

**ASSOCIATION  
BETWEEN  
THE EUROPEAN UNION  
AND TURKEY**

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**The Association Council**

**Brussels, 27 May 2013**

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**COVER NOTE**

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Subject:        51st meeting of the EU-Turkey Association Council  
                  (Brussels, 27 May 2013)

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Delegations will find attached the position paper of the European Union tabled on the occasion of the 51st meeting of the EU-Turkey Association Council.

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**51st MEETING OF THE**  
**EU-TURKEY ASSOCIATION COUNCIL**  
**(Brussels – 27 May 2013)**

**POSITION OF THE EUROPEAN UNION**

The European Union welcomes the holding of the 51st meeting of the EU-Turkey Association Council. The EU considers that this meeting provides a timely opportunity to review progress in EU-Turkey relations, following the publication of the Commission's Progress Report in October 2012.

**Item 3 Accession Strategy, in particular in the light of the Accession Partnership and of the Commission's 2012 Progress Report**

In line with the Council conclusions of 11 December 2012, the EU reaffirms the importance it attaches to EU relations with Turkey. Turkey is a candidate country and a key partner for the European Union considering its dynamic economy and strategic location. Active and credible accession negotiations which respect the EU's commitments and established conditionality, along with all the other dimensions of the EU-Turkey relationship addressed below, will enable the EU-Turkey relationship to achieve its full potential. Coherent implementation of the renewed consensus on enlargement, approved by the European Council of December 2006, remains the basis for EU action at all stages of the negotiation process. In this respect, the EU recalls that the results of the political and economic dialogues will be fed into the accession negotiations.

Building on recent steps taken, it is in the interest of both parties that accession negotiations gain further momentum, ensuring that the EU remains the benchmark for reforms in Turkey. Turkey will be able to accelerate the pace of negotiations by advancing in the fulfilment of benchmarks, meeting the requirements of the Negotiating Framework and by respecting its contractual obligations towards the EU, including the full and non-discriminatory implementation of the Additional Protocol to the Association Agreement towards all Member States.

The EU notes with satisfaction the steps taken by the Commission and Turkey to implement the positive agenda in line with the Negotiating Framework and the relevant European Council and Council Conclusions. It welcomes the successful work on the implementation of the positive agenda, including the launch of technical working groups to promote, *inter alia*, alignment with the EU *acquis*, and recalls that this initiative, which covers a broad range of areas of common interest, should support the negotiation process.

The EU welcomes the progress towards opening of Chapter 22 – regional policy and coordination of structural instruments. It also invites Turkey to take steps towards meeting the opening benchmarks on chapters 5 – public procurement, 8 – competition and 19 – social policy and employment. The EU looks forward to progress on other negotiating chapters.

In this context, recalling its conclusions of 11 December 2012, the EU notes with deep regret that Turkey, despite repeated calls, continues refusing to fulfil its obligation of full, non-discriminatory implementation of the Additional Protocol to the Association Agreement towards all Member States. The EU underlines that this could provide a significant boost to the negotiation process. In the absence of progress on this issue, the Council will maintain its measures from 2006, which will have a continuous effect on the overall progress of the negotiations. Furthermore, Turkey has regrettably still not made progress towards the necessary normalisation of its relations with the Republic of Cyprus. The EU will continue to closely follow and review progress made on all issues covered by the declaration of the European Community and its Member States of 21 September 2005. Progress is now expected without any further delay.

**- Political criteria, other requirements of the Negotiating Framework and enhanced political dialogue**

The EU acknowledges the important regional role of Turkey and its active involvement in its wider neighbourhood and welcomes the intensification of the regular political dialogue between the EU and Turkey. In this regard, the EU remains committed to the further enhancement of the existing political dialogue between the EU and Turkey on foreign policy issues of common interest, such as the developments in North Africa, the Syrian crisis and the Middle East, the Gulf, the Western Balkans, Afghanistan/Pakistan, the Southern Caucasus and the Horn of Africa.

The EU recognises Turkey's role on Syria, in particular with regard to support provided to Syrians fleeing violence across the border. In line with the principles set out in the Negotiating Framework the EU continues to encourage Turkey to develop its foreign policy as a complement to and in coordination with the EU, and to progressively align with EU policies and positions.

The EU takes good note of Turkey's commitment to the political reform agenda. It strongly encourages Turkey's work on a new constitution, and the broad, democratic and participatory process put in place for this purpose, which will remain essential for a positive outcome. The constitutional reform should provide a useful framework for several important reform efforts, notably with regard to the Kurdish issue. The EU also reiterates that, while constitutional reforms are important steps in the right direction, implementation in line with European standards remains key.

The EU fully supports the on-going talks aimed at ending the terrorism and violence in South-East Turkey which has claimed far too many victims in the past three decades. The EU welcomes important recent developments in this regard, as well as the broad public support in Turkey for this initiative. The EU Delegation encourages all parties and civil society to work unremittingly to bring peace and prosperity for all citizens of Turkey. The EU stands ready to help, including through the Instrument for Pre-Accession Assistance (IPA).

The EU condemns in the strongest terms all acts of terrorism perpetrated on Turkish territory.

The EU welcomes a number of positive developments in the area of democracy and the rule of law such as the establishment of an Ombudsman and a National Human Rights Institution, measures taken in the field of women's rights and gender equality, the adoption of the third and fourth judicial reform packages and civilian oversight of the security forces.

The EU calls on Turkey to build on the 3<sup>rd</sup> and 4<sup>th</sup> judicial reform packages to further improve the observance of fundamental rights and freedoms in law and in practice, in particular in the area of freedom of expression, and to enhance its efforts to implement all the judgments of the European Court of Human Rights.

Further and sustained efforts towards fully meeting the Copenhagen criteria are required, *inter alia*, as regards freedom of expression, freedom of religion, property rights, trade union rights, rights of persons belonging to minorities, women's and children's rights, anti-discrimination and gender equality, and the fight against torture and ill-treatment.

As regards judicial reform, the EU welcomes the adoption of the 4th judicial reform package. This is an important development towards full respect for fundamental rights in Turkey in line with the European Convention on Human Rights and the judgements of the European Court of Human Rights. The EU is looking forward to the swift implementation of the package in order to properly address issues restricting fundamental rights in practice, including media freedom, the right to a fair trial and the right of assembly, as well as to the adoption and implementation of further judicial reforms, and stands ready to enhance dialogue and cooperation in all these areas. In this context the EU recalls the importance of the constitutional reform process as an opportunity to consolidate judicial reform and reinforce the independence and impartiality of the judiciary.

As regards civil-military relations, the EU welcomes the further consolidation of civilian oversight of the security forces. The introduction of parliamentary oversight of the defence budget, although limited in practice, is a positive development. Further reforms, particularly of the military justice system and civilian oversight of the Gendarmerie, are needed.

Corruption remains widespread and effective implementation of the National Anti-Corruption Strategy requires greater political engagement and broader civil society participation. Turkey needs to develop a track record of investigations, indictments, and convictions.

The EU welcomes some progress made on the observance of international human rights law, notably through the efforts of the Ministry of Justice and the parliamentary Human Rights Inquiry Committee. However, the number of criminal proceedings brought against human rights defenders is a matter of concern. The EU expects the newly established Ombudsman and National Human Rights Institutions to be able to function in full independence and with sufficient resources. The EU welcomes the continuation of the downward trend in torture and ill-treatment in places of detention; however, allegations of excessive use of force continue to be a matter of concern and need to be addressed, and progress needs to be made on tackling impunity.

As concerns freedom of expression, the EU stresses that freedom of the press is a fundamental value and that the EU expects the 4<sup>th</sup> judicial reform package to be implemented by the courts in such a way as to ensure full respect of freedom of expression in line with the European Convention of Human Rights and the case law of the European Court of Human Rights. Restrictions in practice on the freedom of the media, including the large number of legal cases launched against writers, journalists, academics and human rights defenders, frequent website bans, as well as the chilling effect of pressure on the press by state officials and the firing of critical journalists remain a source of concern and need to be addressed effectively.

As regards freedom of religion, the EU invites Turkey to take steps in line with the European Convention on Human Rights and the case law of the European Court of Human Rights, including establishing a legal framework, so that all non-Muslim religious communities and the Alevi community can function without undue constraints. The EU calls on Turkey to guarantee their rights to legal personality, to the election of their religious leaders and to the training of their clergy, including the reopening of the Halki Seminary. The EU underlines that the Ecumenical Patriarchate should be free to use the ecclesiastical title "Ecumenical". The EU underlines the need for continued efforts to ensure the full and effective implementation of the Law on Foundations. Finally, the EU expresses once again its concern over the continued court cases regarding land ownership against the Syriac Orthodox Mor Gabriel monastery.

As regards persons belonging to minorities, the EU welcomes that for the first time representatives of minority groups, not limited to those officially recognised by Turkey, have been invited to the parliament to express their views on a new constitution. The EU recalls that the full respect for and protection of language, culture and fundamental rights, in accordance with European standards, has yet to be fully achieved and that Turkey needs to make further efforts to enhance tolerance, security or promote inclusiveness.

The EU notes that problems continue to be reported encountered by Greek nationals in inheriting and registering property, in particular as regards, inter alia, the application by the Turkish authorities of the amended Land Registry Law together with the implementation of relevant ECtHR judgements.

As regards women's rights the EU welcomes the establishment of an action plan to address issues raised in the European Parliament report "A 2020 perspective for women in Turkey". The EU encourages Turkey to fully implement the new law on the protection of women and family members from violence, thus ensuring that proper attention is paid to preventing violence against women. Legislation needs to be implemented consistently across the country.

As regards trade union rights, the EU acknowledges progress made through the adoption of the law on trade unions. However, further progress is needed in order to make Turkey's legal framework fully compliant with EU and International Labour Organisation standards. Progress on this issue remains essential for the opening of the negotiating chapter on social policy and employment.

The EU calls on Turkey to further address the situation of the Roma, notably by initiating a comprehensive inclusion strategy, as Roma still frequently face problems of access to services, health, education and employment, as well as discriminatory treatment.

In line with the Negotiating Framework and previous European Council and Council conclusions, the EU underlines that Turkey needs to commit itself unequivocally to good neighbourly relations and to the peaceful settlement of disputes in accordance with the United Nations Charter, having recourse, if necessary, to the International Court of Justice. In this context, the Union expresses serious concern and urges Turkey to avoid of any kind of threat or action directed against a Member State, or source of friction or actions, which could damage good neighbourly relations and the peaceful settlement of disputes.

The EU welcomes that the co-operation initiatives between Greece and Turkey to improve bilateral relations are continuing.

The EU notes that Turkey remains actively engaged in regional initiatives including the South-East European Cooperation Process and the Regional Cooperation Council.

As emphasised by the Negotiating Framework, the Council also expects Turkey to actively support the process aimed at a fair, comprehensive and viable settlement of the Cyprus problem within the UN framework, in accordance with the relevant UN Security Council resolutions and in line with the principles on which the Union is founded. Turkey's commitment and contribution in concrete terms to such a comprehensive settlement is crucial.

The EU underlines the importance of progress in the normalisation of relations between Turkey and all EU Member States, including the Republic of Cyprus. In this regard, the EU calls on Turkey to stop blocking the accession of Member States to international organisations and mechanisms. Furthermore, the EU stresses again all the sovereign rights of EU Member States, which include, *inter alia*, entering into bilateral agreements, and to explore and exploit their natural resources, in accordance with the EU *acquis* and international law, including the UN Convention on the Law of the Sea.

- **Economic criteria**

Turkish economy quickly recovered from the severe recession in 2009 and recorded high real GDP growth rates in 2010 and 2011 (9.2% and 8.8%), thanks to strong capital inflows, rapid credit expansion and strong domestic demand. Authorities initially aimed at a soft landing in economic activity in order to balance external and domestic demand.

However, pro-cyclical monetary and fiscal policies exacerbated the decline in economic activity, as domestic demand – particularly private investments – collapsed. Annual GDP growth fell to 2.2% in 2012, well below the government's initial target of 4%. Unemployment rate started to increase again in 2012, while inflation remained close to but above the official target. Budget deficit slightly increased, while public debt burden declined – both remaining well within the related Maastricht criteria. Albeit narrowing from 9.7% of GDP in 2011 to 5.7% of GDP in 2012, the current account deficit is still sizeable. Foreign direct investments considerably slowed down, while more volatile portfolio inflows and short-term borrowing accelerated – all leading to deterioration in the quality of financing. Private sector external debt reached record high level, with a sizeable increase in short-term private external debt (\$ 97 billion in February 2013). Short net international investment position exceeded \$ 426 billion in February 2013.

Turkey needs to develop a new growth model that would bring sustainable and environmentally-friendly growth in the medium term. In order to reduce heavy reliance on short-term capital inflows and associated vulnerability to external shocks, domestic savings should be substantially increased, which are not only low but also have a declining trend. Developing human capital through quality education and ensuring the full participation of women in the work life are main challenges are main challenges to enable Turkey to further enhance its competitiveness.

- *Acquis*

Turkey continued improving its ability to take on the obligations of membership. The EU warmly welcomes that progress was made in a number of areas. As regards the overall level of alignment and administrative capacity, much remains to be done. A number of obligations by Turkey under its Customs Union with the EU remain unfulfilled including the removal of all restrictions to trade also with the Republic of Cyprus in accordance with the Council Conclusions of 11 December 2006.

Taking into account, in particular, the meetings of the Customs Union Joint Committee of June and November 2012 and of April as well as the 121<sup>st</sup> EU-Turkey Association Committee of April 2013, the EU has observations and comments on the following chapters.

In the field of free movement of goods, alignment is generally quite advanced. The EU welcomes the recent good progress made in the alignment of general principles applicable to free movement of goods. The EU welcomes the accession of Turkey in December 2012 to the Common Transit Convention and the Convention on the simplification of formalities in trade of goods. The EU welcomes the introduction of the mutual recognition principle into Turkish legislation and the use of this principle in the import control of products in the non-harmonised area. The EU looks forward to the mutual recognition in the non-harmonised area taking effect as of 1 July 2013. There are some remaining technical barriers to trade preventing free circulation of goods such as in the area of pharmaceuticals, textiles, second-hand goods, aluminium, paper and copper scrap and alcoholic beverages.

As regards free movement of capital, Turkey has made some progress. The EU welcomes the adoption in February 2013 of the law on the prevention of the financing of terrorism, which addresses several of the shortcomings identified by the Financial Action Task Force (FATF). The EU encourages Turkey to address the remaining shortcomings and notes that Turkey has made limited progress to align with the EU and revised FATF standards in the fight against money laundering. Turkey abolished the reciprocity principle for the acquisition of real estate by foreigners drawing up a list of eligible countries which is not made public. The new scheme lacks transparency and includes restrictions against Greek and Bulgarian citizens, for which the rationale is not clear. There are still obstacles to acquisition of real estate by foreign natural and legal persons. Restrictions on foreign ownership remain in several areas. The EU invites Turkey to liberalise gradually the acquisition of real estate by foreigners in line with the *acquis*, to take all necessary measures in order to address efficiently disputes over property purchase and to continue to make progress on further enforcement of its anti-money laundering and terrorist financing framework, in particular by strengthening its administrative capacity in order to assure the effective implementation of all preventive measures.

With regard to intellectual property law, alignment is well advanced. Implementation and enforcement of the *acquis* in this chapter need substantial strengthening. Turkey remains one of the countries where, despite advanced legislative alignment, intellectual property rights protection and enforcement are most problematic. Further work remains to be done on deterrents to IPR infringement. In 2011 the EU and Turkey established an IPR working group. The working group met three times and discussed specific issues in an effort to strengthen the protection and enforcement of intellectual property rights in Turkey. Turkey disagreed that this working group also addresses protection of products with geographical indications. Further to Turkey's proposal, the two Parties agreed that issues regarding geographical indications are dealt with in the Customs Union Joint Committee.

The EU welcomes the advanced alignment in the field of competition as regards anti-trust. As regards state aid, the EU regrets that Turkey has interrupted until 30 June 2013 its alignment with commitments under the Customs Union. In this context, the EU requests from Turkey further information regarding the progress in the alignment of implementing legislation under the state aid law.

In the fields of agriculture and rural development, veterinary and phytosanitary issues, and fisheries, the EU welcomes steps to develop administrative capacity necessary to implement these policy areas. The EU also welcomes progress made as regards the IPARD programme as well as progress on legislative alignment in food safety, veterinary and phytosanitary policy. However, alignment remains uneven, and further efforts are needed, *inter alia* in progressive alignment with the Common Agricultural Policy, upgrading agri-food establishments and in control of animal diseases. Turkey is strongly urged to remove remaining unjustified technical barriers to trade in beef meat, live bovine animals, and derivate products in line with its obligations under the bilateral agreement for agricultural products. Furthermore, Turkey is invited to pursue its efforts to align with the *acquis* in the field of fisheries with a particular emphasis on legislative alignment, market policy, structural action and state aid.

In transport policy, the EU welcomes the enhanced contacts in the field of transport with Turkey, in particular in aviation, and reiterates the Commission's proposal to establish a regular high-level transport dialogue covering all transport modes. The EU calls for the signature of the 'horizontal aviation agreement' initialled in 2010 without delay as it will restore legal certainty for carriers on both sides by bringing air service agreements into line with the *acquis*. The EU welcomes the dialogue with Turkey in order to create a roadmap to enhance the aviation relations between both parties, integrate Turkey into the Single European Sky and solve all pending issues in this area, including aspects related to civil-military coordination.

The EU reiterates the urgent need to address the serious safety risk in the South-East Mediterranean region. The negotiation of an aviation safety agreement with Turkey should provide a strong impetus for efforts aimed at developing an operational solution to address the absence of communication between air control centres in Turkey and the Republic of Cyprus. Such an operational solution in line with applicable international law, including the Chicago Convention, should be found urgently. An Aviation Safety Agreement with Turkey will only fully achieve its purpose with an operational solution to this serious safety problem. Efforts in support of that objective should therefore be redoubled. The EU invites Turkey to support the process of addressing the safety risk in the South-East Mediterranean region with a view of achieving an urgent solution.

With regard to energy, the EU welcomes the first meetings which have taken place in the framework of the enhanced EU-Turkey energy cooperation. The meetings on electricity (Ankara, 14 February 2012) and gas (Brussels) evidenced a significant potential for concrete activities. While recalling the Council Conclusions of 11 December 2012 regarding all sovereign rights of EU Member States, which include, *inter alia*, entering into bilateral agreements, and to explore and exploit their natural resources in accordance with the EU *acquis* and international law, including the UN Convention on the Law of the Sea, the EU stresses the constructive role Turkey can play in contributing to Europe's energy security (including its own) and calls on Turkey to fully support the projects on the Southern gas corridor.

The EU welcomes the ratification by Turkey and Azerbaijan of the intergovernmental agreement on the TANAP pipeline. The pipeline system built to transport gas across Turkey needs to be governed by a legal and regulatory regime under international law. It should also be scalable. Swift progress on the implementation of the project will be needed, in order to be fully prepared for the start of delivery of Shah Deniz 2 gas.

The EU underlines the key importance of nuclear safety, and invites Turkey to prioritise the development of an adequate framework for nuclear safety (legislation and administrative capacity) *inter alia* by acceding to the Joint Convention on the Safety of spent fuel management and radioactive waste management as soon as possible, with a view to ensure the implementation of the highest standards for nuclear safety, in accordance with the European Council Conclusions of 25 March 2011.

The EU welcomes progress in the area of electricity. The recently adopted Electricity Market Law will allow further progress towards alignment to the EU internal market legislation, and favour integration with the EU electricity market.

The EU and Turkey also have a common interest in a closer integration of their gas markets. Infrastructure development is a key element to this, with the Southern Gas Corridor steadily progressing towards actual implementation. Approximation of our legal frameworks will be necessary to achieve integration of gas markets and the EU encourages Turkey to make progress on the reform of its gas market.

The EU welcomes the prioritisation of renewable energy and energy efficiency and encourages Turkey to focus on the implementation of its objectives, in order to increase its own security of supply and to achieve the shared goal of the EU and Turkey to mitigate greenhouse gas emissions and address climate change.

On taxation, Turkey is encouraged to step up its efforts to address the scope and rates of VAT, and the structure and rates of excise duties. The EU also urges Turkey to align without delay its excise tax rates in accordance with its commitments undertaken in the action plan presented for the opening of the Taxation chapter. Abolition of discriminatory practices in taxation is a key element for making further progress on this chapter.

Concerning social policy and employment, while acknowledging recent progress, including the adoption of new legislation on trade unions and collective agreements, the EU encourages Turkey to sustain its efforts to ensure full trade union rights for both the public and private sector in line with EU standards and the relevant ILO Conventions. The EU welcomes the substantial increase of active labour market policy. It encourages Turkey to promote social dialogue and labour market reforms, notably to address the high prevalence of undeclared work and the low female labour force participation. The EU encourages Turkey to take further steps to combat child labour and welcomes Turkey's commitment to put an end to the worst forms of child labour by the end of 2015. The EU welcomes the adoption of new legislation on health and safety at work and calls on Turkey to adopt legislation protecting socially vulnerable people including women, children, elderly and disabled people and to prevent discrimination, including on the basis of sexual orientation.

Concerning justice, freedom and security, the EU welcomes the adoption of the law on foreigners and international protection. This law is a clear sign of Turkey's efforts to establish a sound legal and institutional framework for migration and asylum in line with EU and international standards. In this context, the EU also welcomes the recent steps taken by Turkey in the field of respect of human rights. The EU notes that these reforms take place amid substantial efforts deployed by Turkey to provide assistance and protection to a very high number of people fleeing the conflict in Syria. The EU is confident that, once properly implemented, this law will address several issues identified in the Commission Roadmap for visa liberalisation which will constitute the basis for the visa liberalisation dialogue once this will start. The EU is ready to provide support to Turkey to reshape its migration and asylum management.

The EU attaches great importance to the EU-Turkey readmission agreement as well as its full and effective implementation vis-à-vis all Member States, and looks forward to its signature as soon as possible, in parallel with the initiation of the dialogue on visa liberalisation and the broader dialogue and cooperation framework on JHA. The EU has prepared the broader dialogue and a roadmap, and progress will be founded on a performance-based approach and conditioned on an effective and consistent implementation by Turkey of those requirements vis-à-vis the EU and all its Member States. The effective and swift implementation of already existing bilateral readmission agreements remains a priority. The EU reminds Turkey that a solid and comprehensive personal data protection system, in terms of legislation and administrative capacity as well as effective application is of key importance.

The EU emphasises the importance of the effective implementation of the strategy against organised crime, and measures to tackle money laundering.

In the field of environment, the EU welcomes progress in a number of areas, including water quality. The EU encourages Turkey to continue to align with the *acquis* in all sectors of the Environment chapter. The EU encourages Turkey to pay due attention to implementation of the Directives on Environmental Impact Assessment, Strategic Environmental Assessment and on public access to environmental information; steps need to be undertaken for the transposition of provisions concerning trans-boundary aspects. The EU invites Turkey to consult neighbouring Member States in the course of big infrastructure projects with potential cross-border environmental impact. The EU expresses its concern with regard to the law on Nature and Biodiversity Conservation to be adopted by Turkey which in many respects falls short of the requirements of EU nature legislation. The EU encourages Turkey to continue efforts in the field of air quality, waste management, industrial pollution control and nature protection. Finally, the EU asks Turkey to extend its active support to EU accession to the Bucharest Convention.

In so far as climate change is concerned the EU invites Turkey to take on a more ambitious and coordinated climate policy, both domestically and internationally, in particular as a critical mass of countries are putting forward commitments internationally and taking actions domestically. The EU welcomes the adoption of a national climate change action plan, even if no overall domestic greenhouse gas reduction target has yet been adopted despite the many positive developments and great potential in Turkey. The EU iterates that through the adoption of a national greenhouse gas target and putting it forward internationally, Turkey will articulate a long-term vision and certainty to its investors for carrying out long-term investments in infrastructure, make significant savings in the energy field, build a competitive low-carbon economy and reduce regulatory risks for the industries. The EU would welcome Turkey's pledge in time for the UN SG Ban Ki-Moon high level event in 2014. The EU continues to support and cooperate actively on Turkey's ambition to develop her carbon market, along the lines of the EU Emission Trading System.

As regards the chapter Customs Union, Turkey has reached a high level of alignment thanks to the existence of the EU-Turkey Customs Union. However, alignment is not complete with regard to free trade zones, intellectual property rights and customs duty relief. Counterfeit goods remain a cause of concern. Turkey's duty free shops at arrival points are not in line with the *acquis*. The EU remains committed to engaging constructively with Turkey to maximise the potential of the Customs Union and to resolve outstanding disputes. The EU also notes Turkey's interest in closer consultation on negotiations for Free Trade Agreements with third countries, including the EU/US Transatlantic Trade and Investment Partnership, and remains ready to explore appropriate solutions.

#### **Item 4 State of relations under the Association Agreement and the Customs Union**

With regard to the Customs Union there remain a number of unfulfilled commitments by Turkey. Turkey needs to fully implement Decision 1/95. The non-automatic license regime for old, second-hand and renovated goods as well as actions undertaken by Turkey in the area of pharmaceuticals do not comply with the Customs Union. Furthermore, Turkey is invited to withdraw the burdensome import procedures and to align its duty-free quota system for processed agricultural products which do not comply with the Customs Union. This is particularly serious considering that most of these commitments are long overdue. Regarding the impact on Turkey of EU Free Trade Agreements (FTAs), the EU recognises the importance of this issue, has taken steps to encourage the EU's FTA partners to conclude FTAs with Turkey, and will continue supporting Turkey in this matter.

As regards state aid, the EU welcomes that Turkey has taken first steps to meet its commitments under the Customs Union and the Free Trade Agreement on ECSC products. These commitments include the obligation of Turkey to align its legislation in the area of state aid rules, such as adapting all existing aid schemes to the rules following from the Customs Union, informing the EU of all existing and planned state aid schemes with relevance under the Customs Union and adopting secondary legislation under the 2010 state aid law. Turkey postponed the entry into force of the state aid law to 30 June 2013.

With regard to free movement of goods, there are a number of outstanding commitments under the Customs Union. This relates in particular to the Turkish import regime which requires import permits for old, second-hand and renovated goods. The requirement of control certificates for alcoholic beverages was abolished and since January 2012 a prior notification system has been in place instead. Market access for EU products in certain sectors, including alcoholic beverages and textiles, is made difficult through non-tariff barriers and needs to be addressed. Turkey introduced and maintains a restrictive, non-automatic export-licensing regime for copper scrap, aluminium and paper. The Union urges Turkey to remove remaining import and export licences requirements for goods which are in breach of Turkey's commitments under the Customs Union.

As regards pharmaceuticals, the EU urges Turkey to suspend the Turkish requirements on Good Manufacturing Practices which restrict significantly imports of new pharmaceutical products and may also negatively affect other regulatory aspects linked to the marketing of pharmaceutical products. Finally, the Union invites Turkey to notify in advance any relevant amendment in its legislation, in accordance with its obligations under the Customs Union.

Concerning taxation, Turkey should ensure that its taxation system does not put imported products at a disadvantage compared to domestic products. In this respect, the non-compliance of Turkey with its commitments on excise tax rates undertaken in the context of the opening of the Taxation chapter has widened the discrimination of EU beverages in the Turkish market, which is incompatible with the Customs Union.

With regard to intellectual property law, alignment is well advanced. Implementation and enforcement of the *acquis* in this chapter needs substantial strengthening. Turkey remains one of the countries where, despite advanced legislative alignment, intellectual property rights protection and enforcement is most problematic. Further work remains to be done on deterrents to IPR infringement. The EU looks forward to Turkey's constructive engagement, particularly regarding issues of counterfeiting and piracy, in line with Turkey's obligations under the Customs Union.

With regard to commercial policy, the extension of safeguard measures and the initiation of new safeguard measures investigations by Turkey in 2011 and 2012 is a matter of serious concern. Safeguard measures affect EU exports to Turkey even when the EU products are not the cause of the problem. In line with the Customs Union, Turkey is invited to use those means which least disturb the trade between the EU and Turkey.

In relation to Decision No 1/98 of the EC-Turkey Association Council on the trade regime for agricultural products, the EU considers that a number of import restrictions are still in place, which continue to be in breach of our bilateral agreement and hamper further development of our bilateral agricultural trade relations. The EU strongly urges Turkey to further change its import requirements and fully lift the restrictions on trade in bovine products. In addition the EU seeks clarifications on the future import policy of Turkey regarding bovine products and on the future plans of the Turkish authorities to fully lift the beef ban.

The EU welcomes Turkey's fruitful cooperation in developing the sector-based approach under the IPA 2013 component I programme, which will be adopted by end of the year 2013. The EU underlines that the new approach to programming will also set the scene for the follow up instrument for IPA for 2014 onwards (IPA II), where it is expected that this approach will be broadened to all policy areas (transition assistance and capacity building; regional development; employment, social policies and human resources development; agriculture and rural development; regional and territorial development and cooperation). On-going discussions on Country Strategy Paper 2014-2020 for Turkey will need to embed this approach through identification of priorities through sector programmes promoting policy dialogue and structural reforms, allowing more targeted assistance and enhancing impact of the financial assistance.

Regarding implementation of IPA I the EU welcomes the progress accomplished in 2011–2012 as regards the accreditation process for all Operational programmes. The last Operating Structure for the Transport programme (Ministry of Transport) has been accredited in November 2012. Although progress has been acknowledged by the European Commission as concerns the management and control system and significant efforts were made to improve the management of funds in the course of 2012, further efforts need to be made to address the existing gaps and to create adequate capacity to absorb funds in a speedy manner under all IPA Components.

As regards the withholding tax which is applied in Turkey to EU financed contracts, the EU is pleased to see that the law n° 6456 amending the Regulation of Public Financing & Debt Management in Turkey has been adopted and entered into force on 18 April 2013. The EU understands that this law abolishes the withholding tax on EU service and works contracts as well as collection of upfront income tax on grant contracts. The adoption of the law is a positive development for the IPA financial cooperation.

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