thus judge on the case before the end of the year at the latest.

Possible Effects of the Case upon the Modernisation Process of the Customs Union

As it is known, 2017 had been determined before as a crucial year with respect to the launch of the negotiations on the modernisation of the Customs Union between the EU and Turkey. These negotiations are of paramount importance for the Turkish road transport sector; as indeed, if concluded positively, they may thus integrate services within the framework of the legal architecture of the Customs Union which would effectively render many of the issues indicated above obsolete. Nonetheless, some distinguished and prominent actors of the sector – such as the International Transporters' Association (UND) – have indicated numerous times that the quota issue along with other pending issues could actually be solved through the conclusion of another agreement between the parties which would be independent from the abovementioned negotiations. Nonetheless, many impact analyses along with other reports have noted that the inclusion of trade in services would have positive effects upon the Turkish road transport sector, thus highlighting the importance of the negotiations on the modernisation of the Customs Union. Furthermore, one may add that the hypothetical positive outcome of the case at the ECJ may also contribute to the negotiations.

One can say that the acceleration of reforms which may be materialised in the sector would also lead to further trade, economic effectiveness and efficiency and provide new opportunities for all. Undoubtedly, the single most important effect would be the lift of the quota requirements which still continue to pose a significant hurdle regarding trade between the parties. As such, one can safely say that further liberalisation would provide benefits for both the EU and Turkey in terms of economic growth and new employment opportunities. In case the quota system would be completed or partially lifted, some analyses have shown that EU exports to Turkey would increase at a faster rate, which would, albeit marginally, contribute to the EU economy as a whole. In addition, other analyses have also revealed that Turkish exports to the EU would increase, and this, at hypothetically a higher rate than the opposite. Thanks to the reduction of the costs in the supply chain in Turkey. Turkish products would be shipped to EU consumers at a cheaper price, and as a result of production conveniences in Turkey. EU firms would also benefit as such with easier investment opportunities.

The parties would undeniably benefit from the lifting of the remaining obstacles with respect to the Customs Union between Turkey and the EU. Indeed, as one can see above,

the number of investments from European companies in Turkey and the fact that more than half of Turkey's exports are realised with EU countries shows it clearly. In order for this to become effective, political will seems of utmost importance.

Conclusion

In conclusion, it is safe to add that further alignment of Turkey's road transport legislation with the EU Acquis bears significant importance. Lately, some notable reforms have been done towards reaching that goal but it is needed to further accelerate them and keep the pace in that respect in order to continue to meet the goals in this sector. Furthermore, the fact that Ro-Ro routes are also used at a significant level in Turkey-EU transport of goods also shows the competitive advantage of other routes for the sector.

The quotas imposed upon Turkish hauliers are not only obstacles against the free passage of Turkish trucks but continue to constitute severe impediments on the free movement of Turkish products and thus of greater, fairer and stronger Turkey-EU trade relations. One of the overarching problems which directly stems from the quota issue is delays in delivery times as a result of such a system. Indeed, because of administrative, judicial and other hurdles, the hauliers are not able to bring on time many of their products, some which become thus unfit for consumption (i.e. finite agricultural goods). Some World Bank figures have indicated that a one-day delay in the delivery times causes a 1 percent decrease in the volume of overall trade. Furthermore, such road quotas also damage countries investing in Turkey (which is constituted by above 70% by EU countries) as they are also affected by this very same problem. Thus, one can see that the following problems persist as a result of the current system:

- Turkish exports remain below the level where they could be;
- Turkish products are less competitive because of the quota issue;
- Turkish employment levels cannot rise at a suitable rate.

In case full liberalisation is achieved, it is expected that trade between the EU and Turkey would increase by 3.5 billion euros. In other words, Turkey's exports to the EU would increase by 1.9 billion euros whilst those of the EU to Turkey would increase by an additional 1.6 billion euros. Such figures show that the positive conclusion of the negotiations on the modernisation of the Customs Union would represent an opportunity for both parties to further enhance their economic and trade relations, and also with further positive prospects for Turkey-EU relations as a whole.

This scenario is undoubtedly the most favourable for a further normalisation and new impetus given to Turkey-EU relations. Indeed, it may also lead to renewed interest for the Turkish economy, thus heralding a new period with more investments from EU companies. This could provide sound arguments to progress in Turkey-EU relations overall, especially the accession negotiations. Indeed, both parties, taking into consideration the positive approach in the case of the Customs Union, may thus favour the same perspective in other areas of mutual interest such as defence, foreign policy and beyond. The successful conclusion of the Turkey-EU Customs Union may also be an

example of cooperation for other countries which are not part of the EU but are in its neighbourhood. As such, one can say that not only Turkey and the EU would benefit from it, but also others which may want to emulate the same approach.