

US-Turkey Business Council, Session III

Topic 1

Trade agreements to help improve bilateral trade and investment

The period following the previous recommendations of the Council witnessed important developments in global trade negotiations. After seven years of negotiations, the United States concluded the Trans-Pacific Partnership (TPP) with eleven countries, paving the way for deeper trade integration in that part of the world. Meanwhile, by July 2016, the 14th round of negotiations on the Transatlantic Trade and Investment Partnership (TTIP) was concluded, with some progress achieved as consolidated texts are now being discussed. Despite pessimism on the prospects for a 2016 conclusion of TTIP, which only deepened with the vote of the UK to exit the EU, the U.S. and EU continue to insist that TTIP must be an ambitious, comprehensive and high-standard framework as was originally envisioned. Such an outcome, whenever it can be harvested, underscores the importance of also taking concrete steps to further the U.S.-Turkey economic and trade relationship.

In May 2015, Turkey and the EU jointly declared their intention to modernize and upgrade the Customs Union mechanism. Currently, both Parties are continuing technical preparations to finalize the internal procedures for corresponding negotiating mandates. It is understood that negotiations will start in the first quarter of 2017, not only for extending the scope of the current Customs Union beyond trade in goods to agriculture, services and public procurement, but also for deepening it with, inter alia, harmonization in intellectual property rights, establishment of a dispute settlement mechanism, cooperation on regulatory efforts and better cooperation of customs administrations. Turkey continues to define the initiative as a top political and economic priority in its relations with the EU in full recognition of its relevance to a prospective TTIP engagement. The Council's private sector members (Members) acknowledge and welcome this significant commitment as a strong declaration of political willingness of the Turkish Government for undertaking the necessary reforms in order to facilitate the engagement in a sophisticated new generation trade agreement like TTIP. Hence, we encourage dedicated efforts by Turkey and the EU, together with regular and effective private sector input, to identify and implement upgraded commitments on the Customs Union that will align and support eventual integration into the TTIP agreement.

For almost a century, Turkey has acted as a strong partner of the West and contributed to key Western institutions and initiatives. However, there is now more academic research published attesting to the fact that Turkey will be among the most adversely affected countries if it is excluded from this new Transatlantic dynamic. **The Members believe that sufficient accommodation of related Turkish concerns deserves due diligence** as it would serve multilateral interests in all aspects, especially during a period when significant economic, demographic and political stress storms the region.

Therefore, we once again highlight the importance of the High Level Committee established in May 2013 with the ultimate objective of deepening our economic relations and liberalizing trade. However, we regret to express our common disappointment over the fact that the Committee failed to continue its work during the last two years after the initial Ministerial meetings which mandated technical working groups to formulate a recommendations report by May 2015 that has never emerged.

The Members understand the difficulties on both sides for focusing on common priorities during a time when Turkey saw consecutive elections and the U.S. passed through exhausting negotiations on TPP and TTIP while also being busy with the Presidential elections. Certainly, the UK's decision to leave the EU adds to the environment of uncertainty with regard to the future negotiations of TTIP not to mention the EU project in general. However, it is precisely due to this volatile nature of the political environment that the **work of the High Level Committee should swiftly progress in the background with full motivation of concluding the necessary "time-bound technical preparations" for "an ambitious trade partnership"** once the political resolution is there. **A re-invigorated Trade and Investment Facilitation Agreement (TIFA)** between the U.S. and Turkey would be a useful step supporting such preparations.

The Members reiterate their previous recommendation for a Turkey-U.S. FTA as an appropriate legal framework to strengthen and solidify the economic pillar of the bilateral "Model Partnership". Encouraged with the "parallel initiative to be undertaken by the EU" with Turkey explicitly setting "TTIP-convergence as a primary objective", simultaneously, **we invite both Parties to invest necessary resources and commitment into a "structured process" for a Turkey-U.S. FTA** with the same goal.

The Members underline the significance of a TTIP shaped in an “open architecture” allowing all interested countries to join in future, provided that they are ready to meet the established level of ambition. In this sense, **we invite the U.S. administration to support the related liberal position of the EU manifested in their strategy named “Trade for All” in October 2015.**

Without any prejudice to the above-stated overarching perspective in their bilateral relations, Turkey and the U.S. should also exploit additional opportunities of collaboration in the ongoing multilateral trade negotiations. **Both countries should work closely to identify key customs efficiencies and logistics barriers as components of the WTO Trade Facilitation Agreement (TFA) national implementation plan. The Trade in Services Agreement (TiSA) offers another route for enhancing the collaboration of Turkey and the U.S. as they both aim at concluding a business-friendly text.** Therefore, we also recommend an intensified dialogue between Parties to help bridge remaining gaps for conclusion of the TiSA negotiations in the shortest period possible.

Recommendation:

The Council recommends that the High Level Committee established in May 2013 resume its work in a structured way with full motivation of concluding the necessary “time-bound technical preparations” for an ambitious trade partnership which we believe should be an FTA between the U.S. and Turkey.

Without any prejudice to the above-stated overarching perspective in the bilateral relations, the Council also recommends that both countries intensify collaboration in multilateral trade issues, specifically in implementation of the WTO Trade Facilitation Agreement and conclusion of the Trade in Services Agreement.