

## **Transatlantic Trade and Investment Partnership (TTIP): Evaluation From The EU and Turkey's Perspective**

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**Dilara SÜLÜN\***

### **Abstract**

Free Trade Agreements (FTAs), which are among the Common Commercial Policy (CCP) tools of the European Union (EU), are crucial. The Transatlantic Trade and Investment Partnership (TTIP) that is being negotiated between the EU and the USA has attracted much criticism, protest, concerns and doubts. This study first reviews the background of TTIP in EU and USA relations and the importance of EU-USA trade relations, with a focus on the general political and economic context. This part also examines the main topics and issues facing TTIP negotiations and public opinion related to TTIP, given the level of protest against TTIP in many European countries. The section also discusses Brexit's effects on the EU-Canada Comprehensive Economic and Trade Agreement (CETA) to illustrate the importance of the approval method of FTAs in Europe. The second part covers the various economic benefits that the European and American partners expect. It also covers the problems that TTIP would raise from a Turkish perspective due to the current customs union between Turkey and the EU. It considers Turkey's completed and ongoing FTA and the effects of TTIP on Turkey depending on whether it is involved or excluded from TTIP. Four scenarios regarding Turkey's participation in TTIP are presented and recommendations are made for Turkey to implement in relation to TTIP.

**Keywords:** *TTIP, CETA, FTA, Common Commercial Policy, Customs Union*

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## **Transatlantik Ticaret ve Yatırım Ortaklığı: AB ve Türkiye Perspektifinden Bir Değerlendirme**

**Dilara SÜLÜN\***

### **Öz**

Avrupa Birliği Ortak Ticaret Politikasının temel araçlarından biri olan Serbest Ticaret Anlaşmaları (STA) büyük önem arz etmekte olup, AB ile ABD arasında müzakere edilmekte olan Transatlantik Ticaret ve Yatırım Anlaşması (TTIP) pek çok eleştiri ve protestoya maruz kalmış, kaygı ve şüphe ile karşılanmaktadır. Çalışmamızın ilk bölümünde AB ile ABD arasındaki ticari ilişkiler ele alınmış ve TTIP konusundaki kamuoyu ile çok AB ülkesinde protestoya neden olan konular incelenmiştir. Çalışmamızın ikinci kısmında ise TTIP Türkiye açısından değerlendirilmekte olup, Türkiye'nin anlaşmaya dâhil olması veya olamamasına yönelik etki analizi sunulmaktadır. Son olarak AB ile Türkiye arasında güncellenmesi beklenen Gümrük Birliği konusu da incelenmiş ve TTIP konusunda Türkiye'yi bekleyen alternatifler değerlendirilerek ülkemiz açısından çalışma önerileri sunulmuştur.

**Anahtar Kelimeler:** *TTIP, CETA, STA, Ortak Ticaret Politikası, Gümrük Birliği*

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## **Introduction**

The European Union which is among one of the most important trading bloc in the world tries to extend its trade volume with its trading partners. On one hand, the stagnation in the world multilateral trade negotiations pushed the EU to intensify its bilateral trade agreements, on the other hand other factors such as standards, norms, respect of environment, consumer and investors' rights are also other important topics on which the EU focuses more and more. Thus the "New-Generation FTAs" include many topics beside the traditional trade of goods, like trading in services, intellectual property rights, international settlement of disputes mechanism, public procurements, education, health and etc. In fact Free Trade Agreements increased in recent years but they also brought various opportunities and challenges for states, national and multinational firms, Non-Governmental Organizations (NGOs) and publics in general.

One of the most important FTAs that the EU undertook is the TTIP; which forms the topic of our research study. TTIP negotiations between the EU and the USA started in July 2013 and when completed, TTIP is expected to cover a third of global trade. The agreement foresees the elimination of custom tariffs between the USA and the EU, and the liberalization at the highest level in services and investments.

Even though TTIP is presented as the biggest trade agreement that would bring increases in European and American GDPs, trade volumes and employment, TTIP negotiations caused spectacular rejections and protestations both from the European public opinion and at the European Parliament by the Member States.

This study analyses the new European trade strategy, the support in TTIP in European countries and the reasons that lie behind these strong oppositions. Surveys, public opinions, important European initiatives, Greenpeace press releases and other important press and media releases are presented in our study with all updated trade data available between the EU and the US in the first section.

The second part of our study focuses on the TTIP from the Turkish perspective, examining also the current customs union (CU) between Turkey and the EU. As trading conditions change with more liberalisation of trade and less trade barriers, the CU also needs to be modernised for the benefit of Turkey. This second part also shows the benefits expected from the modernised CU and present the most current trade relations between Turkey and the USA and the impact assessment for Turkey if it is included or excluded by TTIP. This part ends with some recommendations for Turkey in its allignment efforts in search for an agreement regarding TTIP.

## 1.1 The Background of TTIP in EU-USA Relations

The transatlantic partnership that the USA and the EU plan to sign is rooted in relations that started twenty years ago. However, TTIP negotiations have been accelerated in response to current global economic conditions, the recession in Europe, the stalling of multilateral trade negotiations in Geneva, and the desire to promote stronger economic growth and employment in both the United States and Europe and create new precedents that can hopefully jumpstart multilateral trade negotiations.<sup>1</sup> After the World Trade Organization (WTO) sponsored Doha Development Round of multilateral trade negotiations collapsed, the EU decided to focus on bilateral trade agreements. This policy was made firmer in the 2006 Global Europe Strategy.<sup>2</sup> The rising competitive pressure of China, South Korea, ASEAN countries and Brasilia has encouraged the EU and the USA to sign FTAs in line with their interests.

It was decided at the EU-USA Summit in November 2011 that the best way to revive growth in the USA and EU, which had been affected by the global economic crisis, and to create employment would be to foster trade and investment relations by signing a comprehensive FTA between the two blocs. Accordingly, European and American authorities carried out intense preparatory work to start the TTIP process without delay. When TTIP negotiations, which started in July 2013, are completed by signing the world's biggest and most comprehensive bilateral trade and investment agreement, EU and USA, will form a common market covering half of the world's Gross Domestic Product (GDP) and a third of global trade. Implementing this agreement is expected to increase Europe's annual income by 119 billion Euros per year and the USA's by 95 billion Euros.<sup>3</sup> TTIP goes beyond a simple trade agreement as it entails eliminating custom tariffs between the USA and the EU, and liberalization at the highest level in services and investments.

TTIP is expected to cover four primary areas:<sup>4</sup>

- Market Access
- Trade Rules To Address Common Global Challenges
- Investment Protection
- Regulatory Convergence

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1 Jeffrey J. Schott, "Why Transatlantic Trade Winds Are Blowing", *Peterson Institute for International Economics, Council on Foreign Relations*, <http://www.cfr.org/trade/why-transatlantic-trade-winds-blowing/p30066>, (Date Accessed: 21 September 2016).

2 "Global Europe: Competing In The World", *European Commission*, 6 December 2006, <https://www.etuc.org/documents/communication-%E2%80%9Cglobal-europe-competing-world%E2%80%9D#.V-KUZvmLTIU>, (Date Accessed: 21 September 2016).

3 "Transatlantik Ticaret ve Yatırım Ortaklığı Müzakereleri: Son Durum", *IKV*, March 2014, p. 2.

4 "The Transatlantic Trade and Investment Partnership", *Dillon & Eustace*, <http://www.dilloneustace.com/download/1/Publications/Banking%20and%20Capital%20Markets/The%20Transatlantic%20Trade%20and%20Investment%20Partnership.pdf>, May 2016, p. 3.

According to the Centre for Economic Policy Research CEPR's report, EU exports of goods and services to the US would go up by 28%, equivalent to an additional 187 billion Euros. Overall, total exports would increase 6% in the EU and 8% in the US. Currently European firms pay more than 3.5 billion Euros in customs tariffs while exporting to the USA.<sup>5</sup>

When we look at current commercial relations between the USA and the EU, we can see that customs taxes on industrial products are relatively low although there are significant differences in non-tariff areas, legal regulations and protectionist policies.<sup>6</sup> Therefore, TTIP would be a comprehensive agreement focusing on non-tariff areas beyond customs tariffs. If the negotiations conclude as intended, a bloc that would determine the new rules of the international trade system would be forged.

## **1.2 Political and Economic Context**

While negotiating TTIP with the EU, the USA signed the Trans Pacific Partnership Agreement (TPP) on October 6<sup>th</sup> 2015 after five years of negotiations to eliminate trade obstacles with 11 Pacific countries and establish common rules for international trade. These countries are Australia, Brunei, Canada, Chili, Malesia, Mexico, New Zealand, Peru, Singapore, Vietnam and Japan. Their total national incomes form 40% of global income. However, the agreement still needs to be ratified by the parliaments of all participant countries to come into effect. The deal has to be ratified by February 2018 by at least six countries accounting for 85% of the group's economic output, which requires Japan and the USA to ratify.<sup>7</sup> After Donald Trump won the presidential elections based on protectionist economic pledges to "Restore the American Dream" and "Strong USA", he promised to stop the TPP negotiations. He also stands against TTIP. Accordingly, he signed the resignation mandate of the USA from TPP on January 24<sup>th</sup> 2017 in line with his campaign promise. Consequently, the US Congress did not pass TPP while Trump declared it was a bad agreement and that its rejection is a good development for American workers.

Meanwhile, having been excluded from TPP, China is stepping up efforts to conclude its own initiative, the Regional Comprehensive Economic Partnership (RCEP), with 10 members of the Association of Southeast Asian Nations (ASEAN) and five other Asian states (including India and Japan). Their steps also came soon after the World Trade Organization (WTO) ministerial meeting

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5 "Reducing Transatlantic Barriers to Trade and Investment", European Commission, An Economic Assessment Final Project Report, March 2013, [http://trade.ec.europa.eu/doclib/docs/2013/march/tradoc\\_150737.pdf](http://trade.ec.europa.eu/doclib/docs/2013/march/tradoc_150737.pdf), p. Vii.

6 Didem Güneş, Merve Mavuş and Arif Oduncu, "AB-ABD Serbest Ticaret Antlaşması ve Türkiye Üzerine Etkileri", *T.C. Merkez Bankası*, 26 November 2013, p. 2.

7 "TPP: What Is It And Why Does It Matter?", BBC News, 27.07.2016, <http://www.bbc.com/news/business-32498715>, (Date Accessed: 26 September 2016).

in Nairobi at the end of 2015, which effectively ended the Doha Round and signalled a shift away from comprehensive multilateral trade deals towards narrower agreements on specific issues or sectors.<sup>8</sup> The EU finds it harder than the USA to conduct a strategic trade policy because it has to obtain support from all its competitive member states and maintain this support. The 'strategic' fact differs according to the priorities of member states.

Being aware of the diversity of strategic trade policy perceptions of its member states, the European Commission aimed to provide a clearer shape to its trade policy by announcing the "New EU Trade and Investment Strategy" on October 14<sup>th</sup> 2015. Through this strategy, the EU bases its work on principles of efficiency, transparency and values, and aims to generalize them.

After the Lisbon Treaty came into effect in December 2009, the European Parliament's competence significantly increased, with the TTIP negotiations being a prime example of what has been termed the "politicization" of EU trade policy in recent years. This empowerment of the European Parliament on EU trade and investment policy matters caused EU institutions to experience intense European and national media scrutiny devoted to trade issues as specific as Investor-to-State Dispute Settlement (ISDS) and regulatory cooperation provisions in TTIP. Media coverage and social media campaigns, in turn, have had a strong influence on political discourse in Brussels, Strasbourg and member state capitals. Indeed, the magnitude of TTIP's potential socio-economic and geostrategic impact may well justify the extensive attention it attracts. Given that EU-Japan relations are equally important, it is a mystery why EU-Japan trade talks, launched a few months before the first round of TTIP negotiations in July 2013, have lacked similar public political debate.<sup>9</sup>

### **1.3 Importance of EU-USA Trade and Economic Relations**

In 2012, products equivalent to 650 billion dollars in value were traded between the EU and the USA, an increase of 68% since 2000. While the EU's most important export market is the USA with 17%, the EU is only the second most important US importer. The EU is a more important market than China in the exports of 45 states of the USA. US exports of services to the EU more than doubled between 2001 and 2011 to reach 225 billion dollars. On the other hand, while the EU maintained its position as the world's biggest services exporter, its share of communication services is 55.7%, 54.2% for insurance services, 55.7% for financial services and 50% in other trade services. While 57% of global capital investments come to the EU and the USA, the global foreign investments share of these two blocs was 71%. Approximately 56% of US Foreign Direct Investment (FDI) goes to the EU, equalling 206 billion dollars

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8 Gregor Irwin, "Realizing TTIP's Strategic Potential", *Chatham House*, US and the Americas Programme Research Paper, July 2016, p. 4.

9 David Kleimann, "Negotiating in the Shadow of TTIP and TPP: The EU-Japan Free Trade Agreement", *The German Marshall Fund of the United States*, June 2015, p. 2.

in 2012. Great Britain, the Netherlands and Ireland attracted most American foreign investment.<sup>10</sup> Among the EU's trading partners, the United States was the largest partner for EU exports of goods in 2017, and the second largest for EU imports of goods. In 2017, among EU Member States, the United Kingdom was the largest importer of goods from the United States and Germany was the largest exporter of goods to the United States. There are five Member States whose imports of goods from the United States in 2017 were higher than EUR 20 billion: the United Kingdom (EUR 54 billion), Germany (EUR 46 billion), the Netherlands (EUR 35 billion), France (EUR 29 billion) and Belgium (EUR 25 billion). Together they accounted for almost three quarters of imports from the United States. The United States was also an important partner for Ireland as more than half of all Irish imports of goods from outside the EU originated in the United States. Other high shares were mainly found in western EU Member States, while for southern and eastern EU Member States import shares from the United States in total extra-EU imports were smaller.<sup>11</sup> TTIP would cover 25% of global exports, 31% of global imports and an even greater share of foreign investment stocks.<sup>12</sup> Trade in services is particularly important for the USA: TTIP would represent its largest market for services. Services are also the main sector of EU inward FDI from the USA. For this reason, the USA would like to see more openness from the EU on services.<sup>13</sup> The EU and the USA account for almost half of global economic revenue, producing around 18 trillion dollars of GDP. Total EU-USA trade is worth around 5.8 trillion dollars per year and employs 15 million Europeans and Americans (including trading of products and services as well as sales by foreign affiliates). Foreign investments are even more valuable. Companies headquartered in EU member states had invested nearly 1.7 trillion dollars in the USA by the end of 2013 and directly employ more than 3.5 million Americans. Similarly, US firms have invested 2.4 trillion dollars in the EU, which is more than half of all US overseas investment. It is also nearly 40 times as much as US companies have invested in China. According to the CEPR, TTIP would boost US exports to the EU by 250 billion dollars annually, add 100 billion dollars to US GDP each year and increase the purchasing power of the typical American family by nearly 700 dollars.<sup>14</sup> TTIP is expected to provide

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10 Sait Akman, "AB - ABD Transatlantik Ticaret ve Yatırım Ortaklığı (TTIP) ve Türkiye", *Türkiye Ekonomi Politikaları Araştırma Vakfı (TEPAV)*, June 2013, p. 4.

11 "USA-EU - International Trade in Goods Statistics", *European Commission*, March 2018, [https://ec.europa.eu/eurostat/statistics-explained/index.php/USA-EU\\_-\\_international\\_trade\\_in\\_goods\\_statistics](https://ec.europa.eu/eurostat/statistics-explained/index.php/USA-EU_-_international_trade_in_goods_statistics), (Date Accessed: 3 October 2018).

12 Tobias Kellner, "Going Beyond Pure Economics: The EU's Strategic Motivation to Negotiate Transatlantic Trade and Investment Partnership (TTIP)", *College of Europe, Bruges Political Research Papers*, no: 51, March 2016, p. 17.

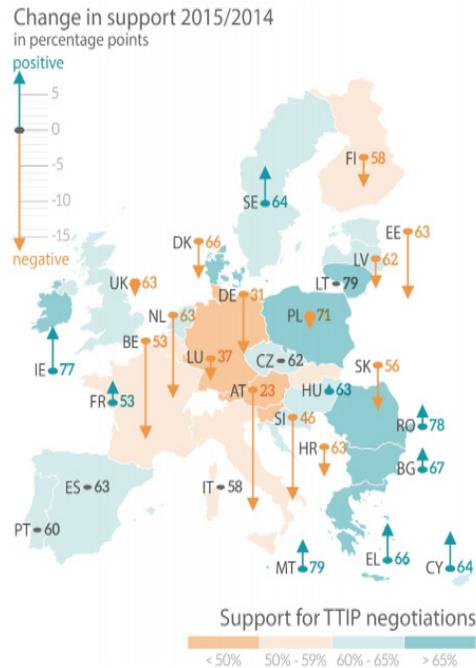
13 "EU-US negotiations on TTIP A survey of current issues", *European Parliament*, July 2016, [http://www.europarl.europa.eu/RegData/etudes/IDAN/2016/586606/EPRS\\_IDA\(2016\)586606\\_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/IDAN/2016/586606/EPRS_IDA(2016)586606_EN.pdf), p. 17, (Date Accessed: 3 October 2018).

14 "Transatlantic Trade and Investment Partnership", *US Chamber of Commerce*, 12 September 2016, <https://www.uschamber.com/issue-brief/transatlantic-trade-and-investment-partnership>, (Date Accessed: 26 September 2016).

similar benefits for Europeans too. However, contrary to the European Commission's financial expectations, a report prepared in the USA by Tufts University in 2014, using the Global Policy Model of the United Nations, predicts that the average working Briton will be more than 3,000 Sterling Pounds worse off over the next decade due to lower wages encouraged under TTIP.<sup>15</sup>

### 1.4 Current Issues and Public Opinion Regarding TTIP

**Figure 1.** Support for TTIP across the EU in 2015 and variations from 2014



Source: Bertelsmann Stiftung, based on Eurobarometer data, 2014, 2015.

The Eurobarometer survey conducted in 2014 and 2015 (see map above) found support for TTIP to vary greatly across EU Member States. Germany, Austria, Luxembourg and Slovenia were found to have a level of support lower than 50%. Support for TTIP in 2015 declined in Belgium, Austria, Netherlands and Slovenia by more than 10 percentage points compared to the 2014 Eurobarometer survey results. However, overall support for TTIP in the EU only slightly declined from 58% in 2014 to 56% in 2015. Successive surveys on the topic focused on Germany. In a survey conducted by Pew in 2015, the US rates in favour of TTIP were equal to or slightly above 50% in 2014 and

15 House of Commons Hansard Debates, *UK Parliament Web Site*, 15 January 2015, <http://www.publications.parliament.uk/pa/cm201415/cmhansrd/cm150115/debtext/150115-0004.htm>, (Date Accessed: 26 September 2016).

2015, while in Germany support rates were reported to have decreased from 55 to 41% from 2014 to 2015. The study found that while US sceptics were more preoccupied with jobs, 61% of German sceptics feared instead that TTIP would lower regulatory standards<sup>16</sup>.

According to the Bertelsmann Stiftung Survey in 2016, opinion on TTIP was much more positive two years ago, and there was less uncertainty; this is true for the United States as well as for Germany<sup>17</sup>. If you compare public opinion in Germany with survey results for the rest of Europe, it is only in Austria that public disapproval of TTIP is higher.

Voting on TTIP was postponed at the June 2015 Parliament session due to differences of opinion and concerns over TTIP, with some MEPs arguing that ISDS should not be included in TTIP. Martin Schulz,<sup>18</sup> the President of the Parliament at that time, declared that TTIP voting had been postponed due to requests for more than 200 changes.<sup>19</sup> MEPs accepted to adopt a joint position in TTIP at the session of July 2016 (436 yes against 241 no) but rejected ISDS.<sup>20</sup>

Nils Steiner argued that, compared to the low public interest in ordinary EU trade agreements, TTIP attracted great attention from the media and public opinion, including significant levels of opposition. According to Eurobarometer data for May 2016, the EU's public mostly supported TTIP, although there were three times more opponents than supporters in Germany, Austria and Luxembourg.<sup>21</sup>

According to the Bertelsmann Foundation 2016 survey, in February 2016, only 17% of Germans supported TTIP—a dramatically low number compared with 55 percent in 2014. Skepticism of TTIP runs throughout German society, from the young, uneducated and unemployed to academics and professionals at the forefront of their fields. As the EU's largest, most populous member

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16 EU-US negotiations on TTIP: A Survey of Current Issues, European Parliament, July 2016, EU-US negotiations on TTIP p. 9, (Date Accessed: 4 October 2018)

17 Christian Bluth, "Attitudes to Global Trade and TTIP in Germany and the United States", *Global Economics Dynamics Study*, [https://www.bertelsmann-stiftung.de/fileadmin/files/BSf/Publikationen/GrauePublikationen/NW\\_Attitudes\\_global\\_trade\\_and\\_TTIP.pdf](https://www.bertelsmann-stiftung.de/fileadmin/files/BSf/Publikationen/GrauePublikationen/NW_Attitudes_global_trade_and_TTIP.pdf), 2016, (Date Accessed: 4 October 2018)

18 Martin Schulz, who was elected President of the European Parliament in January 2012, was re-elected in 2014 to serve as President but said he will not be a candidate again in November 2016.

19 "Major TTIP Vote at European Parliament Postponed Due To Political Divisions", *Russian News Channel RT*, 9 June 2015, <https://www.rt.com/news/266107-ttip-vote-parliament-postponed/>, (Date Accessed: 10 June 2016).

20 "European Parliament Backs TTIP, Rejects ISDS", *EU News Channel Euractiv*, 9 July 2015, <http://www.euractiv.com/section/global-europe/news/european-parliament-backs-ttip-rejects-isds/>, (Date Accessed: 10 June 2016).

21 Nils D. Steiner, "Public Support for TTIP in EU Countries: What Determines Trade Policy Preferences in a Salient Real-World Case?", *Johannes Gutenberg-University Mainz Working Paper*, 20 January 2016, p. 17.

state, Germany has an influential voice in the EU's trade and foreign policies, and Berlin's blessing is key to TTIP's passage.<sup>22</sup>

The international alliance established under the slogan of "Stop TTIP" collected 3,244,289 signatures against TTIP and CETA between October 7<sup>th</sup> 2014 and October 6<sup>th</sup> 2015.<sup>23</sup> On October 10<sup>th</sup> 2015, 150,000 participants attended a major protest in Berlin. It was claimed that, if all those who signed stood side by side, they would form a chain 4,895 km long from Gibraltar to northern Finland or from Cyprus to the northernmost point of Scotland. In consideration of this public opinion, the European Parliament and European Council, and the national assemblies of many countries may also become involved in approving TTIP.

The STOP TTIP Initiative is a European alliance of more than 500 European organizations running campaigns and activities against TTIP and CETA. They have also clearly exceeded the quorum required to become a successful European Citizens Initiative (ECI) by collecting 3,284,289 signatures in one year for their campaign and reaching the country quorum in 23 countries when only 7 are required (see Table 1). An ECI gives the opportunity of directly changing legislation in the European Commission and holding an open session at the European Parliament.<sup>24</sup>

**Table 1.** *Signatures against TTIP and CETA Collected in EU Countries and Country Quorums*

	<b>Total</b>	<b>Country Quorum<sup>1</sup></b>	<b>% of Quorum Achieved</b>	<b>Signatures Still Required to Reach Quorum</b>
Austria	142,971	13,500	1059.04%	-129,471
Belgium	64,614	15,750	410.25%	-48,864
Bulgaria	34,088	12,750	267.36%	-21,338
Cyprus	1,618	4,500	35.96%	2,882
Czech Republic	20,132	15,750	127.82%	-4,382
Germany	1,577,042	72,000	2190.34%	-1,505,042
Denmark	21,066	9,750	216.06%	-11,316
Estonia	2,901	4,500	64.46%	1,599
Spain	90,868	40,500	224.37%	-50,368
Finland	37,378	9,750	383.37%	-27,628
France	360,227	55,500	649.06%	-304,727
Great Britain	501,819	54,750	916.56%	-447,069

<sup>22</sup> Christian Bluth, "A Surplus of Anxiety: TTIP and Germany", 1 October 2016, Bertelsmann Foundation, <https://www.bfna.org/research/a-surplus-of-anxiety-ttip-and-germany/>, (Date Accessed: 4 October 2018)

<sup>23</sup> "STOP TTIP Campaign", *Self-organised European Citizens' Initiative*, <https://stop-ttip.org/about-stop-ttip/>, (Date Accessed: 15 September 2016).

<sup>24</sup> "ECI Results in Numbers", *STOP TTIP*, <https://stop-ttip.org/the-eci-result-in-numbers/>, (Date Accessed: 5 September 2016).

Greece	44,788	15,750	284.37%	-29,038
Croatia	10,373	8,250	125.73%	-2,123
Hungary	20,821	15,750	132.20%	-5,071
Ireland	17,055	8,250	206.72%	-8,805
Italy	72,238	54,750	131.94%	-17,488
Lithuania	3,133	8,250	37.98%	5,177
Luxemburg	10,967	4,500	243.72%	-6,467
Latvia	1,371	6,000	22.85%	4,629
Malta	1,118	4,500	24.84%	3,382
Netherlands	110,144	19,500	564.84%	-90,644
Poland	44,282	38,250	115.77%	-6,032
Portugal	19,927	15,750	126.52%	-4,177
Romania	25,130	24,000	104.71%	-1,130
Sweden	25,984	15,000	173.22%	-10,984
Slovenia	11,705	6,000	195.08%	-5,705
Slovakia	10,528	9,750	107.98%	-778
<b>Total</b>	<b>3,284,289</b>			

Source: Website of Stop TTIP, **The ECI Result in Numbers**, <https://stop-ttip.org/the-eci-result-in-numbers/>, (5 September 2016).

After collecting these signatures, Stop TTIP applied to carry out an official European Citizens' Initiative in July 15<sup>th</sup> 2014. However, the European Commission rejected it, according to the organization, on shaky legal grounds. Two reasons were given. Firstly, the Commission said that TTIP and CETA negotiation competence is not a legal action but rather an internal preparatory action between European institutions so it was not legislation that could be contested via an ECI. Secondly, the Commission argued that it cannot make a negative affirmation such as stopping legal proposals so it could not accept the ECI's request to stop CETA and TTIP. STOP TTIP argued that these were political rather than legal justifications and appealed to the Court of Justice of the European Union, which has not yet given its ruling. On July 8<sup>th</sup> 2015, the European Parliament also rejected the proposed ISDS, which foresees that an international arbitration mechanism instead of national courts will rule on disagreements between states and foreign investors.

In early May 2016, TTIP meetings were leaked to the media via Green Peace news, which had great repercussions. In the first part of the documents published in the media,<sup>25</sup> it was reported that the Washington administration had put pressure on its European partners to be flexible in environmental and health related legislation, and that all 240 pages of the meetings would be published by the Green Peace in Germany. Commentators claimed that the negotiations were not transparent and that negotiations concerning business trade secrets, environmental and consumer rights and workers' rights in the EU, affecting more than 500 million people, were being conducted in an oppressive and scandalous manner.

25 "Transatlantik Ticaret Anlaşması Görüşmeleri Basına Sızdı", *Euronews*, 2 May 2016, <http://tr.euronews.com/2016/05/02/transatlantik-ticaret-anlasmasi-gorusmeleri-basina-sizdi>, (Date Accessed: 6 September 2016).

Indeed, some researchers claimed that European trade policy has been politicised by TTIP. It is therefore necessary to have a good understanding of public opinion, interest groups, media, political activities and the different contexts in Europe on trade and politicization.<sup>26</sup> In other words, politicization should now be added to the field of trade policy research.

According to Green Peace, if the European Commission accepts the USA's requests, such as permitting genetically modified food in Europe, then European consumers' health will be threatened. On May 2<sup>nd</sup> 2016, the French newspaper *Le Monde* also argued that the TTIP negotiations were unbalanced.

On June 11<sup>th</sup> 2016, the *Guardian* newspaper reported on leaked proposals on energy it received from the 14<sup>th</sup> Negotiating Round of the TTIP, held on July 11<sup>th</sup> -12<sup>th</sup> 2016. The proposals appear to contradict the EU's policy of combating climate change. In the report, Paul de Clerck, spokesperson for Friends of the Earth Europe, stated that implementing the proposals would flood the EU market with inefficient devices, the cost of which would be paid by consumers and the climate itself. Furthermore, the proposals would interfere with other initiatives to encourage the production of renewable electricity through wind and solar energy.<sup>27</sup>

The EU has committed itself to reduce greenhouse gas emissions by 80% by 2050 compared to the 1990s. At the Climate Summit in Paris in December 2015, it also committed to reduce greenhouse gas emissions (carbon dioxide) by 40% in 2030.<sup>28</sup> Despite this, the documents leaked to the *Guardian* mentioned that, after the treaty enters into force, the parties would be required to reach a legal agreement to remove all existing restrictions on natural gas exports. Other countries that want to trade with the EU and the US would also have to remove trade barriers in energy and raw materials.

A *Euronews* report on May 3<sup>rd</sup> 2016 stated that France had distanced itself from the TTIP Agreement, with French President François Hollande explaining that he would not accept it in its present form. He also clearly indicated that France would not put at risk its basic principles in health, agriculture, food, social and cultural norms for the sake of TTIP.<sup>29</sup>

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26 Niels Gheyle, "Trade Policy with the Lights On Linking Trade and Politicization", (The Conference EU Trade Policy at the Crossroads: Between Economic Liberalism and Democratic Challenges, Austria, 4-6 February 2016), p.22.

27 Arthur Neslen, "Leaked TTIP Energy Proposal Could "sabotage EU Climate Policy", *The Guardian*, 11.07.2016, <https://www.theguardian.com/environment/2016/jul/11/leaked-ttip-energy-proposal-could-sabotage-eu-climate-policy>, (Date Accessed: 25 July 2016).

28 For further information, refer to "2030 climate & energy framework", *The European Commission*, [http://ec.europa.eu/clima/policies/strategies/2030/index\\_en.htm](http://ec.europa.eu/clima/policies/strategies/2030/index_en.htm), (Date Accessed: 2 August 2017).

29 "Fransa TTIP Anlaşmasına Mesafe Koydu", *Euronews*, 3 May 2016, <http://tr.euronews.com/2016/05/03/fransa-ttip-anlasmasina-mesafe-koydu/>, (Date Accessed: 24 May 2016).

## 1.5 The Will to Stop TTIP in Many Countries

Austrian Deputy Prime Minister and Minister of Economy Reinhold Mitterlehner stated to the Austrian News Agency (APA) that the coalition government was against the free trade agreement with the USA, and that the process had to be restarted transparently. In his statement to state television channel ORF on August 31<sup>st</sup> 2016, Austrian Chancellor Christian Kern also declared that Austria is ready to contest free trade agreements negotiated with the USA and Canada. According to Kern both treaties included the same problems and he stated that this will be the next conflict ground between the EU and Austria and that they have to make sure that the balance of power to turn in favour of global companies. The Austrian public, which is concerned about removing restrictions on genetically modified foods, drugs and food additives, protested against the TTIP and CETA negotiations between Canada and the EU on September 17<sup>th</sup> 2016.<sup>30</sup> Hofer, the right-wing party presidential candidate, who was narrowly defeated in the presidential elections, said that stopping TTIP would be one of his priorities. The extreme right-wing Front National in France are also openly opposed to TTIP while the alternative AfD Party in Germany criticized TTIP. German Minister of Economy Sigmar Gabriel predicted that TTIP talks “actually come to nothing”.

In Berlin, a large demonstration was held on September 17<sup>th</sup> 2016 against TTIP and CETA. Alongside political parties like AfD, civil society, social assistance and church organizations participated.<sup>31</sup> Another protest against CETA and TTIP took place on September 20<sup>th</sup> 2016 in Brussels.<sup>32</sup> According to police sources, at least 6,000 people participated to express their concerns and demands for the European Union to abandon the treaty as soon as possible, criticizing the lack of transparency in the negotiations.

France officially announced its desire to stop the TTIP negotiations. This statement was made on behalf of French President François Hollande on August 30<sup>th</sup>, 2016 by Mr. Matthias Fekl, the Government Spokesperson for Foreign Trade.<sup>33</sup> According to Fekl, the ongoing negotiations with the USA in food, energy, health, public services and culture were not progressing well. Similarly, the previous day, German Economy Minister Sigmar Gabriel also gave Germany's position against TTIP. On October 3<sup>rd</sup> 2016, it was reported that the President of France had received a letter signed by more than 100 French

30 “Avusturya ABD-AB Ticaret Anlaşması Müzakerelerine Karşı”, *AB Haber*; <http://www.abhaber.com/avusturya-abd-ab-ticaret-anlasmasi-muzakerelerine-karsi/>, (Date Accessed: 1 September 2016).

31 “TTIP Öldü, Peki Ya Sonrası?”, *T24 Haber*, 30 August 2016, <http://t24.com.tr/haber/yorum-ttip-oldu-peki-ya-sonrasi,357598>, (Date Accessed: 15 September 2016).

32 “Brüksel’de TTIP ve CETA Protesto Edildi”, *Euronews*, 22 September 2016. <http://tr.euronews.com/2016/09/20/bruksel-de-ttip-ve-ceta-protesto-edildi>, (Date Accessed: 22 September 2016).

33 “Pourquoi La France Veut-Elle Maintenant Enterrer Le Tafta?”, *Le Monde*, 30 August 2016, <http://transatlantique.blog.lemonde.fr/2016/08/30/pourquoi-la-france-veut-elle-maintenant-enterrer-le-tafta/> (Date Accessed: 30 December 2016).

ministers asking him to contest the decision of the provisional application of the CETA Agreement.<sup>34</sup> Although CETA should have been signed at the EU Leaders Summit on October 27<sup>th</sup> 2016, it was rejected by the region of Wallonia in Brussels, which forced the summit to be postponed. The agreement was finally signed on October 30<sup>th</sup> 2016 and approved at the European Parliament on February 15<sup>th</sup> 2017.

Before the elections of November 8<sup>th</sup> 2016, the US Republican Party's presidential candidate, Donald Trump, announced his opposition to all free trade agreements. After he won the elections on November 8<sup>th</sup> 2016, President of the EU Council Donald Tusk and EU Commission President Jean-Claude Juncker congratulated him in a joint letter that emphasized the strategic partnership between Europe and the USA, and conveyed an invitation from EU leaders to meet in Europe at an EU-US Summit as soon as possible. Juncker and Tusk also referred to TTIP talks, indicating that TTIP was one of the most important issues that EU leaders wanted to talk about during the summit, although Trump had many times during his election campaign declared his intention to stop this agreement.<sup>35</sup> Trump planned to impose high customs tariffs on China and Mexico while, on January 24<sup>th</sup> 2017, he signed the USA's withdrawal order from the TPP Agreement, which included 12 countries. Trump also wanted to stop the TTIP negotiations and onset aside NAFTA even though it has been in force since 1994.<sup>36</sup>

As a result of the UK's decision to leave the EU and Trump's victory in the US elections, the future of the TTIP has become uncertain, with some commentators even suggesting that the agreement is "dead in the water". Trump does not like FTAs because he thinks they will hurt American workers and undercut US companies,<sup>37</sup> and has promised to appoint negotiators that protect US interests.

STOP TTIP's web site makes the following statements:

"The consequences are quite similar, too. These policies have benefitted mainly the top 10 %, shareholders, top salaries – but the major part of employees had to live with stagnating or even decreasing wages. In Germany, about a third of the workforce is caught in a low-wage sector from which there is no escape, and which guarantees old-age poverty. The countries of North-West

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34 "Suivi de la lutte contre le Traité Transatlantique (TAFTA)", *Collectif Roosevelt*, 3 October 2016, <https://collectif-roosevelt.fr/mobilisations/suivi-de-la-lutte-contre-le-traite-transatlantique-tafta/>, (Date Accessed: 30 December 2016).

35 "Brüksel'den Trump'a Zirve Talebi", *Deutsche Welle*, 9 November 2016, <http://www.dw.com/tr/br%C3%BCKselden-trump-a-zirve-talebi/a-36319852>, (Date Accessed: 1 December 2016).

36 "İşte Trump'ın Ekonomi Planı", *Haber7*, 10 November 2016, <http://ekonomi.haber7.com/ekonomi/haber/2210578-iste-trumpin-ekonomi-planı>, (Date Accessed: 1 December 2016).

37 Julia Bradshaw, "What's The Difference Between TTIP and TPP and Why Does Donald Trump Want Them Scrapped?" *Telegraph*, 22 November 2016, <http://www.telegraph.co.uk/business/2016/11/22/difference-ttip-tpp-does-donald-trump-want-scrapped>, (1 December 2016).

Europe are still far from the disastrous situation in Greece or Spain, but there is no permanent island of happiness in times of globalization. France is already on the way to a deep economic and social crisis”<sup>38</sup>. More and more people are suffering from these conditions and protests against TTIP are taking place even in Germany, which is a champion of exports. Britain, the main home of neo-liberalism, has decided to leave the EU, while there is debate over whether Scotland will remain in Britain. In the USA, One point of agreement between Republican Donald Trump and Democratic Party Presidential Candidate Bernard Sanders’ during their election campaigns was that both of them stood against TTIP and FTAs.

During France’s presidential election in April 2017, the election campaigns indicated that TTIP will be set aside. On November 16<sup>th</sup> 2014, State Minister Fekl, responsible for foreign trade in France, stated that France would not support ISDS mechanism in TTIP. In conclusion, the growing struggle of certain sectors within Europe to protect the social market economy against global competition can be seen generally.

Although the European Commission acts regarding trade agreements in the way that it believes is best from a supranational perspective, it will be impossible to continue without the approval of the European Council of Ministers and the European Parliament. Indeed, the European Parliament didn’t approve the earlier Anti-Counterfeiting Trade Agreement (ACTA) despite the approval of the Commission.<sup>39</sup>

## **1.6 Current Concerns and Main Topics Negotiated Under TTIP**

The table below presents the main issues of concern and discussion among EU countries within TTIP.

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38 Jürgen Maier, “STOP TTIP”, <https://stop-ttip.org/blog/we-the-people/>, (Date Accessed: 15 September 2016).

39 Jelena Baumler, “TTIP and the WTO: Anatomy of a Murder Story and the Future of the World Trading System”, *Wölkerrechtsblog*, 29 February 2016, <https://voelkerrechtsblog.org/ttip-and-the-wto-anatomy-of-a-murder-story-and-the-future-of-the-world-trading-system/>, (Date Accessed: 15 September 2016).

**Table 2.** Current Concerns and Main Topics Discussed Under TTIP

Topic	Context
Standards	Negotiations are being made with TTIP to prevent strong European standards for protecting the environment being weakened.
Food Safety	<p>In order for TTIP not to reduce existing food safety standards in Europe:</p> <p>It is requested that products subject to GMO regulations that are not accepted by the EU are not imported from the USA and that beef containing growth hormones used from cloned animals is not imported.</p> <p>According to information reported by the British newspaper Independent, 70% of processed food products sold in the USA contain genetically modified ingredients. The EU's REACH regulations are far tougher on potentially toxic substances. In Europe, a company has to prove a substance is safe before it can be used; in the USA, the opposite is true: any substance can be used until it is proven unsafe.<sup>2</sup> For example, the EU currently bans 1,200 substances from use in cosmetics whereas the US bans just 12.</p>
Settlement of Disputes in Foreign Investments	ISDS is a system that allows a foreign company to claim financial compensation in case that their products or services are excluded by national legislation. The Commission also wants to improve existing ISDS regulations and wishes to include a comprehensive regime into TTIP, just as within the UN. But the fact that US companies can sue EU governments under the ISDS envisaged for settlement of disputes of foreign investors and the fact that these foreign investors would be evaluated outside national legislation are matters of concerns in EU countries. Therefore, there is strong pressure in EU countries to let governments continue to legislate in the public interest.
Public Services	Public opinion requires that national states remain the competent authorities in public services in order to avoid privatization in education, public transport services, water treatment, water distribution, water management and health. European countries do not want to transfer these areas to private US firms. Although the Commission states that it would not include public services in TTIP, it does not clearly state the scope of public services. In fact, in some previous agreements for services in dentistry, childbirth and nursing were opened to the private sector competition. In addition, the Commission prepared a list of sectors that could be subject to privatization and has adopted the American style for one year. It lists now the sectors that won't be subject to privatisation. However, in this listing, if the EU does not include a sector, whether deliberately or by mistake, it cannot later remedy this situation. <sup>3</sup>

Cultural Diversity	In order to prevent damage to creative industries in the audio-visual sector, such as European cinema, music, television and radio, this sector is requested to be excluded from TTIP and that states continue to provide incentives to this sector (especially France is very insistent on this issue).
Sustainable Development	The rights of current workers in Europe's business environment should be protected and in green, renewable and environmental energy sectors.
Transparency	The negotiations have been criticized for not being conducted openly and to public opinion.
Democratic Deficit	It is a matter of concern that negotiations on new regulations are negotiated with representatives of large companies instead of democratically elected individuals and that only companies' interests are pursued.
Health, Consumer Rights and Environmental Standards	The protection of health, consumer rights, environment and human animal rights in Europe under TTIP is of great importance. The European Food Safety Authority (EFSA) has already authorized 58 products containing GMOs in the EU. This evaluation is subject indeed to strict standards by EFSA. <sup>4</sup>
European Agriculture Sector	In order to prevent European agricultural products being harmed by free trade and the competition of US agricultural products, a number of import quotas, such as those under other FTAs, are being negotiated.
Intellectual Property Rights and Violation of Private Space	<p>There are differences between US and EU regulations on intellectual property rights. For example, in the USA, while a musician does not receive royalties when his / her music is played on the radio, in the EU that artist receives copyright fees.</p> <p>It is feared that the content of intellectual property rights would be modified and that the ACTA that aimed to ban the circulation of counterfeit products in the EU, which was rejected by the European parliament in 2012, would be amended in TTIP and included in EU legislation through TTIP. Under ACTA, service providers on the internet were required to inspect the activities of the public on the internet but this regulation was rejected by the EP for violating the private space.</p> <p>The restriction of public access to the laboratory tests of companies in pharmaceuticals and medicinal products is another concern within the context of TTIP.</p>
Banking Regulations	After the 2008 global economic crisis, banking regulations and financial rules were strengthened in the USA to directly curb the powers of bankers and prevent a similar crisis happening again. It is feared, especially in the UK, that TTIP will remove those restrictions, effectively handing all those powers back to the bankers.

<p>Employment</p>	<p>EU countries worry that EU unemployment will rise as job opportunities shift to the USA, where work standards and trade unions' rights are lower. For example, under the NAFTA Agreement between Canada and Mexico 1 million jobs were lost in the USA in 12 years, although hundreds of thousands of additional jobs had been promised and expected.</p>
<p>Convergence of Regulations</p>	<p>According to a report in <i>Le Monde</i> on October 13<sup>th</sup> 2015, a Regulatory Cooperation Council is planned to harmonize regulations between Europe and the USA after signing TTIP.</p> <p>Negotiations were conducted to prevent this Council from lowering European standards and to allow the Council a consultative role to foster dialogue and cooperation between the USA and the EU. However, it won't be a legislative authority and will not replace the Parliament. Nevertheless, even if this council becomes a consultative body, it is likely that the Council's sphere of influence will be high through specific information, accurate timelines and lobbying.</p>

Source: Compilation of news published at *The Independent* and *Le Monde* newspapers, the *European Commission's* "The Top 10 Myths about TTIP" document.

MEP Patrick Le Hyaric and vice president of the left-wing Green Party published information he received about TTIP from the EC certificate of incumbency, which had limited publication and was available only in English. He made various comments and included important information regarding TTIP, which he considers a capitalist project, in his book *Le Grand Marché Transatlantique - Dracula Contre Les Peuples*. The first part explains that negotiations started in 2013 under the title of the "Arranged Marriage of EU and USA" to create a system based more on commercial gains and bigger market shares. He argues that if TTIP was about more justice, better ecological system, better protection of the environment, healthier food and better health services; then they would have supported this project and even worked actively in this project. In the third part of the book he states that the essential values that are nourished are actually the values of multinational companies, and claims that TTIP's idea of freedom only includes trade freedom, while human lives will be endangered, unhealthy agricultural and food products will be sold freely in the EU and governments' sovereignty will be transferred to private courts.

The book presents the Negotiations Task assigned to the EC within TTIP, article by article. The fourth article states: "All obligations foreseen by the agreement will be binding at all levels of governments." This means that if TTIP is signed, health, education, transportation and public services in the EU, which currently rely on the competence of regional and local authorities under governments, can be forcibly opened to competition.<sup>40</sup>

40 Patrick Le Hyaric, *Le Grand Marché Transatlantique: Dracula Contre Les Peuples*, (France: Editions de l'Humanité, 2013), p. 164.

## **1.7 Discussions of Separation from the EU in Parallel to the Discussions of TTIP**

As a result of Brexit, some political parties in other EU countries, such as France and the Netherlands, have also started to raise the possibility of leaving the EU and requested that CETA be declared a “mixed agreement” instead of a “European agreement”.

### **Leave the EU: Brexit**

In the EU referendum held in Great Britain on June 23<sup>rd</sup> 2016, Scotland and London strongly voted to stay in the EU. In Scotland, 62% of the voters voted to stay. However, the Stay in EU Campaign failed in the northern Great Britain. In Wales, the Brexit Campaign won 55% of the votes in favour of leaving the EU. Overall, 52% voted for Brexit and 48% against, with a turnout of 72%. Given that the a majority of British citizens voted to enter the EU in 1975, why did a majority now want to leave the union, which enabled the free movement of people in all member states as if one country? In recent years, MPs from the ruling Conservative Party and the UK Independence Party (UKIP) have increasingly called on the UK to leave the EU<sup>41</sup>. With the rise of some EU members’ debts, the objections to UK’s contributions to EU’s budget from some British parts, and with the intensification of the immigration crisis; Great Britain finally opted to leave the EU at the Brexit Referandum.

The Commission actually wants to have international trade agreements approved by qualified majority voting at the European Council of Ministers and European Parliament within the framework of the ordinary legislative procedure. However, member states think that such agreements need to be approved by them too so they consider these agreements as “mixed agreements”, which need to be ratified in their national parliaments too. Thus, Commission President Jean-Claude Juncker’s declaration that CETA is an “exclusive EU Treaty” was contested in July 2016. After this statement, which was rejected by strong member states, including France and Germany, the Commission decided that the CETA was a “mixed agreement”<sup>42</sup>.

After the referendum in June 2016, news and comments arguing that Brexit has divided the British society and that this has to be fixed drew attention in British newspapers. Great Britain would be the first country to leave in the EU’s history even though 45 % of its exports and about 54 % of imports are with EU countries and approximately 2 million EU member citizens work in Great Britain.

41 Ece Çelik, “Brexit: Avrupa Barışının En Büyük Krizi!” *Habertürk*, 24 June 2016 <http://www.haberturk.com/dunya/haber/1256993-brexit-avrupa-barisinin-en-buyuk-krizi>, (Date Accessed: 15 September 2016).

42 Iana Dreyer, “CETA, EU Trade Politics”, *European Trade Policy Borderlex*, 7 July 2016, , <http://www.borderlex.eu/ceta-commission-caves-in-to-member-state-political-pressure-declares-deal-is-mixed/>, (Date Accessed: 25 July 2016), p. 1.

Great Britain's separation from the EU is expected to last 2 years. Within this period, Great Britain will continue to be subject to EU rules.<sup>43</sup> After completing Brexit, whether British citizens will need a visa travel to the EU will depend on the agreement reached between Great Britain and the EU. British citizens may continue to work in EU countries if the country stays in the common market. However, if the British government introduces restrictions on work permits for EU citizens then British citizens will also need to get a visa and work permit in EU countries.

In conclusion, Great Britain will be released from its obligations of co-decisions and co-operations with the EU in migration and other political issues. However, Great Britain will have to conduct tough negotiations with the EU and reach new legal agreements to preserve its current advantages related to the common market and the customs union.

Moreover, it is likely that political divisions between the people and politicians in Britain will continue because supporters of Brexit have an overwhelming majority and that the anger of some parties against conservatives who have so far blamed the EU will increase. In Northern Ireland, Sinn Fein, which supported staying in the EU, has asked for a referendum in Northern Ireland for a united Ireland, arguing that if Great Britain leaves the EU it will also be deprived of its power to represent the interests of the people of Northern Ireland.

In conclusion, the 48% British voters who voted to stay in EU and the Europeans who live in the Great Britain without a British citizenship are very uncomfortable with this situation. Many economic, commercial, political and legal steps will have to be taken to prevent the country's future being damaged, and it will be inevitable that this process will last a few years.

### **1.7.2 Separation after Brexit**

The 50<sup>th</sup> article of the Lisbon Treaty signed in 2009 regulates how member states separate from the EU. Great Britain is expected to follow this process. According to the article, the process must be completed within two years. Despite this, Great Britain has not rushed to plan the process carefully for its own benefit.

Leaving the EU is requiring tough negotiations for Great Britain over the next 2 years. Free trade agreements and security issues will be important topics on which the UK will focus. The rights of European immigrants in Great Britain have become a matter of great debate. Some official explanations about Brexit are as follows.

The President of the European Parliament, Martin Schulz, indicated that nego-

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43 "Birleşik Krallık AB Üyeliğini Oyladı", *Habertürk*, 25 June 2016, <http://www.haberturk.com/dunya/haber/1257716-birlesik-krallik-ab-uyeligini-oyladi>, (Date Accessed: 5 September 2016).

tiations will start quickly after the result of the referendum. Schulz also added that the “EU will conduct serious negotiations with Great Britain and that Great Britain would henceforward be treated as third country in the future”.

European Parliament Vice President Alexander Graf Lambsdorff held David Cameron, the Prime Minister of Great Britain responsible for the results, stating that: One cannot expect everything to reverse in six weeks after 10 years of criticizing Europe. Voters have perception.

Manfred Weber, president of the conservative EVP Group at the European Parliament, said that the British people’s decision will damage both Great Britain and the EU. He added that EU has to change; a smarter and better Europe is needed. Weber also asked Great Britain to finish negotiations within the next two years.

Rheinhard Bütikhofer, President of the Green Group at the European Parliament, also acknowledged the UK’s decision with regret: “23<sup>rd</sup> June will be recorded as the darkest day in the history of Europe.”

In a press conference on January 6<sup>th</sup> 2016 in Brussels, Michel Barnier, the European Commissioner responsible for the Internal Market and Services, who was charged by the EC to conduct the Brexit negotiations, said that they aimed to complete the meetings with Great Britain within 18 months. He also warned that Great Britain will not have the same rights as member states after its separation and that there was no plan to grant privileges or a privileged partnership to the British government.<sup>44</sup>

Eventually, at the end of March 2017, Great Britain officially started the separation process (Brexit) after its 44-year membership by activating Article 50 of the Lisbon Treaty. Great Britain’s EU Permanent Representative Tim Barrow, presented the letter signed by Prime Minister Theresa May to Donald Tusk, the President of the EU Council. Barrow stated that Great Britain would launch the Brexit process after 9 months. Hence, the process of separating Great Britain from the Union officially began. The text on which Great Britain and EU must agree will be completed after the approval of both the British Parliament and the European Parliament.<sup>45</sup>

### **1.7.3 Effects of Brexit on Other Member States: Frexit and the Netherlands**

Just after Brexit, on June 24<sup>th</sup> 2016, France’s extreme-right Front National (FN) party called for a referendum about the country’s EU membership. In the Netherlands, Geert Wilders, known for his anti-immigration stance, also called for a referendum.

44 “Michel Barnier: Brexit 18 Ayda Tamamlanacak, Britanya’ya İmtiyazlı Ortaklık Yok” *AB Haber*; 6 December 2016, <http://www.abhaber.com/54423-2/>, (Date Accessed: 10 December 2016).

45 “İngiltere, AB’den Ayrılma Sürecini Resmen Başlattı”, *NTV*, 29 March 2017, [http://www.ntv.com.tr/dunya/ingiltere-abden-ayrilma-surecini-resmen-baslatti,wDjtO1U\\_IUSTh-iPXUwj0g](http://www.ntv.com.tr/dunya/ingiltere-abden-ayrilma-surecini-resmen-baslatti,wDjtO1U_IUSTh-iPXUwj0g), (Date Accessed: 24 May 2017).

FN leader Marine Le Pen explained on September 5<sup>th</sup> 2016 in a speech in Brachay, northeastern France that if she won the presidential election in 2017, she would hold a referendum to determine whether it would stay in the EU: “I will go to a referendum about the EU in France. Yes, it is possible to change everything. Look at the English people, they determined their own destiny”.<sup>46</sup>

#### **1.7.4 Change in the European Commission's Approach to CETA after Brexit**

After Great Britain voted for Brexit, a number of tensions and concerns emerged regarding EU's future. Before Brexit, the EU Commission's initial decision was to only consider CETA at the EU level without presenting it for the approval of each member state. According to Der Spiegel, however, after Brexit, the Commission abandoned this decision and allowed the treaty to be ratified by all EU member states' parliaments. Nevertheless, although the European Commission declared that CETA would be treated as a mixed treaty, the EC proposed the “provisional application” of CETA some time after Brexit.

The CETA; which was finally signed between Canada and the EU after negotiations and the TTIP which is still negotiated between the EU and the US, may seem similar in terms of their content as new 21<sup>st</sup> century Free Trade Agreements. They both incorporate regulatory convergence in goods and services and they are both deep and comprehensive FTAs that go far beyond classical trade policy issues like tariffs and quotas. The Investor-State Dispute Settlement (ISDS) which aims to ensure “investment protection” of multinational firms is actually one of the most contested issue in the two FTAs. On one hand, the US is unlikely to accept the EU approach in line with the United Nations rules and on the other hand, the ISDS issue is also strongly protested by major EU Member States and was rejected at the European Parliament.

According to the Vienna Institute for International Economic Studies' report about CETA and TTIP, the main difference is that in CETA the standards of the importer country will prevail, while TTIP strives for mutual recognition of standards; many of the sensitive issues debated in TTIP remained untouched by CETA.

From all the datas and information collected about TTIP and CETA in the first part of our research, we can conclude by stating that what is the most importantly different aspect between CETA and TTIP is the willingness of each party to reach common agreement: for instance these compromises were met after negotiations on intellectual property rights, agricultural protections and public procurement issues. However, TTIP's issue of data protections, ISDS and audiovisual and cultural sector as well as general standards in many sectors from agriculture to cosmetics still remain contested from both EU and US sides. On the top of the most feared European concerns about any losses in European and environmental standards, traditional values and laws in general,

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46 “Marine Le Pen: Seçimleri Kazanırsam AB'den Çıkış Referandumunu Yapacağım” *AB Haber*, 6 September 2016, [www.abhaber.com/marine-le-pen/](http://www.abhaber.com/marine-le-pen/), (Date Accessed. 30 September 2016).

the American approach to TTIP negotiations also deteriorated strongly after the election of Donald Trump as the President of the U.S.A; who clearly put the TTIP negotiations “on hold”.

## **2. EVALUATION OF TTIP FROM TURKEY’S PERSPECTIVE**

Turkey has to follow the EU’s lead as it negotiates comprehensive and deep FTAs with many countries or groups of countries. In fact, according to Article XXIV of GATT, Turkey and the EU should apply joint custom tariffs to third countries within the framework of the Customs Union. Furthermore, Turkey is responsible for undertaking the common trade policy of EU in accordance with Articles 16 and 54 of the Customs Union within the scope of the Association Council Resolution 1/95.<sup>47</sup>

### **2.1 Turkey’s Free Trade Agreements**

According to the Ministry of Economy, Turkey has signed 34 FTAs while 11 FTAs signed with Central and Eastern European countries have been repealed after these countries became EU members. The remaining 19 (EFTA, Israel, Macedonia, Bosnia and Herzegovina, Palestine, Tunisia, Morocco, Syria, Egypt, Albania, Georgia, Montenegro, Serbia, Chile, Jordan, Mauritius, South Korea, Moldova and Malaysia) are currently in force. The FTA with Lebanon will enter into force after internal approval by Lebanon and the FTAs with Kosovo and the Faroe Islands will come into the force once both sides complete internal approval. Negotiations with Ghana are completed and within the FTA between Turkey and South Korea, “Investment Agreement” and “Agreement on Trade of Services” were signed on February 26<sup>th</sup> 2015 are expected to come into force with South Korea after internal approval. Negotiations are also underway to expand Turkey’s existing FTAs with EFTA, Bosnia and Herzegovina, Croatia and Georgia.

FTAs are also expected with Ukraine, Peru, Ecuador, Colombia, Ecuador, Mexico, Japan, Sudan, Djibouti, Qatar and Pakistan while negotiations with potential partners such as the Gulf countries may be revived. FTA negotiations may also be started with 10 other countries or country groups (USA, Canada, Thailand, India, Indonesia, Vietnam, Central American Community, African Caribbean Pacific Countries, Algeria and South Africa). Finally, following the Brexit vote, Turkey is discussing with Great Britain how to protect its existing market entry advantages in the short-term and to negotiate a comprehensive FTA in the middle and long-term. Committee meetings are being held to ensure the smooth functioning of Turkey’s existing FTAs to overcome the problems faced in bilateral trade and to expand their scope. Trade with Turkey’s current 19 FTA partners constituted 14.1% of exports and 9.4% of imports in October 2016.<sup>48</sup>

47 T.C. Dışişleri Bakanlığı, Gümrük Birliği Kararı, <http://www.mfa.gov.tr/1-95-sayili-ortaklik-konseyi-karari-gumruk-birligi-karari.tr.mfa>, (Date Accessed: 21 September 2016).

48 “Serbest Ticaret Antlaşmalarına İlişkin Genel Bilgi”, *T.C. Ekonomi Bakanlığı*, pp: 2-3.

**Figure 2. Free Trade Agreements of Turkey**

**COMPLETED - ONGOING NEGOTIATIONS - ATTEMPTED FOR NEGOTIATIONS**

Europe	Middle East	Africa	Far East	Latin America	North America
EFTA(1992)	Israel (1997)	Tunisia (2005)	South Korea (2013)	Chile (2011)	
Macedonia (2000)	Palestine (2005)	Morocco (2006)	Malaysia (2015)		Mexico
Bosnia and Herzegovina (2003)	Syria(2007)*	Egypt(2007)	Singapore (Internal Approval)	Colombia	U.S.A
Albania (2008)	Jordan (2011)	Mauritius (2013)		Equator	Canada
Georgia (2008)	Lebanon (Internal Approval)	Ghana (Initial)	Japan	Peru	
Serbia (2010)		Dem. Congo	India	MERCOSUR	
Montenegro (2010)	Gulf Cooperation Council	Cameroon	Indonesia	Central America	
Moldova (2016)		The Seychelles	Vietnam		
Kosovo (Internal Approval)		Libya	Thailand		
Moldova (Internal Approval)		Algeria			
Faroe (Internal Approval)		South Africa			
Ukraine		Africa Caribbean Pacific Countries			

Signed Free Trade Agreement: 23

FTA In Force: 19

Source: Republic of Turkey Ministry of Economy, Free Trade Agreements of Turkey (Date Accessed: 02.08.2017).

## 2.2 Gains and Losses with TTIP

The TTIP negotiations have great importance in two respects. Firstly, it is the most ambitious initiative yet to establish a free trade area. Considering that EU and USA constitute almost half of world revenues (46.7%) and nearly a third (30.4%) of world trade, and that the total value of mutual investments is 3.7 trillion dollars, we can understand better what trade and investment relations between these two blocs means for the global economy.

The second important point is that both parties would gain the power to set global rules through advanced arrangements in a number of areas where no parties have previously been able to agree on within international agreements. Today, almost every country relies on the USA or the EU as their primary export market. For instance, 45.5% of Turkey's exports went to these two areas in 2012 while more than four fifths of FDI coming to Turkey is based on EU and US capital.<sup>49</sup>

Turkey is currently the sixth biggest economy in Europe and the seventeenth biggest globally. Turkey aims to increase its share of global exports to 1.5% by 2023 and rank in the top 10 global economies. To reach these targets, however, Turkey will need to make its growth sustainable.

Because TTIP rules will be considered as global norms for other countries to follow, Turkey will also need to put its trade and industry policies and production processes in line with these rules and adjust its internal regulations to match the EU and USA. Given the importance of the EU and US markets for Turkey's exports, these steps are essential for Turkey. Just as Turkey's industry was transformed by the customs union with the EU, TTIP will encourage change in broader sectors, including services and investment, and force Turkey to start a new process to be articulated with the world's economy. Moreover, being involved in a process in which global trade rules are reshaped by TTIP and TPP will encourage Turkey to follow appropriate strategies. Besides, this would increase Turkey's chances to develop stronger relationships based on mutual trust with the transatlantic world, which is critical for Turkey in terms of its relationship with the EU and to improve its regional effectiveness.<sup>50</sup>

Within this framework, TTIP provides a good opportunity for Turkey to implement reforms aimed at realizing its 2023 targets. Furthermore, Turkish trade and investment with the transatlantic bloc is curical. The EU-USA bloc constitutes 46% of Turkey's total foreign trade, 76% of FDI coming to Turkey is transatlantic while 78% of Turkey's FDI goes to the EU-USA bloc.<sup>51</sup> When

49 Sait Akman, "AB - ABD Transatlantik Ticaret ve Yatırım Ortaklığı (TTIP) ve Türkiye", *TEPAV*, p.2.

50 "Türkiye'nin TPP ve TTIP Çağında Geleceği", *TOBB Araştırma Notu*, <http://haber.tobb.org.tr/ekonomikforum/2013/10/064-069.pdf>, (Date Accessed: 23 September 2016), p. 3.

51 "Transatlantik Ticaret Anlaşması ve Türkiye", Uluslararası Stratejik Araştırmalara Kurumu USAK, 4 February 2014, <http://www.usak.org.tr/tr/usak-analizleri/yorumlar/transatlantik-ticaret-anlasmasi>

we look at the Turkish- American economic relations; we can see that the USA represent a great share for Turkish economy. According to the Turkish Statistics Institute, Turkey's exports to the USA totalled 8.65 billion US Dollars in value in 2017, while this amount was 6.62 billion Dollars in 2016 and Turkish imports totalled 11.95 billion US Dollars in 2017 while it totalled 10.86 billion dollars in 2016.<sup>52</sup> It is important to note the positive progress in Turkish exports which increased in 2017 compared to 2016 but nevertheless the most important downside for Turkey is that Turkish exports are lower than its imports which gives a constant deficit versus USA. Furthermore, Turkey's imports increased in 2017 compared to 2016; which means that Turkey needs to take considerable steps to limit its deficit with the USA; and evaluate all kind of economic cooperation in depth. The number of companies with US capital is 1796 in Turkey.

According to the Department of Commerce, U.S. Exports of Goods and Services to Turkey supported an estimated 68 thousand jobs in 2015 (latest data available) (48 thousand supported by goods exports and 20 thousand supported by services exports). Turkey was the United States' 28th largest goods export market in 2017.

According to the U.S. Department of Commerce; US goods exports to Turkey in 2017 were \$9.7 billion, up 4.1% (\$387 million) from 2016 and up 49.9% from 2007. The top export categories in 2017 were: aircraft (\$1.8 billion), iron and steel (\$1.1 billion), mineral fuels (\$979 million), machinery (\$760 million), and cotton (\$735 million).

U.S. exports of services to Turkey were an estimated \$3.1 billion in 2016 0.6% (\$18 million) less than 2015. Leading services exports from the U.S. to Turkey were in the travel, intellectual property (industrial processes), and financial services sectors.

U.S. goods imports from Turkey totaled \$9.4 billion in 2017, up 17.1% (\$1.4 billion) from 2016, and up 104.6% from 2007. The top import categories in 2017 were: vehicles (\$1.4 billion), iron and steel (\$1.0 billion), machinery (\$942 million), carpets and other textile coverings (\$478 million), and stone, plaster, cement (\$354 million).

U.S. imports of services to Turkey were an estimated \$1.9 billion in 2016 7.2% (\$146 million) less than 2015. Leading services imports from Turkey to the U.S. were in the travel, transport, and professional and management services sectors.

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ve-turkiye, (Date Accessed: 23.09.2016).

52 Türkiye İstatistik Kurumu, Dış Ticaret Endeksleri, [http://www.tuik.gov.tr/PreTablo.do?alt\\_id=1054](http://www.tuik.gov.tr/PreTablo.do?alt_id=1054), (Date Accessed: 5th October 2018).

The U.S. FDIs in Turkey (stock) was \$4.3 billion in 2017, a 10.7% increase from 2016. U.S. direct investment in Turkey is led by manufacturing, wholesale trade, and finance and insurance. Turkey's FDI in the United States (stock) was \$2.0 billion in 2017, up 18.1% from 2016.<sup>53</sup>

### **2.3 Effects of TTIP on Turkey Depending on its Involvement or Exclusion**

If Turkey does not become a party to TTIP or if an FTA is not signed between the USA and Turkey then USA exports will enter the Turkish market advantageously whereas Turkey's exports to the EU will lose their advantage.

The Turkish Central Bank published an economy note in November 2013 regarding the possible effects of TTIP on the Turkish economy. Using the Global Trade Analysis Project's (GTAP) database and the general equilibrium model, it studied the effects of various scenarios on national income within the framework of quadripartite regional consolidation consisting of the EU, USA, Turkey and other countries. The results indicate that if Turkey does not become a party to the EU-US FTA, its GDP may lose up to 4 billion dollars whereas if it becomes a party to the treaty, it can achieve an increase of about 31 billion dollars in its GDP. This study shows that Turkey's inclusion in TTIP would add 4.6% to its GDP. In addition, the report concluded that Turkey's inclusion in TTIP or a parallel FTA between Turkey and the USA would not just benefit Turkey since GDP growth in the EU and USA would be also higher than if Turkey were excluded from TTIP.

Felbermayr and Larch (2013), who analyzed (without using the GTAP model) the effects of an EU-USA FTA on the third countries, forecasted a welfare increase of between 2.6% and 9.7% in EU countries and 13.4% in the USA. However, these figures are rather higher than other analyses in the literature. Felbermayr and Larch (2013) also examined the effects of this partnership on third countries excluded from the FTA, predicting a welfare loss of 3.75% for Switzerland, 9.48% for Canada, 7.24% for Mexico and 2.5% for Turkey.<sup>54</sup> This is a good example of the fact that free trade increases national income in all countries included in the FTA and supports the claim that free trade increases prosperity.

Also according to a research prepared by Ecorys on March 2017 for the European Commission; an open TTIP would make a positive difference for developing countries. Turkey and OECD countries are estimated to see their GDP grow by 0.1 percent, and ASEAN countries by 0.5 percent. As for trade, the largest gains in exports can be found in Turkey (2%), ASEAN countries (1.3%), and in OECD countries (1.2%). The largest increase in imports are

<sup>53</sup> Office of the United States Trade Representative, <https://ustr.gov/countries-regions/europe-middle-east/europe/turkey>, (Date Accessed 5 October 2018).

<sup>54</sup> Didem Güneş, Merve Mavuş and Arif Oduncu, "AB-ABD Serbest Ticaret Anlaşması ve Türkiye Üzerine Etkileri", *T.C. Merkez Bankası*, p. 3.

expected to be found in ASEAN countries, China, and Turkey, where imports will increase by 2.0, 1.6, and 1.4 % respectively<sup>55</sup>.

### **Customs Union Revision between Turkey and the European Union**

Turkey and the EU are linked by a Customs Union agreement, which came into force on 31 December 1995.

An Association Agreement was signed between the EEC and Turkey in 1963 (the Ankara Agreement), whereby the parties agreed to create a Customs Union (CU). An Additional Protocol was signed in November 1970 setting out a timetable for the abolition of tariffs and quotas on goods circulating between the parties. The final phase of the CU was established on 1 January 1996 through the EU-Turkey Association Council Decision 1/95, currently in application. After 20 years, the framework of bilateral trade relations has become outdated: it is limited to industrial and certain processed agricultural products, with complementary alignment on some economic legislation and ad hoc preferential concessions on certain agricultural products. The EU delivered a road map in 2015 and recommended that trade relations and the Customs Union between Turkey and the EU should cover services, public procurement, further liberalisation in agricultural products, and the modernisation of the Customs Union Agreement. Investment protection is not covered, whereas establishment will be covered under the services area<sup>56</sup>.

According to the analysis of the World Bank, “Evaluation of the EU-Turkey Customs Union” (of 28 March 2014), The value of bilateral trade between Turkey and the EU increased more than fourfold since 1996 with the CU, and reached some 140 billion Euros per year. Turkey is the EU’s 6th biggest trading partner and accounts for nearly 4% of its total trade, while Europe accounts for nearly 40% of Turkey’s total trade and thus is the most important trade partner for Turkey. Three fourths of FDI inflows to Turkey originate in the EU, mainly greenfield and services investments.

### **Customs Union and TTIP: Possible Effect on Turkey**

The Customs Union between Turkey and the EU is very important for Turkey in terms of:

- Accession to the European production chains,
- Increase in competitive force and productivity,

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55 SIA in Support of the Negotiations on a Transatlantic Trade and Investment Partnership (TTIP), *Ecorys for the European Commission*, March 2017, p.9.

56 Enhancement of EU-Turkey Bilateral Trade Relations and Modernisation of the EU-Turkey Customs Union, European Commission Road Map, [http://ec.europa.eu/smart-regulation/roadmaps/docs/2015\\_trade\\_035\\_turkey\\_en.pdf](http://ec.europa.eu/smart-regulation/roadmaps/docs/2015_trade_035_turkey_en.pdf), August 2015, (Date Accessed: 5 October 2018)

- Harmonisation in production standards, competitiveness, intellectual property and consumer rights
- Increase in international investments.

The Modernised Customs Union would provide<sup>57</sup>:

- access to the EU internal market,
- common decision making mechanisms,
- Settlement of disputes,
- Harmonisation with the EU legislation,
- Be part of the FTAs signed by the EU,
- Support for structural reforms and
- Increase in direct capital flows.

According to the Ecorys research; the potential effect of TTIP on Turkey is positive but limited in terms of GDP, national income and wages (0.1%). Turkey's total exports and imports are expected to increase by 2 and 1.4% respectively. The impact on Turkey's trade with the US in particular is worth highlighting. However, because of Turkey's customs union with the EU, it is obliged to adjust its tariffs in line with any changes to the EU's common external tariff. Tariffs on US exports to Turkey would therefore be eliminated or reduced under TTIP in parallel to the EU's. However, Turkey would not have the same access to the US, since it is not a party to TTIP and does not have any separate trade agreement with the US. In this prospect; Turkey's bilateral imports from the US surge by 23.7 %, while Turkish exports to the US go up by only 1.3%.<sup>58</sup>

According to the European Commission impact assesment, the revised Customs Union would provide an increase of 1.44% for Turkish real GDP and also an increase of 5 billion Euros in its exports. . For Turkey economic welfare would increase by EUR 12.5 billion<sup>59</sup>.

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57 Doç. Dr. Çiğdem Nas, İktisadi Kalkınma Vakfı, **Türkiye-AB Gümrük Birliği'nin Güncellenmesi** Toplantısı, 28 Mart 2017, İzmir Ticaret Odası.

58 SIA in Support of the Negotiations on a Transatlantic Trade and Investment Partnership (TTIP), *Ecorys for the European Commission*, March 2017, p.10.

59 Impact Assessment, *European Commission*, 21.12.2016, Brussels, p. 29.

According to the impact analysis of the Turkish Ministry of Trade <sup>60</sup>(former Ministry of Economy):

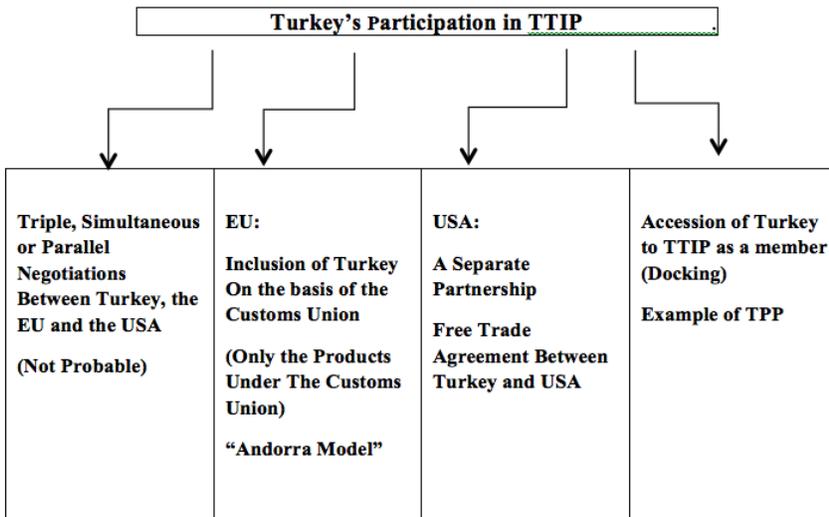
- GDP would increase by 1.90%,
- Exports to the EU would increase by 24.4% (by +15% to the world)
- Imports from the EU would increase by 23.92% (+13 from the world)

In conclusion, although some studies estimate that acceding to TTIP will increase Turkey's GNP around 1.4% or 1.9%, due to several unquantifiable variables, such as investments, technical barriers to trade and the strategies of competing countries, it seems impossible for static or dynamic analyses to calculate mathematically the effect of the agreement.<sup>61</sup>

### 2.4 Alternative Scenarios towards Turkey's Participation in TTIP

So far, there have been different suggestions about how Turkey could be included in TTIP. The figure below shows four possible scenarios.

**Figure 3.** Alternatives Scenarios for Turkey's Participation in TTIP



Source: Sait Akman, "Transatlantik Ticaret ve Yatırım Ortaklığı (TTIP): Türkiye'nin Katılımı Açısından Bir Değerlendirme" *Tepav Değerlendirme Notu*, January 2014, p. 6.

60 T.C. Ticaret Bakanlığı, Gümrük Birliği'nin Güncellenmesi ve Brexit sonrası Birleşik Krallık ile Ticari İlişkilerimizin Şekillendirilmesi Toplantısı, 19 Eylül 2018, Ankara.

61 "Transatlantik Ticaret ve Yatırım Ortaklığı'nın (TTIP) Türkiye'deki KOBİ'lere Etkisi ve Politika Önerileri", *Türk Girişim ve İş Dünyası Konfederasyonu (Türkonfed)*, February 2016, p. 17.

### **First Alternative:**

In this first scenario, Turkey's simultaneous participation in the negotiations between the EU and the USA aims to ensure that the mutual rights and obligations of the EU and the USA apply equally to Turkey. However, neither the EU nor the USA have attempted anything in this direction for Turkey.

### **Second Alternative:**

From the perspective of the EC negotiating on behalf of Turkey, the EU could request the start of negotiations on behalf of Turkey for topics that are not included in the Customs Union, such as agriculture and services. However, it is debatable how much the EU would defend Turkey's interests in the sectors covered by the Customs Union. This approach is more based on the principle that Turkey would benefit in same way as the EU from the market-entry compromises that the EU will gain from the USA (such as the reduction of tariffs or the removal of barriers).

In this scenario, when the EU signs an FTA with any third country, the EU will ask the USA to at least remove obstructions like customs tariffs for Turkey, given the Customs Union between Turkey and the EU. In this alternative, called the "Andorra model",<sup>62</sup> the EU is expected to ensure a provision providing the same rights within the CU so Turkey can benefit automatically from the same rights. However it is unlikely that EU officials will insist on such a provision on behalf of Turkey. Moreover, as the context of the CU is narrow and as there is uncertainty regarding the topics covered or uncovered by the CU, this approach seems difficult to implement.<sup>63</sup>

### **Third Alternative:**

In this approach, the EU will invite the USA to launch negotiations simultaneously with Turkey. During this process, Turkey's exports that freely circulate in the EU will benefit from EU-US co-operation by entering the US market exempt from customs tariffs, etc. This will continue until the USA and Turkey complete their own FTA, which will prevent Turkey from facing higher customs tariffs than EU countries in the US market. This scenario would only apply to industrial products covered by the Customs Union. Unfortunately, however, no progress has been made towards this alternative.

### **Fourth Alternative:**

The final perspective envisages Turkey's accession to TTIP after negotiations between the EU and the USA are completed. However, it seems illogical for

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<sup>62</sup> The EU had a similar request for Andorra in its previous FTAs considering their Customs Union with Andorra.

<sup>63</sup> Sait Akman, "AB - ABD Transatlantik Ticaret ve Yatırım Ortaklığı (TTIP) ve Türkiye", *TEPAV*, June 2013, p. 6.

Turkey to wait for many more years while incurring losses, given that negotiations are expected to last many years and the treaty will require broad legislative alignment. In this scenario, Turkey could somehow be included into the negotiations after a time (docking), as in the Trans-Pacific Partnership process.<sup>64</sup> This scenario would of course require provisions allowing TTIP to accept the accession of other countries, and both the EU and the USA would need to approve these accessions through their internal processes.

Considering the four alternatives, the most feasible method currently available seems to be for Turkey to initiate FTA negotiations independently with the USA. The following section outlines Turkey's efforts so far in this regard.

## **2.5 Turkey's Efforts with the EU and USA to Become Involved in TTIP**

Immediately following the decision to start TTIP negotiations, Turkey's requests to conclude an FTA parallel to TTIP was considered at the top level by February 2013. In May 2013, at the Erdogan-Obama meeting, it was decided to establish a High Level Committee between the Parties. In September 2013, the High Level Committee held its first meeting at the level of ministries. The High Level Committee, considering the possible effects of TTIP on Turkey's economy within the Customs Union between Turkey and the EU, aims to deepen relations and liberalise trade.

Turkey's approach to TTIP is to initiate parallel negotiations to establish an FTA between Turkey and the USA. Turkey is in a different position from countries like Mexico, Canada and Switzerland, who also want to join TTIP, because of its Customs Union with the EU.<sup>65</sup> Unfortunately, as stated above, the talks of the High Level Committee revealed that the USA is not very willing to launch an FTA. On the other hand, Turkey has taken some initiatives with the EU regarding its involvement in TTIP.

Within the framework of Turkey's negotiations and initiatives in this regard, at the meeting held in Istanbul on September 16<sup>th</sup> 2015, hosted by the Economic Development Foundation and Foreign Economic Relations in Istanbul, Gianni Pittella, leader of the second biggest group at the European Parliament, Socialists and Democrats (S&D), said that they planned to produce an intermediate formula for Turkey to be an actor in the ongoing TTIP negotiations and recommended working together towards a solution.

Bernd Lange, President of the International Trade Committee of the European Parliament, stated to the Parliament press office on September 16<sup>th</sup> 2016 that the profits of third countries affected by TTIP, such as Turkey and Mexico,

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64 "Docking" was first used by Prof. Dr. Kemal Kirişçi, senior researcher at the Brookings Institute TÜSİAD.

65 "T.C. Ekonomi Bakanlığı, AB-ABD Transatlantik Ticaret ve Yatırım Ortaklığı (TTIP) Müzakereleri ve Türkiye", *T.C. Ekonomi Bakanlığı*, 2014. p. 4.

should be taken into account by TTIP and these countries should be included into the negotiations. First, he stated that full transparency is necessary to overcome public anxieties and that the work done so far should be revised. He also emphasized that the parties have already found that they cannot agree on some sectors like chemistry and that they should deal with the most controversial issues like ISDS.

## **2.6 Working Recommendations for Turkey to Implement Under TTIP**

- It is unlikely that Turkey will be directly involved in the coming stages of the negotiations. Therefore, instead of focusing on this issue, the academic, political, civil society and business worlds must explain the economic, social, political and geopolitical consequences of Turkey's continued inclusion in the treaty through docking. In order to be included within the next few years through docking, the necessary activities must be initiated immediately by both political party and NGO platforms.<sup>66</sup>

- None of the four alternative scenarios seem easy to realize. Impact analyses and deep analyses on sectorial basis should be carried out depending on whether Turkey becomes a party to TTIP or not, or signs a FTA with the USA or not. In any case, the road map of Turkey's economy should be determined. This would mean Turkey has concrete outputs at hand that may be more convincing in its negotiations with the USA and the EU. Moreover, a precautionary package would be ready if Turkey was excluded from TTIP.

- Another option to strengthen Turkey's hand is to have already started the necessary reforms on the negotiations between the USA and the EU. For example, reforms would be needed to strengthen intellectual property rights, upgrade workforce qualifications, implement reforms in finance and services, improve the bureaucracy's functioning and increase transparency in government.

- The physical, legal, financial and institutional infrastructure of Turkey should also be ready ahead of possible TTIP membership.

- Turkey should follow TTIP negotiations closely and make necessary preparations for all technical regulations, commercial codes and standards. Turkey should pursue necessary economic reforms by following the negotiations because, as in the early 2000s, Turkey has strengthened its economy globally through the economic and financial reforms it has pursued during the accession negotiations with the EU.<sup>67</sup>

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<sup>66</sup> "Transatlantik Ticaret ve Yatırım Ortaklığı'nın (TTIP) Türkiye'deki KOBİ'lere Etkisi ve Politika Önerileri", *Türk Girişim ve İş Dünyası Konfederasyonu (Türkonfed)*, p. 19.

<sup>67</sup> Kemal Kirişçi, "TTIP's Enlargement and the Case of Turkey", İstanbul Politikalar Merkezi, January 2015, p. 12.

- Turkey should continue its attempts to negotiate an FTA with the USA. In particular, it has to prioritize this field in its initial contacts with the new US administration since November 8<sup>th</sup> 2016.
- Apart from monitoring the USA-EU negotiations, Turkey should also examine how the USA has negotiated agreements with other countries like South Korea. The Turkish government should be active and carry out effective lobbying activities with the EU, the US administration and the US congress and senate.
- In order for Turkey's export sector to emerge from the TTIP process without damage, Turkish SMEs, particularly in the micro and small sectors, need as much financial support as possible in structurally adapting to the effects of TTIPs. In addition, institutional and infrastructural changes are necessary to increase SME competitiveness, which requires comprehensive research.<sup>68</sup>
- Turkey can use TTIP as a tool to revive and strengthen its transatlantic relations.<sup>69</sup>
- Turkey can also work jointly with other countries who are likely to suffer from TTIP, such as Canada, Mexico, Norway and Sweden, to make TTIP open to enlargement. Turkey is more likely to receive support as part of a group instead of acting alone.<sup>70</sup>

## CONCLUSION

The EU's goal of creating a free market, which started with its Customs Union, became one of the most important examples of economic integration. The Customs Union was completed for member states in 1968 and, by the end of 1992, the common market was completed with the free circulation of goods, labor, services and capital. As a requirement of the Customs Union and the Common Commercial Policy, member states transferred their powers of sovereignty, such as customs tariffs, taxes, non-tariff barriers and quotas, to EU thereby establishing the Common Customs Tariff.

Since the creation of a single EU market and the abolition of the most restrictive obstacles to internal trade, intra-EU trade has expanded to make the EU the world's largest political and trading community. The EU is one of the largest and most dynamic markets in the world, with 28 member states, a population of 508.2 million and a per capita gross domestic product of 30,240

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68 "Transatlantik Ticaret ve Yatırım Ortaklığı'nın (TTIP) Türkiye'deki KOBİ'lere Etkisi ve Politika Önerileri", *Türk Girişim ve İş Dünyası Konfederasyonu Türkonfed*, p. 20.

69 Anna Mazzone, "Erdogan's Eyes on TTIP", *The European Post*, 20 February 2015, <http://europeanpost.co/erdogans-eyes-on-ttip/>, (Date Accessed: 3 September 2016).

70 Kemal Kirişçi, "TTIP's Enlargement and the Case of Turkey", *İstanbul Politikalar Merkezi*, p. 12.

dollars. It is the world's largest trade bloc, constituting almost a fifth of global trade despite having only 7% of the world's population. It is the world's largest exporter and second largest importer of commercial products and the world's leading exporter and importer of commercial services. Since WTO negotiations stagnated, bilateral trade agreements have become more important for the EU.

This study analyzed TTIP as an important FTA among the EU's trade tools. It focused on the process of the negotiations and the deadlock that occurred, the reasons for people's concerns, the most controversial aspects of TTIP, and the opinions and stances of member states. The opinions and statements from EU member state officials, and public protests against TTIP reveal that the EU faces convergence problems in this area. In this respect, we can say that the EU is having difficulties in moving forward in its European integration process, especially after the global economic crisis in 2008 that exposed some EU countries' indebtedness, the growing support of European people for increasingly extreme right-wing tendencies and policies, Brexit and TTIP protests. To escape this deadlock, the EU will need to accelerate integration to shape its own future while, most importantly, convincing all EU member states.

In order for TTIP negotiations to be successful and for member states to adopt and support the work carried out so far on TTIP, all relevant parties and institutions, media and NGOs, especially at the European Parliament and the European Commission, need to make intensive efforts. This should aim to ensure that EU standards in health, consumer protection, environment and hygiene are not reduced by TTIP. In particular, corrective and remedial actions are needed to address the reasons behind public concerns and at all relevant parties and institutional levels.

TTIP negotiations brought many concerns for Turkey too. Firstly, as discussed here, whenever the EU negotiates FTAs with other countries, Turkey has to follow its lead. Therefore, if Turkey is not included in TTIP or if a FTA is not signed between the USA and Turkey, then US products will advantageously enter the Turkish market while Turkey's products in the EU will lose their advantage. Economic forecasts regarding TTIP's effects on Turkey vary and even though gains or losses from TTIP cannot be calculated exactly, it is evident that Turkey urgently needs to independently negotiate an FTA with the USA in order to avoid future losses.

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(Footnotes)

1 A country quorum: For an ECI to be successful, a minimum number of signatures (“country quorum”) has to be gathered in at least seven EU Member States. The EU defines this minimum number of signatures in its ECI rules according to the number of MEPs a country has in the European Parliament (which is an approximation to the size of its population).

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