

The Customs Union between Turkey and the European Union and Turkey's future

Ayça AYANLAR

Turkey is a secular democracy which lies at the very edge of what many think to be the boundaries of Europe. It has various numbers of Muslim populations of over 70 million as well. Turkey began to establish good economic relations with Europe by the 1963 Ankara Agreement. Turkey gave up some of the obstacles in its trade through a custom union association with the European Union with the mid of 1995. Actually Turkey became economically more beneficial than many other candidate countries in spite of its unstable economic structures particularly in the field of inflation and social spending income as a result of custom union. If Turkey completes its ongoing economic reforms that would bring more balance and power to the Turkish economy, Turkey could have the chance to advantage more from the custom union. Moreover, the custom union decision has provided fundamental alterations in all aspects related to Turkey- EU relations. The decision of Association Council was the most crucial development influencing on Turkish economy as a whole since the liberalization measures in 1980. Turkey came into effect in the custom union on January 1st 1996 and its aim to create the closest economic and political relationship between the EU. Custom union was necessary for Turkey because Turkey closely aligned itself with the West since the establishment of Turkish Republic in 1923 and Turkey has become an establishing member of the United Nations, a member of NATO, the Council of Europe, OECD and an associate member of the Western European Union. The Commission believes that Turkey has a valid market economy however, there are many domestic reforms which must take place before the country can achieve membership that's why the achievement in the political cooperation was not provided in the economic relations. In this article, I have decided to write the custom union between Turkey and European Union because Turkey would like to have a voice in the economic relations with European countries. The Customs Union makes Turkey developed access to the some countries previously recognized as the Common Market. It preserves the free movement of industrial goods and agricultural products. Thanks to customs union, quantitative limitations such as quotas are abandoned. Moreover, the customs union includes conformity of Turkey's commercial policies and including intellectual property laws with those of the European Union and it spreads the EU's trade to the Turkish economy.

I have tried to answer what customs union does. I have identified what regional and economic effects of the customs union are, how Turkey implement to the Customs Union and whether becoming a member of the Customs Union for Turkey has both benefits and damages or not.

For answering what regional and economic impacts of the customs union, I was able to identify that competitive markets generally lead to a larger inequality. Therefore, government or some institutions have to decrease this inequality with circulation even though it causes a loss of efficiency.

First of all, I tried to examine what regional and economic effects of custom union are. Some scholars point out that the liberalization of movements may involve the tendency of productive elements from slow growth fields to fast growth fields that's why this may lead economic instabilities and inequality that would be intolerable to Member States. Thanks to the establishment of a customs union, it immensely influences on the capital markets in the countries connected. According to Tomkins& Tworney, the term "cumulative causation theories" supply a strong theoretical rationale for widening regional achievement. The fundamental of these theories continues in the recognition of the fact that due to the effect of various levels of productivity or the existence of internal and external economies, it also obvious that economic gains started to gather in certain regions of an economy and have self perpetuating. For some conditions, market powers may come to support this improvement. We can clearly say that the process of economic integration is in development, it is possible that existing problems of regional differences will increase.

Another crucial aspect to be taken into consideration is that economic integration may encourage the focusing on new industry a renewed instalment of existing industry in particular fields of the union that give prior infrastructure, lower transport costs and conformity skilled labour. Therefore, the most efficient companies will increase by the integration process, while the less efficient will be excluded to the market within the enlargement of the market and developed competition. As a result of the economic activity at the periphery of the economic union, this will be influenced on negatively and from the impacts of integration as the corporations at the periphery are on the whole less efficient, with lower productivity than those at the enhanced centre. Actually, the economic theories generally pointed out the benefits of first forms of integration which is the good markets and production markets however, all markets may profit from the establishment of a customs union. The European Community was founded as a common market because firstly, it was

established for economic purposes. The purpose was to have efficiency and trigger economic welfare by integrating the markets of goods and economic factors. Economic factors are divided that Turkey and EC Association Agreement also provided the integration of the markets of goods and productive factors. The most sensible groups were focused on in particular regions of the customs union.

Shortly, regional problems are the differences in the levels of income in rates of economic improvement of output and employment and the levels of economic imbalances between the regions. Free competition does not include balancing factor across regions and hence regional disparities in economic progress become a considerable problem. Therefore, market forces can not be relied upon to produce the important degrees of inner regional balance in economic growth. The costs and gains of integration must be regularly shared between the member countries and the regions of the economic union as completely.

The transition established between the internal market and acquiring more resources through Structural funds also meant an accurate recognition of the danger that the weaker regions of the Community could conclude like net losers from following market integration. It may be of interest to many students of Turkey and EC relations that by 1992, annual transfers through Structural Funds symbolized 3.5 and 2.9 of GDP for Portugal, Greece and Ireland. Final aim is that Turkey fully opened its markets to a much larger group of countries than the small EFTA states thanks to customs union. The EU creates an economic power at least twenty times larger than the appropriate EFTA countries at that time.

Secondly, I would like to indicate how Turkey implements to the customs union. Both Turkey and the EC had to abolish tariffs and restrictions on their trade with one another and accept a common tariff on imports from third countries. According to Additional Protocol, both Turkey and the EC should avoid to introducing new import charges on their trade with each other. The Additional Protocol gained duration for Turkey to eliminate the available Turkish tariffs on industrial imports from the EC.

There are two articles that established two different lists of goods. For industrial areas in which Turkey was more competitive, tariffs were to be abolished over a period of time. Furthermore, Charges having equal impact of custom duties were also to be lessened. Turkey must eliminate all restrictions and measures within twenty two years according to Article 25.

In addition to this, the aim of the Association Agreement is a customs union and it involves both industrial and agricultural trade. Article 11 indicates us that “The Association shall extend to agriculture and trade in agricultural goods” taking into account the Common Agricultural Policy of the community. It was assumed that to implement a customs union for agricultural goods without first aligning the pricing policies of the EC would lead breakdown in agricultural trade. For this reason, Turkey dedicated itself to customize its agricultural policy to the CAP during the transitional period to prepare the way for the free movement of agricultural goods according to Article 34.

Thirdly, there have been many debates regarding both benefits and damages of becoming a member of the customs union for Turkey. As these debates largely focus on the alterations in the amount of trade research theoretical of the issue has been incapable. Customs Union was a fundamental aspect of the Association since it provides both the free movement of goods between Turkey and the EC and the adoption of the common customs tariff and common commercial policy of the community by Turkey. In fact, there are some factors such as increasing its competition power and Turkey’s being opened to outside to community for Turkey’s application process (KARLUK 1996, p.446). There are many empirical studies that Turkey’s international trade before and after the Customs Union Agreement are different. Moreover, Turkey began to complete trade liberalization policies in the beginning 20th century. As many candidate countries, Turkish economy experienced lists of trade reforms and eliminated the fixed exchange rate regime during the 1980s. Turkey’s tariffs on imports of manufactured goods from the EU were abandoned with the Customs Union agreement. This agreement pointed out that Turkey would apply EU’s common external tariff on imports from the third countries. It had important effect of the Turkish exports and import merits. Some evaluation indicates us that both exports and imports from the EU countries increased following the agreement. These consequences show that custom union agreement and the resulting alteration in the tariff configuration led to an important change in the direction of trade towards EU and far from the non-EU countries. When we examine Turkey’s trade with the EU countries and the Customs Union phases in the general context of Turkey’s trade with all the countries, we avoid from prejudices that could possibly increase because of the global trends with considerations to increasing trade amounts that may result from incomes or declining exchange wrongly alignments.

To sum up all these points, firstly, I would like to mention about the establishment of a

customs union between Turkey and European Community was not in itself the last target of the Association Agreement. All of the four basic freedoms of movement of the Treaty of Rome were involved in the Ankara Agreement. Actually, it was not only the establishment of a customs union but the completion of a real common market in case of ending all barriers to factor movements between Turkey and the EC, which was provided. The Association Council must take relevant measures to ensure the proper functioning of the Association and the development of the joint measures that this requires on the basis of mutual and stable obligations.

Evaluation:

According to my perspective, Turkey will not be ready before another 10 years of broad preparation. It will need above all a rationalist revolution to become a much more European-like society. These alterations need new descendents politicians which are dedicated to the public good. Turkey must complete many internal reforms that take place before the country can acquire membership. However, it cannot take place before 2014. This time is not related with Turkey because European Union could not be ready to give Turkey to budget until 2014. Therefore, Turkey should keep good relations with EU until that time and Turkey should complete its internal reforms. Most considerable within the necessary reforms is the issue of respect for human rights and the abolishment of police torture. Moreover, respect for the Kurds and other ethnic minorities are a related issue and as is the occupation of the Northern Cyprus. EU would accept Turkey's membership at that time because Turkey has now candidate status.

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