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EFTA-TURKEY FREE-TRADE AREA

Biennial Report on the Operation of the Agreement

Communication from the Parties

The report below presents the information received from the European Free Trade Association and the Permanent Mission of Turkey, dated 28 May 1999. It is organized in accordance to the Standard Format for Information on Regional Trade Agreements (WT/REG/W/6).

The Agreement between the States of the European Free Trade Association (EFTA) and Turkey was examined in accordance with Article XXIV of GATT.¹

In accordance with the guidelines approved by the Council For Trade in Goods,² as recommended by the Committee on Regional Trade Agreements,³ and the reporting schedule established by the WTO Secretariat,⁴ the Parties to the Agreement establishing the Free-Trade Area (FTA) between the EFTA States and Turkey herewith provide their biennial report on the operation of the FTA since 1994. The biennial report outlines the major developments of the FTA and the trade relations between the EFTA States and Turkey since the adoption of the report of the Working Party.

Main Developments

The Parties have paid considerable attention to updating and upgrading of the Agreement. The Joint Committee has, since the entry into force of the Agreement, adopted a number of Joint Committee Decisions deleting, amending or introducing new provisions. For further details, see Annex 1. The reason for updating the Agreement has been to clean the text so that it reflects the current state of play, making it more user-friendly for economic operators.

The aim of upgrading the Agreement has been to make amendments in the light of developments at the regional and/or international trade scene such as the introduction of "new" WTO rules. The Agreement has been upgraded in the fields of rules of origin and methods of administrative co-operation, technical regulations and protection of intellectual property.

¹ The Report was adopted on 17 December 1993 (BISD 40S/48).

² G/L/286.

³ WT/REG/4.

⁴ WT/REG/W/33.

The Agreement has been issued in an updated loose-leaf version, which is also available in electronic form on the EFTA website.⁵

I. BACKGROUND INFORMATION ON THE AGREEMENT

1. Membership and Dates of Signature, Ratification and Entry into Force

The Agreement establishing a Free-Trade Area between the EFTA States and Turkey was signed on 10 December 1991. The Agreement has been in force since April 1992 (September 1992 for Iceland). Austria, Finland and Sweden ceased to be Parties to the FTA, following their withdrawal from the Stockholm Convention and subsequent accession to the European Union on 1 January 1995.

4. Trade Data

According to EFTA statistics, trade between the EFTA States and Turkey has experienced continuous growth since 1994. Turkey is one of EFTA's most important trading partners. Total trade increased by 116.2 per cent in the period from 1994 to 1997; EFTA imports from Turkey increased by 41.1 per cent and EFTA exports to Turkey increased by 157.1 per cent in the same period. The highest growth rate was observed in 1994/95 with an increase of 69.6 per cent - EFTA imports increased by 23.9 per cent and EFTA exports by 94.4 per cent. The trend was more modest in 1995/96 and 1996/97 with an average trade growth rate of 14.4 and 11.4 per cent, respectively.

The trade balance between the two was in favour of the EFTA States in the period 1994 to 1997. In 1997, exports amounted to 1,178,5 million US dollars, when the EFTA States imported goods from Turkey worth approximately 352 million US dollars.

Among the EFTA States, Switzerland is the largest trading partner of Turkey. In 1997, Switzerland accounted for 80.2 per cent of the trade, followed by Norway with 19.5 per cent and Iceland with 0.3 per cent.

There was no trade in products covered by Annex I of the Agreement (products excluded from the scope).

The share of trade in agricultural products was 8.8 per cent of total trade in 1997. The trade in agricultural products covered under the Agreement proper and the bilateral arrangement was 7.9.9 per cent to total trade agricultural products in 1997 between the EFTA States and Turkey.

In the period 1994 to 1997, total EFTA trade increased by 18.1 per cent or in absolute terms from 203,495 million US dollars to 240,337 million US dollars. The growth rate fluctuated considerably from an increase of 17.8 per cent in 1994/95, down to 3.1 per cent in 1995/96 and further down to -2.8 per cent in 1996/97. The development of imports and exports followed the same trend.

In the period 1994 to 1997, the share of EFTA trade with Turkey of total EFTA trade increased from 0.3 per cent to 0.6 per cent. With regard to other FTA partner countries, the share increased slightly from 2.3 per cent to 2.9 per cent, while for the 15 EU countries the share fell from 70.9 per cent to 69.7 per cent. For the other countries the share increased slightly from 26 per cent to

⁵ Copies of the updated loose-leaf version of the Agreement have been made available to the WTO Secretariat. Interested delegations may consult them by contacting the WTO Secretariat (Room 3006) or alternatively on EFTA's website at <http://www.efta.int/structure/EFTA/efta-sec.cfm>.

26.6 per cent. In the period 1994 to 1997, the share of Turkey's trade with the EFTA countries of its total trade increased from 2 per cent in 1994 to 2.3 per cent in 1997.

Detailed trade data can be found in Annex 2.

II. TRADE PROVISIONS

1. Import Restrictions

2. Export Restrictions

Both the EFTA States and Turkey have dismantled and/or abolished customs duties and other restrictions to trade in accordance with the relevant timetable of the Agreement such as the abolition of the Mass Housing Fund by Turkey, and full tariff dismantling by Turkey for Annex II products (fish and other marine products) by 1995. Turkey phased out all the remaining customs duties for products covered by the Agreement between Turkey and the European Coal and Steel Community (ECSC) on 1 January 1999, and granted identical preferences for ECSC products originating in an EFTA State and imported into Turkey. The Parties have also abolished certain exceptions for other trade restrictions, such as the Icelandic, Liechtenstein/Swiss and Turkish customs duties of a fiscal nature. It should be noted that these duties were abolished on a MFN basis. Furthermore, the EFTA States have removed their exceptions for the abolition of quantitative export and import restrictions on certain products.

3. Rules of Origin

Turkey is expected to accede to the system of pan-European cumulation in the course of 1999. A Joint Committee Decision on a new Protocol B was adopted in 1998 containing the new system of pan-European rules of origin, thus introducing diagonal cumulation among European countries interlinked with a network of free trade agreements. The entry into force of the Decision is pending national acceptance.

4. Standards

A Joint Committee Decision amending the provisions on technical regulations was adopted in February 1998. The "old" information procedure on draft technical regulations was replaced with a reference to the notification procedure under the WTO Agreement on Technical Barriers to Trade. Furthermore, a clause on co-operation and consultation was introduced. The entry into force of the Decision is pending national acceptances.

III. GENERAL PROVISIONS OF THE AGREEMENT

5. Institutional Framework

A Joint EFTA-Turkey Committee has been established under the Agreement. The aim of the Joint Committee is to supervise the administer the implementation of the Agreement as well as review the possibility of further removal of obstacles to trade between the Parties. The Joint Committee adopted its rules of procedure in November 1992, and it is assisted by expert groups, in particular by

the Sub-Committee on Customs and Origin Matters. Other expert groups can be convened, as agreed. Four meetings of the Joint Committee have taken place since 1992.⁶

IV. OTHER

A Joint Committee Decision amending the provisions on intellectual property rights was adopted in February 1998. The provisions of the Agreement was adjusted to take account of the rules of the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights. Moreover, the level of protection was strengthened in areas such as patent protection and trademark protection. The entry into force of the Decision is pending national acceptances.

⁶ First meeting on 19 November 1992 in Istanbul, second meeting on 22/23 November 1993 in Geneva, third meeting on 18/19 April 1996 in Geneva, fourth meeting on 4 February 1998 in Istanbul.

ANNEX IAmendments to the EFTA-Turkey FTA, 1992-1998

Articles/ Annexes	Description	Amendments/ Deletions	Remarks	Entry into Force
Article 10	Information procedure on draft technical regulations	Amended JCD of 04.02.98	Provisions on co-operation, consultations and notification under the WTO TBT Agreement replaced the information procedure on draft technical regulations.	Entry into force is pending national acceptances
Article 15 and Annex XII	Protection of intellectual property	Amended JCD of 04.02.98	Article 15 and Annex XII were upgraded i.a. in the light of "new" WTO rules.	Entry into force is pending national acceptances
Article 18	State aid	Amended JCD of 22/23.11.93	Rules for the implementation of Article 18, para. 4 (transparency)	Entered into force
Article 35	Depositary	Amended JCD od 18/19.04.96	Norway has replaced Sweden as Depositary	Entry into force is pending national acceptances
Annex I	Products not covered by the Agreement	Amended JCD of 01.07.98	Annex I was updated to HS 96 and its list of products was shortened.	Entered into force
Annex II	Fish and other marine products	Amended JCD of 19.11.92	Annex II was amended by setting out full tariff dismantling to be realised by 1995.	Entered into force
Protocol B	Rules of origin and methods of administrative co-operation	Amended JCD of 01.07.98	Inclusion of Turkey into the system of pan-European cumulation.	Entry into force subject to ratification by Turkey (expected in the course of 99)
Annex III	EFTA timetable for the abolition of import duties and charges having equivalent effect	Amended JCD of 04.02.98		Entered into force
Annex IV	Products of the European Coal and Steel Community (ECSC) and of the Atomic Energy Community (EUROATOM)	Amended JCD of 01.07.98	Table A (ECSC) was deleted and remaining duties for ECSC Products in Table B to be phased out by 1 January 1999.	Entered into force
Annex V	Turkish timetable for the abolition of duties and charges having equivalent effect	Deleted JCD of 01.07.98		Entered into force

Articles/ Annexes	Description	Amendments/ Deletions	Remarks	Entry into Force
	on imports			
Annex VI	EFTA and Turkish exceptions for the abolition of duties of a fiscal nature	Deleted JCD of 01.07.98		Entered into force
Annex VII	EFTA exceptions for the abolition of export duties and charges having equivalent effect	Deleted JCD of 18/19.04.96		Entered into force
Annex VIII	EFTA and Turkish exceptions for the abolition of quantitative export and import restrictions	Deleted JCD of 18/19.04.96		Entered into force
Annex IX	Notification procedure for draft technical regulations	Deleted JCD of 04.02.98	See Article 10	Entry into force is pending national acceptance

ANNEX IIEFTA Countries Trade with Turkey

	1994	1995	1996	1997	1994/95	1995/96	1996/97
In thousand US dollars							
IMPORTS							
Iceland	1,414	1,986	3,097	3,065	40.5	55.9	-1.0
Norway	61,431	93,077	94,523	128,373	51.5	1.6	35.8
Switzerland	186,630	214,073	225,212	220,532	14.7	5.2	-2.1
EFTA	249,474	309,136	322,832	351,971	23.9	4.4	9.0
Share in EFTA's tot. imports	0.26	0.27	0.28	0.31			
EXPORTS							
Iceland	181	1,179	2,053	1,393	..	74.1	-32.1
Norway	52,530	86,607	109,454	170,727	64.9	26.4	56.0
Switzerland	405,682	803,362	938,973	1,006,385	98.0	16.9	7.2
EFTA	458,393	891,149	1,050,479	1,178,506	94.4	17.9	12.2
Share in EFTA's tot. exports	0.43	0.71	0.80	0.93			
IMPORTS + EXPORTS							
Iceland	1,595	3,165	5,149	4,458	98.4	62.7	-13.4
Norway	113,961	179,684	203,976	299,100	57.7	13.5	46.6
Switzerland	592,312	1,017,435	1,164,186	1,226,918	71.8	14.4	5.4
EFTA	707,867	1,200,284	1,373,311	1,530,476	69.6	14.4	11.4
Share in EFTA's total trade	0.35	0.50	0.56	0.64			

No percentage calculated

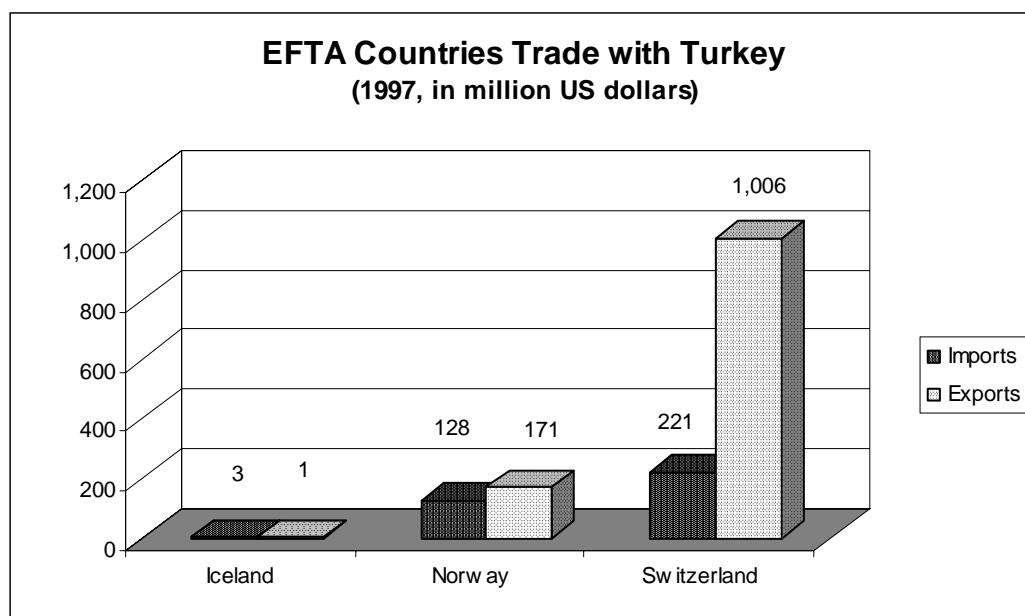


Table 1 - EFTA COUNTRIES TRADE WITH TURKEY BY SELECTED COMMODITIES

Source: UN COMTRADE		1995	1996	1997	1995	1996	1997
IMPORTS		In thousand US dollars				In per cent	
Iceland							
Total from Turkey		1,986	3,097	3,065	100.0	100.0	100.0
<i>In per cent of imports from the World</i>		0.11%	0.15%	0.15%			
SITC 84 Articles of apparel and clothing accessories		1,055	1,250	1,171	53.1	40.4	38.2
SITC 76 Telecommunications, sound recording equipment etc.		226	523	786	11.4	16.9	25.6
SITC 65 Textile, yarn, fabrics, made-up articles		114	135	307	5.7	4.4	10.0
SITC 05 Vegetables and fruit		173	223	270	8.7	7.2	8.8
SITC 89 Misc. manufactured articles, n.e.s.		191	267	113	9.6	8.6	3.7
SITC 77 Electrical machinery, apparatus and appliances, n.e.s.		99	184	111	5.0	6.0	3.6
Norway							
Total from Turkey		93,077	94,523	128,373	100.0	100.0	100.0
<i>In per cent of imports from the World</i>		0.28%	0.28%	0.36%			
SITC 84 Articles of apparel and clothing accessories		25,790	33,701	44,136	27.7	35.7	34.4
SITC 93 Special transactions and commodities		25,406	17,301	24,432	27.3	18.3	19.0
SITC 79 Other transport equipment		0	0	15,597	0.0	0.0	12.2
SITC 05 Vegetables and fruit		9,032	12,151	13,730	9.7	12.9	10.7
SITC 65 Textile yarn, fabrics, made-up articles		4,697	6,115	6,830	5.0	6.5	5.3
SITC 76 Telecommunications, sound recording equipment etc.		9	362	3,516	0.0	0.4	2.7
SITC 78 Road vehicles		6,350	3,886	3,513	6.8	4.1	2.7
SITC 29 Crude animal and vegetable materials, n.e.s.		3,251	3,215	2,060	3.5	3.4	1.6
SITC 89 Misc. manufactured articles, n.e.s.		4,464	3,713	1,605	4.8	3.9	1.3
SITC 67 Iron and steel		2,607	1,191	45	2.8	1.3	0.0
Switzerland							
Total from Turkey		214,073	225,212	220,532	100.0	100.0	100.0
<i>In per cent of imports from the World</i>		0.27%	0.28%	0.29%			
SITC 84 Articles of apparel and clothing accessories		77,503	75,183	72,417	36.2	33.4	32.8
SITC 05 Vegetables and fruit		54,691	53,380	68,164	25.5	23.7	30.9
SITC 65 Textile yarn, fabrics, made-up articles		14,195	15,787	16,462	6.6	7.0	7.5
SITC 12 Tobacco		8,335	13,896	9,306	3.9	6.2	4.2
SITC 54 Pharmaceuticals		6,706	10,981	8,133	3.1	4.9	3.7
SITC 69 Manufactures of metals, n.e.s.		5,481	4,045	4,426	2.6	1.8	2.0
SITC 77 Electrical machinery, apparatus and appliances, n.e.s.		3,576	4,785	3,968	1.7	2.1	1.8
SITC 78 Road vehicles		8,513	5,296	3,524	4.0	2.4	1.6
SITC 51 Organic chemicals		4,435	9,628	1,741	2.1	4.3	0.8

Table 2 - EFTA COUNTRIES TRADE WITH TURKEY BY SELECTED COMMODITIES

Source: UN COMTRADE	1995	1996	1997	1995	1996	1997
EXPORTS	In thousand US dollars			In per cent		
Iceland						
Total to Turkey	1,179	2,053	1,393	100.0	100.0	100.0
<i>In per cent of exports to the World:</i>	<i>0.7%</i>	<i>0.11%</i>	<i>0.08%</i>			
SITC 61 Leather	1,076	1,803	1,133	91.3	87.8	81.3
SITC 66 Non-metallic mineral manufactures	65	149	195	5.5	7.3	14.0
Norway						
Total to Turkey	86,607	109,454	170,727	100.0	100.0	100.0
<i>In per cent of exports to the World:</i>	<i>0.21%</i>	<i>0.22%</i>	<i>0.35%</i>			
SITC 34 Gas, natural and manufactured		4,309	40,353	0.0	3.9	23.6
SITC 68 Non-ferrous metals	1,649	13,813	40,329	1.9	12.6	23.6
SITC 79 Other transport equipment	25,128	20,877	21,235	29.0	19.1	12.4
SITC 21 Hides, skins and furskins, raw	11,053	9,904	11,197	12.8	9.0	6.6
SITC 93 Special transactions and commodities	13,030	13,659	10,817	15.0	12.5	6.3
SITC 64 Paper, articles of paper and pulp	5,623	5,066	5,656	6.5	4.6	3.3
SITC 54 Pharmaceuticals	1,561	4,211	5,521	1.8	3.8	3.2
SITC 67 Iron and steel	3,620	3,139	5,471	4.2	2.9	3.2
SITC 03 Fish	6,263	3,362	4,512	7.2	3.1	2.6
SITC 74 General industrial machinery, machine parts, n.e.s.	3,011	6,712	2,827	3.5	6.1	1.7
Switzerland						
Total to Turkey	803,362	938,973	1,006,385	100.0	100.0	100.0
<i>In per cent of exports to the World:</i>	<i>0.98%</i>	<i>1.16%</i>	<i>1.32%</i>			
SITC 72 Specialized machinery for industries	312,364	384,129	368,660	38.9	40.9	36.6
SITC 54 Pharmaceuticals	90,893	92,455	102,473	11.3	9.8	10.2
SITC 51 Organic chemicals	72,876	76,397	78,440	9.1	8.1	7.8
SITC 53 Dyeing, tanning and colouring materials	56,246	58,320	61,726	7.0	6.2	6.1
SITC 74 General industrial machinery, machine parts, n.e.s.	27,759	33,675	44,239	3.5	3.6	4.4
SITC 88 Photographic apparatus and equipment, optical goods	26,381	35,938	42,733	3.3	3.8	4.2
SITC 59 Other chemicals, n.e.s.	24,762	32,769	30,650	3.1	3.5	3.0
SITC 65 Textile yarn, fabrics, made-up articles	20,479	22,994	30,098	2.5	2.4	3.0
SITC 87 Instruments	16,451	21,621	26,727	2.0	2.3	2.7
SITC 55 Essential oils, perfumes, cleaning preparations etc.	20,343	22,581	26,575	2.5	2.4	2.6
SITC 77 Electronic machinery, apparatus and appliances, n.e.s.	16,820	19,653	25,117	2.1	2.1	2.5
SITC 73 Metal working machinery	17,637	22,025	22,370	2.2	2.3	2.2
SITC 12 Tobacco	15,195	20,099	20,624	1.9	2.1	2.0

Table 3 - TURKEY's TRADE 1994 - 1997

	1994	1995	1996	1997	1994	1995	1996	1997	1994/95	1995/96	1996/97
	In million US dollars				Shares in per cent				Annual percentage change		
Imports from:											
Iceland	0.4	0.9	3.8	4.8	0.002	0.002	0.009	0.010	123.9	338.7	24.9
Norway	90	75	93	178	0.4	0.2	0.2	0.4	-16.4	24.5	91.3
Switzerland	472	816	1,126	1,104	2.0	2.3	2.6	2.3	73.1	38.0	-2.0
EFTA	562	892	1,223	1,287	2.4	2.5	2.8	2.6	58.8	37.1	5.2
EU.	10,915	16,862	22,705	24,870	46.9	47.2	52.9	51.2	54.5	34.6	9.5
Other	11,791	17,953	19,002	22,428	50.7	50.3	44.3	46.2	52.3	5.8	18.0
World	23,268	35,707	42,930	48,585	100.0	100.0	100.0	100.0	53.5	20.2	13.2
Exports to:											
Iceland	2.1	1.5	2.1	3.2	0.012	0.007	0.009	0.012	-28.3	40.8	50.9
Norway	36	54	58	93	0.2	0.2	0.3	0.4	50.5	7.5	60.0
Switzerland	239	238	275	318	1.3	1.1	1.2	1.2	-0.4	15.5	15.8
EFTA	277	293	335	414	1.5	1.4	1.5	1.6	5.9	14.2	23.7
EU	8,637	11,077	11,467	12,248	47.7	51.3	49.8	46.7	28.2	3.5	6.8
Other	9,192	10,229	11,245	13,582	50.8	47.4	48.8	51.8	11.3	9.9	20.8
World	18,106	21,599	23,048	26,245	100.0	100.0	100.0	100.0	19.3	6.7	13.9
Imports+ Exports:											
Iceland	2.5	2.4	6.0	8.0	0.006	0.004	0.009	0.011	-4.5	150.1	34.2
Norway	125.4	128.9	151.3	271.2	0.3	0.2	0.2	0.4	2.7	17.4	79.3
Switzerland	710.6	1,054.1	1,401.1	1,422.2	1.7	1.8	2.1	1.9	48.3	32.9	1.5
EFTA	838.5	1,185.4	1,558.3	1,701.5	2.0	2.1	2.4	2.3	41.4	31.5	9.2
EU	19,552.0	27,939.2	34,172.2	37,118.1	47.3	48.8	51.8	49.6	42.9	22.3	8.6
Other	20,983.5	28,181.5	30,247.6	36,010.3	50.7	49.2	45.8	48.1	34.3	7.3	19.1
World	41,374.1	57,306.1	65,987.1	74,829.8	100.0	100.0	100.0	100.0	38.5	15.1	13.4

Source: UN COMTRADE

Table 4 - EFTA COUNTRIES TRADE WITH TURKEY BY SITC SECTION

Source UN COMTRADE

		In thousand US dollars											
SITC:		0	1	2	3	4	5	6	7	8	9	5-8	Total
IMPORTS													
1995:	Iceland	176	0	9	0	0	0	171	358	1,272	0	1,801	1,986
	Norway	9,404	747	3,468	0	284	210	13,669	9,216	30,672	25,406	53,767	93,077
	Switzerland	57,618	8,446	5,472	0	80	13,443	28,612	15,087	85,314	0	142,457	214,073
	EFTA	67,199	9,193	8,950	0	364	13,653	42,453	24,661	117,258	25,406	198,024	309,139
1996:	Iceland	232	0	6	1	0	0	437	887	1,534	0	2,858	3,097
	Norway	12,669	819	3,405	0	114	75	14,764	7,508	37,867	17,301	60,214	94,523
	Switzerland	56,409	14,173	4,122	0	19	24,933	27,088	13,858	84,610	0	150,489	225,212
	EFTA	69,309	14,993	7,533	1	133	25,008	42,289	22,252	124,012	17,301	213,561	322,832
1997:	Iceland	275	0	18	0	0	47	443	979	1,303	0	2,772	3,065
	Norway	14,202	674	2,300	0	428	91	13,518	26,390	46,337	24,434	86,336	128,373
	Switzerland	70,637	9,417	4,073	0	45	13,682	27,857	14,634	80,119	69	136,292	220,532
	EFTA	85,113	10,091	6,391	0	473	13,820	41,818	42,003	127,759	24,503	225,400	351,971
EXPORTS													
1995:	Iceland	0	0	23	0	0	2	1,141	12	0	0	1,156	1,179
	Norway	7,301	10	13,998	0	12	3,202	14,000	33,906	1,148	13030.4	52,256	86,607
	Switzerland	4,259	15,205	3,121	68	41	278,206	50,067	385,852	66,481	61	780,606	803,362
	EFTA	11,560	15,215	17,142	69	53	281,410	65,208	419,771	67,629	13,092	834,018	891,149
1996:	Iceland	0	0	0	0	0	0	1,953	20	0	080	1,973	2,053
	Norway	4,299	6	12,920	4,326	41	7,210	24,839	39,877	2,276	13,659	74,202	109,454
	Switzerland	6,461	20,114	6,421	99	289	298,318	51,674	477,084	78,512	3	905,587	938,973
	EFTA	10,760	20,120	19,341	4,425	330	305,528	78,467	516,980	80,787	13,741	981,762	1,050,479
1997:	Iceland	0	0	0	0	0	0	1,328	65	0	0	1,393	1,393
	Norway	6,313	12	13,425	40,362	0	10,084	55,206	31,714	2,793	10,817	99,797	170,727
	Switzerland	8,757	20,654	5,738	1,965	148	318,181	67,658	490,341	92,943	2	969,122	1,006,385
	EFTA	15,070	20,666	19,163	42,327	148	328,264	124,192	522,120	95,736	10,819	1,070,312	1,178,506

SITC 0: Food and live animals

SITC 1: Beverages and tobacco

SITC 2: Crude materials, inedible, except fuels

SITC 3: Mineral fuels, lubricants

SITC 4: Animal and vegetable oils, fats and waxes

SITC 5: Chemicals and related products

SITC 6: Manufactured goods classified chiefly by material

SITC 7: Machinery and transport equipment

SITC 8: Miscellaneous manufactured articles

SITC 9: Commodities and transactions not classified elsewhere in SITC