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European Regional Integration and its Partnership with Türkiye: An Assessment of the Specific Customs Union

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ABSTRACT

International economic integrations, especially after the end of World War II, result from the long-term goals of establishing political unity based on countries' orientation towards their common economic interests. Customs unions, in which states abolish tariffs among themselves and apply common tariffs to third countries, are the next advanced stage of international integration after free trade zones. While customs unions eliminate tariffs and related taxes in trade within their jurisdiction, they also establish a common external tariff. This entails some asymmetrical disadvantages for the countries within the Union. A new step by Türkiye in its efforts to integrate with the West was its application to join the EEC in 1959. The Customs Union, defined by the Ankara Agreement signed in 1963, came into effect in 1996 as a result of the agreement made at the meeting of the Association Council of 6 March 1995 adopted "Customs Union Decision." The aim of this study is to examine the bilateral trade impact of the Customs Union between Türkiye and the EU. H1: Which fields should be included in the customs union between Türkiye and the EU? H2: How will the inclusion of trade in digital goods and services in the Customs Union affect EU-Türkiye trade? The results from the analysis covering the years of 1996-2021 showed that the Customs Union has had a positive but limited effect for the trade between EU-Türkiye. The customs union needs to be updated taking into account public procurement, agriculture and digital services.

Keywords: European Union, Türkiye, Economic Integration, Customs Union
JEL Classifications: N94, N44, F15, F13

1. INTRODUCTION

International trade allows countries to specialize in the production of certain goods and services, which can then be exchanged for goods and services produced in other countries. This specialization increases efficiency and allows countries to benefit from economies of scale. It also allows countries to access goods and services that may not be available domestically. The most important institutional structures that emerged after the Second World War were the International Monetary Fund (IMF), the World Bank, the General Agreement on Tariffs and Trade (GATT), and the World Trade Organization (WTO). These organizations were created to facilitate international trade and promote economic growth. The IMF and the World Bank provided financial assistance to countries in need, while GATT and the WTO provided a framework for international trade negotiations.

The Zollverein, founded in 1833, was a customs union between the German states. It allowed for the free movement of goods and services. It also established a common tariff system and abolished internal customs duties. This allowed for the development of a unified German market, which encouraged the growth of industrial production and the development of a strong German economy. The German Customs Union was then replaced by the Zollverein in 1867.

The IMF and World Bank were created to help rebuild the global economy after World War II. They provided loans to countries to help them rebuild their economies and stabilize their currencies. The GATT was created to reduce tariffs and other trade barriers, and to promote free trade among countries. It was designed to help countries increase their exports and create jobs. GATT also disclosed principles applicable to international trade, including regionalization under the concepts of free trade agreements and customs unions, in accordance with Article 24.[1] All of which bring the countries primarily economic and then political rapprochement in the international integration process. The GATT was replaced by the World Trade Organization (WTO) in 1995. The WTO is the only international organization that is responsible for the negotiation and enforcement of international trade agreements. It deals with the implementation and monitoring of the agreements reached by its members.

In the aftermath of World War II, in the world stuck between the two poles, regional alliances began to form, emerging as a step in the transition from national politics to regional politics, aimed at regional economic integration. In this context, The GATT agreement is a multilateral agreement that has been in effect since 1948. It is a set of rules and regulations that govern international trade. The agreement is based on the principle of non-discrimination, which means that all countries must be treated equally. The agreement also sets out rules for the reduction of tariffs, the elimination of quantitative restrictions, and the prevention of dumping. The agreement also provides for the establishment of dispute settlement mechanisms to resolve trade disputes. (Parasız and Ekren, 2013:87-88).

Protectionist-oriented policies can be implemented in a variety of ways, such as tariffs, quotas, and subsidies. Tariffs are taxes imposed on imported goods, while quotas are limits on the amount of a certain good that can be imported. Subsidies are payments made to domestic producers to help them compete with foreign producers. These policies can help protect domestic industries from foreign competition, but they can also lead to higher prices for consumers and reduced competition in the domestic market.

With the exception of tariffs, which are competitive, open-ended and traditional safeguards, all quota-type safeguards that create a monopoly position in the market are prohibited under the GATT. This is because the members of a regional economic cooperation structure are allowed to discriminate against non-members in terms of tariffs and other trade barriers. This means that the members of the regional economic cooperation structure are able to benefit from preferential access to each other's markets, while non-members are excluded from these benefits. This violates the GATT principle of non-discrimination, as it allows for preferential treatment of certain countries over others. Customs duties would need to be paid on imported goods and should be flexible below. Their use should disappear in the long term. However, applications such as quota and amount restrictions for countries with excessive balance of payments deficits are exceptional cases (Karagül, 2014:100-103). The removal of customs duties and other non-tariff barriers to the import of goods and services can lead to increased competition in the domestic market, which can lead to lower prices for consumers. This can also lead to increased efficiency in production, as firms are able to access cheaper inputs from abroad. Furthermore, it can lead to increased economic growth, as firms are able to access new markets and increase their exports.

The WTO also works to reduce trade barriers, promote fair competition, and ensure that countries abide by their commitments to free trade. The WTO also works to resolve disputes between countries and to provide a forum for negotiations on trade-related issues. The WTO also provides technical assistance to developing countries to help them become more competitive in the global market. The trade liberalization that began at this time promotes the non-discriminatory dismantling of trade barriers in the form of a mutual and gradual dismantling of tariffs, which is a traditional instrument of international trade policy at the global level. Regional preferential trade, on the other hand, includes regulations on foreign trade by group members in-house and with third countries (Carbaugh, 2019:277).

However, non-tariff barriers, which have emerged as part of the new approach to protectionism since the 1970s, are not as obvious as tariffs. They also involve many different types of hidden practices. Non-tariff barriers to trade include import quotas, voluntary export restrictions, technical administrative regulations and other regulations required by health, safety and environmental regulations, international cartels, dumping, export subsidies (Salvatore, 2013:257-269).

The EU is today a unique economic and political partnership between its member states, which are committed to working together to promote economic growth, social progress and international cooperation. The EU has its own currency, the euro, and its own set of laws and regulations. It also has its own institutions, such as the European Commission, the European Parliament and the European Council. The EU is a major player in international trade and has a strong influence on global affairs.

The dream of a genuine common market requires more than just the removal of trade barriers and exchange rate stability. It requires the harmonization of regulations and standards across the European Union (EU), the adoption of common policies on taxation, competition, and labor, and the development of a common currency. These measures are necessary to ensure that the EU is a true single market, with goods, services, and capital flowing freely across borders.

At the Luxembourg summit, the EU decided to open negotiations with Türkiye on the establishment of a customs union, but also set out a number of conditions that Türkiye had to meet before the negotiations could begin. These conditions included the adoption of a number of economic and political reforms, as

1 Article 24 of the GATT agreement Countries need two conditions for regional integration, namely either incorporation into a customs union, i. H. any territory where a substantial part of trade with other countries outside the Union is subject to separate tariffs or other trade arrangements, or is included in free trade zones where taxes and other regulations preventing trade are eliminated between the contracting parties. c.f. GATT Article XXIV, https://www.wto.org/english/docs_e/legal_e/gatt47.pdf, p.41.

well as the implementation of the acquis communautaire[2], the body of EU law.

At the Helsinki summit in 1999, Türkiye was declared a candidate for EU membership. When it was then decided at the Luxembourg summit in 2004 to start accession negotiations with Türkiye on October 3, 2005, Türkiye's hopes of membership were revived. The fact that Türkiye was able to start negotiations in 2005 also makes the effect of the customs union that began 10 years ago questionable. Furthermore, the agreements made by Türkiye after the Helsinki summit in 1999, especially with regard to compliance with the Copenhagen functioning market economy criteria are also having a great effect, since the main criteria for candidacy and membership in the EU have been the Copenhagen criteria since 1993. After the Cold War, no country that was a member of the EU tended to establish a customs union before membership, and countries only tried to meet the Copenhagen criteria.

2. REGIONAL ALLIANCE TYPES IN THE PROCESS OF ECONOMIC INTEGRATION

Regionalization, which emerged when two or more countries agreed to remove or eliminate customs tariffs and non-tariff barriers among themselves, contains a reality contrary to the nature of global free trade in line with the regional economic integration preference. Although it is claimed that globalization will eventually be achieved due to global trade, which is further strengthened as a result of the countries' decision to remove customs tariffs and non-tariff barriers in the Kennedy, Tokyo and Uruguay session meetings, regionalization is the most favored country and country in Articles 1 and 2 of the GATT. it is clear that it violates the principles of non-discrimination (Kücükahmetoğlu, 2000:12-13).

Countries may want to create an integrated market without international trade barriers by forming economic coalitions. The common market to be established is a market in which the movement of people, goods and capital is not restricted, economic policies are combined or at least compatible with one another and part of national sovereignty is transferred to supranational institutions. Countries will aim to gain international advantages by making national concessions in cross-border trade in goods and services within the market at each stage of integration (Hartog, 1953:165). Economic integrations, which oblige countries to treat their trading partners differently, determine the degree of loss of control in the economies of countries at certain levels (Appleyard et al., 2010:393).

There are five basic steps that show the degree of liberalization of goods, services and factors of production such as labor (human) and capital within the regional alliance. These stages are Free Trade Agreement, Customs Union, Internal Market, Monetary Union and Political Union. The transitions between levels depend on the extent to which physical barriers (borders), technical barriers (norms, regulations, license conditions, etc.) and financial barriers (taxes, fees) are removed within the alliance.

A free trade agreement includes measures to eliminate tariff and quota barriers for the exchange of goods and to ensure the free movement of goods. Members of the free trade agreements that have come into force do not have to have a common foreign trade tariff. Therefore, free trade agreements are the closest level of integration, in which the countries involved only maintain their foreign trade relations with each other and retain the same tariffs as with third countries (Feenstra and Taylor, 2016:547). This allows for the free flow of goods and services between the countries, and can lead to increased economic growth and development.

Customs unions are the second step in the liberalization process. It involves three basic criteria as the removal of all tariffs and other trade barriers between the countries in the alliance, the adoption of an a common external customs tariff to imports from third countries and the sharing of tariff revenues among members according to an agreed formula (Viner, 2014:4).

The free movement of production factors is beneficial for the countries participating in the common market, which is the third step in the integration process. It allows them to benefit from the advantages of economies of scale and the specialization. This means that the countries can produce goods and services more efficiently and at a lower cost, thus increasing their competitiveness in the global market. Furthermore, the free movement of production factors also encourages the development of new technologies and the transfer of knowledge between countries, which can lead to further economic growth.

Monetary unions are based on the harmonization of macroeconomic policies and allow freedom of money, capital and commercial mobility through the right of establishment. They can extend to the use of the common currency. The most successful example of a monetary union is the European Monetary Union (EMU), which was established in 1999. The EMU has been successful in promoting economic stability and growth throughout Europe. Since its inception, the euro has become one of the world's most important currencies, and its value has been relatively stable. The EMU also has helped to lower borrowing costs and increase investment in European countries. As a result, the EMU has been credited with contributing to increased economic growth and job creation throughout the region.

Political unions as the most advanced stage of international integration are a type of international organization that involves the integration of two or more countries in terms of their political

2 The acquis communautaire is a set of laws, directives and decisions adopted by the European institutions (European Commission, European Council, European Parliament, etc.) since the Treaty of Rome in 1957. The acquis communautaire includes all policies and rules common to the Member States of the European Union, and is considered to be one of the main elements of European construction. The acquis communautaire extends to many areas such as legislation on health, food safety, environmental protection, trade, competition and business law. The European institutions are responsible for implementing the acquis communautaire and ensuring that Member States respect the rules and standards. The acquis communautaire is also a huge body of law and policy and the negotiations between the candidate country and the European Union are focused on specific areas of the acquis. The candidate country must fully adopt all the rules and regulations of the acquis communautaire in order to join the European Union.

systems, laws, and policies. This type of integration is often seen as a way to promote peace and stability between countries, as well as to increase economic cooperation and development. Political unions are typically formed through treaties and agreements between countries, and they often involve the sharing of resources, the harmonization of laws and regulations, and the establishment of common institutions.

3. EUROPE AS ECONOMIC INTEGRATION AND ITS TRADE POLICY

McCormick (2002:12-13) has divided the reasons that lead states to form alliances into four groups: the need to unite by force, to share common values and goals, the need to create a common defense mechanism against external threats, and the possibility of uniting to increase their level of welfare faster by supporting peace. According to this classification alliances are often done to protect a state's sovereignty and to prevent other states from taking advantage of it. This is especially true in cases where a state is weaker than its neighbors and is unable to protect itself from external threats. Considering that a positive approach was taken to removing the devastating effects of the Second World War and creating regional cooperation among European countries in the restructuring process, it becomes apparent that the fourth of the reasons given by McCormick (2002) comes to the fore.

The Schuman Declaration envisaged the unification of the coal and steel industries that formed the basis of industry in Germany and France, which fought three wars between 1870 and 1945. It proposed the creation of a common coal and steel fund and hence a single market. Cooperation in the coal and steel industries will lead to the destruction of the cartels and the creation of a more competitive structure. The Paris Agreement, signed on April 18, 1951 between France, West Germany, Italy, Belgium, the Netherlands and Luxembourg, provided for the creation of the European Coal and Steel Community (ECSC), the first organization founded on supranational principles. ECSC is the first step towards the reality of the idea of 'European Integration', which was seen as a way to create a more unified Europe and to prevent future wars.

The Rome Convention, signed on March 25 between the six countries above, was the first step towards the creation of the European Economic Community (EEC). It was a major milestone in the process of European integration, as it laid the foundations for the establishment of the European Single Market. The Convention established the four freedoms of movement of goods, services, capital and people, as well as the principle of mutual recognition of qualifications and standards. Member states of the European Economic Community aimed at creating the customs union, freedom of establishment for companies, free labor, ensuring the movement of capital within the Union and harmonizing economic policies to a certain extent. It also set up the European Social Fund and the European Investment Bank, which provided financial support for the development of the Union (Giersch, 1957:602).

Article 12 of the Agreement seeks to ensure that Member States do not introduce any new customs duties or charges that would have an equivalent effect on imports or exports between them. This is intended to promote free trade between Member States and ensure that goods and services can move freely between them without any additional costs or restrictions. The Agreement also seeks to prevent Member States from increasing existing customs duties or charges in their mutual commercial relations. This is intended to ensure that the cost of trading between Member States remains stable (Rome, 1957).

The gradual abolition of restrictions on international trade and tariffs is a key part of the common commercial policy of the European Community as underlined in Article 110 of the Treaty of Rome establishing the European Community. This policy seeks to create a tariff union, promote economic activity, and foster sustainable and non-inflationary growth. It also seeks to strengthen social cohesion and solidarity between Member States by tackling problems. This is done by reducing tariffs and other trade barriers, which helps to create a more level playing field for businesses and consumers in the European Union (Vertrag zur Gründung der EWG, 1957:57-58).

The Treaties of Rome revealed the need to expand internal and external trade volumes through market integration. The economic understanding at the birth of the European Economic Community is that countries inherently favor each other and that they should not impose further tariffs and taxes on each other. While the removal of tariffs and corresponding barriers will expand intra-European trade, the contribution to common European foreign trade will only depend on the application of a common external tariff. The 1957 Common External Tariff was calculated as the average of the external tariffs of the six founding countries of the EEC. The Treaties of Rome also established the European Commission, which was responsible for the implementation of the common external tariff. The Commission was also responsible for the negotiation of trade agreements with non-EEC countries.

The supranational decision-making mechanism of the EEC was damaged by the frequent use of the veto rights granted to the member states in the Luxemburg Agreement. With the EU's decisions on the right to free movement, the European Court of Justice, established in 1952 and is the highest court in the European Union, was seen as an institution that ensured the continuation of European integration, particularly during the political recession of the 1960s and 1970s (Cuyvers, 2017:29). The Court held that the principle of mutual recognition should be applied to the free movement of goods within the European Union. This means that a product legally produced and marketed in one Member State should be accepted in another Member State, even if the product does not meet the requirements of the latter. The Court also held that the Member States must accept the product if it meets the requirements of the country of origin. The conclusion of Cassis-de-Dijon judgment in 1979 has been a cornerstone of the court's decisions.

Removing European trade barriers and reviving trade alone should never be seen as sufficient for the dream of a genuine common market. While exchange rate stability has been seen as a prerequisite for trade expansion, exchange rates have remained fairly stable in Europe and elsewhere since 1944, thanks to the Bretton Woods system, with trade liberalization leading to rapid expansion of trade in Europe. However, with the collapse of the Bretton Woods system in 1973, floating exchange rates were introduced, prompting EC governments to seek monetary integration efforts. At this time, the Werner Report, completed in 1970, proposed a three-stage approach to monetary union, eventually leading to irreversible fixed exchange rates and a system of EC central banks (Prodi, 2004:8) The European Union has since taken steps to create a single market, including the introduction of the euro in 1999. This has been accompanied by the removal of trade barriers, the harmonization of laws and regulations, and the adoption of common standards. The European Commission has also sought to promote competition and reduce state aid, while the European Central Bank has sought to ensure price stability.

The European Economic Community has been a customs union since July 1, 1968, when a common external tariff was introduced. This means that by adopting a common customs tariff, an attempt was made to remove barriers to intra-Community trade in goods and services. In this customs union, free trade in industrial goods and the setting of a common price for agricultural products are essential. Restrictions on the free movement of labor and capital were removed by 1970 (Salvatore, 2013:309). The legal basis of the EU is the intention to enter the common market within 12 years, as stipulated in the Treaties of Rome, and for this internal tariffs should first be reduced by 25% and then by 50%. In the 1970s and 1980s, member states enacted new national laws to protect the environment and consumers when trading goods under competitive conditions, while trade in services faced obstacles due to the need for safety and qualification certificates (Clemens et.al., 2008:146-265).Standardization and unification of documents to be presented to customs administrations to prevent the movement of prohibited products that endanger human, plant and animal health across national borders, saving costs and time (McCormick, 2002:68).

It can be said that European economies suffered from a shortage of labor and capital due to the different protectionist and anti-trade policies implemented by EEC members in the 1980s. The international position of the EEC should also be assessed in terms of global developments and interactions with international organizations. The EEC aims to implement policies that accelerate the flow of capital, reap the benefits of the globalization process and increase economic stability, price stability and productivity gains, increase employment levels, increase income, increase the marginal efficiency of capital, and increase investment in foreign countries the union region. This process should be assessed alongside the roles of the World Bank, the Organization for Economic Co-operation and Development (OECD), the World Trade Organization (WTO) and the International Monetary Fund (IMF) that emerged in the post-WWII restructuring process. The General Agreement on Trade in Services (GATS) and the North American Free Trade Agreement are also among the agreements on the regional development of international trade (Elmas, 2001:27).

The Single European Act (SEA) was the first major revision of the Treaty of Rome, which had established the European Economic Community (EEC) in 1957. The SEA aimed to create a single market within the EEC by eliminating barriers to the free movement of goods, services, capital, and people. It also provided for the harmonization of laws and regulations across the member states. The SEA also established the European Union (EU) as a legal entity, allowing it to act as a single entity in international negotiations.

The purpose of Article 8a of the SEA is to ensure the free movement of goods, persons, services, and capital within the European Union. This article establishes the internal market, which is an area without internal frontiers, and ensures that the free movement of goods, persons, services, and capital is allowed in accordance with the provisions of the Treaty. This article also provides that the internal market is open to all Member States, and that all Member States are treated equally (Official Journal of the European Communities, 1987: Nr. L 169/7).

In this context, it can be said that the main purpose of the Single European Act with regard to international trade was to eliminate by the end of 1992 the non-tariff barriers that impeded free trade. Non-tariff barriers can be physical barriers in the form of customs and border controls that restrict the free movement of goods and services by individuals, or financial barriers in the form of indirect taxes that distort competition and trade, as well as technical barriers based on the existence of different technical regulations and standards between Member States (McCormick, 2002:168-172). The regulations on the free movement of production factors and the removal of physical, financial and technical obstacles made in the Single European Act are related to the goal of achieving the goal of creating a single market in which goods, services, capital and people could move freely without borders between the member states.

In February 1992, the members of the Union signed the Maastricht Treaty (Treaty on European Union), which changed the name of the European Community to the EU and led directly to the creation of the single currency, the euro, in 1999. Provided that member countries meet criteria such as fixing exchange rates (protection in the ERM band), keeping inflation under control (below 1.5%), aligning long-term interest rates (to 2% of the average of the three lowest interest rates), reducing government deficits (to <3% of national GDP) and reducing government debt (to <60% of national GDP), they can switch to the common currency. The transition to a single currency requires that each country give up determining its own monetary policy and the European Central Bank to determine an accommodative or restrictive common monetary policy. Also, as laid down in the three pillars of the Maastricht Treaty, the EU member states have committed themselves to working together on decentralization, particularly in technical areas such as health, education, culture and consumer safety (Gerber 2018:374-375).The goal of eliminating the obstacles to the movement of goods, people, services and capital in the European internal market by 1992 is well known. With the entry into force of the Maastricht Treaty this year, the subsequent elimination of physical, financial and technical barriers resulted in the transformation of the European Community into a common market (Sayer, 2020:243).

Council Regulation (EC) No. 3283/94 of December 22, 1994, derogates from the objectives set out in Article 113 of the Maastricht Treaty, which concern the implementation of the common commercial policy. It establishes a system of protection against dumped imports from countries not members of the European Community. The regulation sets out the conditions under which the Council may impose anti-dumping duties on imports from such countries. It also provides for the establishment of an Advisory Committee in the Commission to advise the Council on the application of the regulation. The regulation also sets out the procedure for the imposition of the conclusion of tariff and trade agreements, liberalization measures, export policy within the framework of common commercial policy (Official Journal of the European Communities, 1994: No C 191 /22).

The Amsterdam Treaty (1999) established an extended European Customs Union (ECU), between the Member States of the EU. The ECU is responsible for the harmonization of customs procedures and the elimination of customs duties and other restrictions on trade between Member States. The ECU also provides a framework for the development of a common external tariff and the adoption of common rules on the classification of goods, the valuation of goods, and the application of customs duties. Article 116 of the Amsterdam Treaty underlined the responsibility of the EU Member States to develop customs cooperation not only among themselves but also with the Commission. Article 5a of the Amsterdam Treaty stipulated that there should be no discrimination or restriction on trade between Member States and the conditions of competition between them should not be made less competitive (Official Journal of the European Communities, 1997: C 340/25-35).

The European Free Trade Association (EFTA) is an intergovernmental organization set up for the promotion of free trade and economic integration between its member states. It was founded in 1960 by Austria, Denmark, Norway, Portugal, Sweden, and the United Kingdom, which didn't accept the Common Customs Tariff of the European Economic Community or whose political status does not allow them to join the EEC and came together in Stockholm on January 4, 1960. The aim of the association has been to strengthen free trade and economic cooperation between Western European countries by eliminating customs duties. Switzerland joined in 1963, and Liechtenstein in 1991. EFTA currently has four members: Iceland, Liechtenstein, Norway, and Switzerland. Iceland became full member of the organization in 1970, followed by Finland in 1986 and Liechtenstein in 1991. The United Kingdom and Denmark joined the EU in 1973, Portugal in 1986 and Austria, Sweden and Finland left EFTA in 1995. In the first wave of enlargement in 1973 Ireland was also admitted to the European Economic Community, in the second wave of enlargement in 1981 Greece was admitted. Spain and Portugal joined the common market in the third wave of enlargement in 1986. Since 1995, EFTA has consisted of Norway, Switzerland, Iceland and Liechtenstein. The Agreement on the European Economic Area (EEA Agreement), which came into force on January 1, 1994, brought together the Member States of the EU and three of the EFTA States (Iceland, Liechtenstein and Norway) to improve the mobility of goods, services, people and capital in the far recessed domestic market. The agreement currently covers 30 countries. In addition, the countries mentioned have committed to expanding cooperation by acting together in many policy areas, especially in the areas of competition, transport, energy and currency. Four freedoms, counted as the movement of goods, people, services and capital, must be guaranteed with special regulations for agricultural goods. Goods from third countries remain excluded via origin regulations. It was created in 1994 with approximately 510 million inhabitants from the Arctic to the Mediterranean and an annual economic output of over 7.5 trillion US dollars, the largest economic zone in the world. About half of world trade takes place in the European Economic Area. In 2004 Hungary, Poland, Czech Republic, Slovakia, Slovenia, Latvia, Lithuania, Estonia, Malta and Southern Cyprus and in 2007 Romania and Bulgaria in the fifth wave of enlargement became members of the EU. With the sixth wave of enlargement, with which Croatia joined the Union in 2013, the number of members of the Union increased to 28. Due to the UK's official exit from the EU in 2020, the current membership is currently 27.

The Nice Agreement, which is part of the World Trade Organization (WTO) Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), provides a framework for the protection of intellectual property rights. It sets out the minimum standards of protection that must be provided by WTO members, and establishes a system of dispute settlement for the enforcement of these standards. The Agreement also provides for the establishment of a Council for TRIPS, which is responsible for monitoring the implementation of the Agreement. However, the areas in which majority decisions can be made remain narrow in some cases (https://www.bundesregierung.de/breg-de/service/vertrag-von-nizza-615820, 05. 06.2022).

The Lisbon Treaty, came into force on December 1, 2009 is the most significant reform of the European Union since the Maastricht Treaty in 1993. The Lisbon process began in 2007 was initiated to make the European Union more efficient and democratic. It aimed to simplify the decision-making process, increase the powers of the European Parliament, and strengthen the role of the European Commission. The Treaty also introduced the Charter of Fundamental Rights, which guarantees the rights of all EU citizens. The Treaty consists of two parts, the Treaty on EU and the Treaty on the Functioning of the EU, named after the Treaty establishing the European Community. The Treaty also outlines the objectives of the common commercial policy, which include the promotion of the Union's interests in the international market, the development of the international trade system, the protection of the Union's economic interests, the promotion of fair competition and the protection of consumers. The common commercial policy is implemented through the adoption of common rules and regulations, the negotiation of international agreements and the adoption of measures to ensure the proper functioning of the internal market.

Article 2 of the Treaty on EU emphasizes that the Union has specific powers in relation to the customs union, the functioning of the internal market within the framework of competition rules and the implementation of the common commercial policy.

The boundaries of this customs union are drawn in Article 28 of the Agreement on the Functioning of the EU, in order to cover all trade in goods, eliminate import and export taxes and duties between the member states of the Union and introduce a common customs tariff for third countries. Article 30 of the Treaty includes customs duties in the prohibition of import and export duties or taxes having equivalent effect between Member States. The strengthening of the competitive conditions within the Union between the Member States, which is aimed at in Article 32 of the Agreement, imposes responsibilities on the European Parliament and the Council in Article 33. Articles 34-35-36 provide for the abolition of all quantitative trade restrictions between Member States, with the exception of the protection of public morals, order and security, the health and life of humans, animals or plants and historical monuments (Konsolidierte Fassungen des Vertrags über die Europäische Union und des Vertrags über die Arbeitweise der Europäischen Union (2010/C 83/01-2010/C 83/61).

Due to the need for common regulation in many areas, from human and crop protection to financial markets, the European Common Market as a restricting regional supranational organization has the power to set standards for the goods and services that are traded within its borders. This includes setting standards for safety, quality, and environmental protection. The European Common Market also has the power to enforce these standards, and to impose sanctions on companies that do not comply. This ensures that goods and services traded within the European Common Market meet the highest standards, and that consumers are protected from unsafe or substandard products (Rodrik, 2018:18-19).

The white paper published by the EU Commission in June 2020 entitled "On levelling the playing field as regards foreign subsidies" states that the EU's anti-dumping and anti-subsidy rules do not cover all subsidies affecting the internal market. These rules apply to the importation of goods, but do not cover trade in services, investments or other financial flows related to the establishment and operation of other financial flows. However, to prevent mergers and monopolies, which lead to unfair competition by moving the EU internal market away from the conditions of the market for perfect competition, merger control and antitrust laws are being intervened. In addition, State aid granted by Member States as financial support to companies and subsidies received as financial support from third countries should not create unfair competition in the EU internal market (Europäische Kommission, 2020, 11:12).

The implementation of protectionist-oriented policies supported by the member states that do not cause any loss of income in the EU's foreign trade, conducting negotiations on free trade agreements with third countries, in particular TTIP[3] (Transatlantic Trade and Investment Partnership) with the USA and CETA[4] (Comprehensive Economic Trade Agreement) with Canada would contribute quantitatively and qualitatively to the EU's external trade by reducing trade barriers and create a more level playing field for EU businesses.[5]

Implementing trade policy with greater legitimacy, participation and transparency will restore confidence in the European idea that has been eroded by Britain's exit from the Union. The common commercial policy was indirectly, if not directly, a central area of the idea of European integration. The gradual dismantling of the measures that today use non-tariff trade barriers within the framework of the free trade concept is necessary for the EU's open trade policy and its development in harmony with world trade. As of August 2022, the European Union has signed over 100 agreements with different countries. This includes 6 Stabilization and Association Agreements, 30 Economic Partnership Agreements (including 2 temporary), 17 Partnership Agreements (including 1 temporary), 8 Free Trade Agreements, 79 integration initiatives at different levels (including two global agreements and a customs union), plus the Trade in Services Agreement (TİSA).[6] It will understandable that around 60% of European trade in goods is handled within the framework of trade agreements. However, the EU will seek to negotiate more so-called Deep and Comprehensive Free Trade Agreements (DCFTAs), particularly as long as new trade deals ensure the EU's trading partners implement the standards and legal procedures they must follow when exporting to the EU on a level that makes the internal market more effective can be declared open (Rudloff, 2017:5-10).

The EU is today an economic union of twenty-seven countries with more than 500 million inhabitants and a production of more than 11,7 billion US dollars (as of 2021). It is the largest, oldest and most integrated regional agreement.

Europe is one of the most developed regions in the world, and its macroeconomic indicators are often used as a benchmark for other regions. In 2021, Europe's macroeconomic indicators are generally higher than those of other regions. With a population of 446,976

3 The Transatlantic Trade and Investment Partnership (TTIP) is a proposed free trade agreement between the European Union and the United States. The agreement is intended to reduce barriers to trade and investment between the two economies, and to promote economic growth and job creation.

4 The Comprehensive Economic Trade Agreement (CETA) is a free trade agreement between Canada and the European Union. The agreement is intended to reduce barriers to trade and investment between the two economies, and to promote economic growth and job creation. CETA is expected to increase bilateral trade by 20% and create 80,000 new jobs in Canada.

5 The Transatlantic Trade and Investment Partnership (TTIP) and the Comprehensive Economic Trade Agreement (CETA) with the USA and Canada, respectively, would contribute significantly to the EU's external trade. Quantitatively, the agreements would increase the EU's exports to the US and Canada by an estimated €119 billion and €12 billion, respectively. This would represent a significant increase in the EU's total exports, which currently stand at €1.7 trillion.

6 The Trade in Services Agreement (TiSA) is still being discussed as an international trade agreement that seeks to liberalize the global trade in services. It is being negotiated by 23 members of the World Trade Organization (WTO), including the United States, the European Union, and Japan. The negotiations began in March 2013 and have been ongoing since then.
The main objective of the TiSA is to reduce barriers to trade in services, such as restrictions on foreign investment, licensing requirements, and other regulations.

in 2021, the EU constitutes 5.69% of the world's population. With a GDP of 11,709 Million US$, the EU-27 constitutes 17.78% of the world's total GDP (Table 1).

3.1. Effects of the Customs Union

3.3.1. Static effects of the customs unions

Static effects refer to the effects that will arise due to the redistribution of production factors, under the assumption that technology and economic structure remain constant. In traditional foreign trade analysis, more emphasis is placed on static effects. Static effects are "trade creation" and "trade diversion." When the trade barriers within a region are removed, the volume of foreign trade between the countries that make up the region expands and production becomes more efficient. While the trade diversion effect ensures the development within the region, it negatively affects the extra-regional trade. It is the contraction effect in the trade made from outside the region. Viner defines the effect that occurs as a result of these two opposite effects as the welfare effect.

Static effects of the Customs Unions are "Trade Effect," "Production Effect", "Consumption Effect" and "Income Distribution Effect". The Trade effect of the Customs Union occurs separately in the

Table 1: EU macroeconomic indicators compared to other regions (2021)

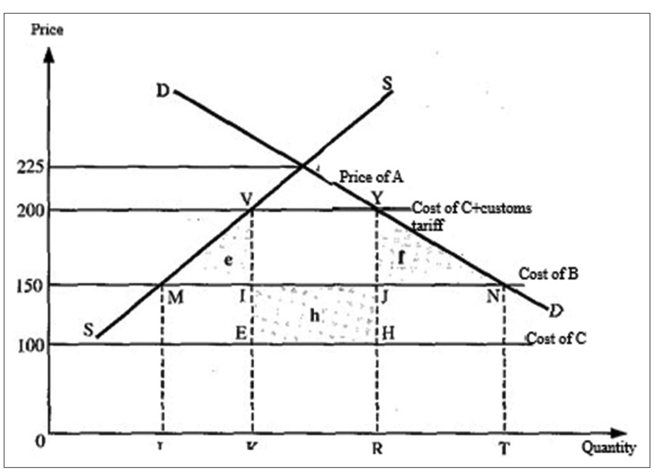
Countries-accession/ ındicators	Population (thousand 2021)	Population world share (%, 2021)	GDP (Million, current US$, 2021)	GDP world share (%, 2021)	Exports of goods and services (million, current US$, 2021)	Exports of goods and services world share (%, 2021)	Imports of goods and services (million current US$, 2021)	Imports of goods and services world share (%, 2021)
Austria-1995	8.956	0.11	477.082	0.50	268.527	0.96	265.749	0.99
Belgium-1957	11.587	0.15	599.879	0.62	516.056	1.85	509.508	1.90
Bulgaria-2007	6.899	0.09	80.271	0.08	51.548	0.18	50.137	0.19
Croatia-2013	3.899	0.05	67.837	0.07	35.358	0.13	36.372	0.13
Cyprus-2004	1.215	0.02	27.719	0.03	24.606	0.09	23.776	0.09
Czechia-2004	10.703	0.14	282.340	0.29	204.941	0.74	196.596	0.73
Denmark-1973	5.856	0.07	397.104	0.41	237.621	0.85	209.195	0.77
Estonia-2004	1.329	0.02	36.262	0.04	29.119	0.10	29.255	0.11
Finland-1995	5.541	0.07	299.155	0.31	117.187	0.42	116.505	0.43
France-1957	67.499	0.86	2.937.472	3.06	871.058	3.12	928.505	3.45
Germany-1957	83.129	1.06	4.223.116	4.39	2.033.471	7.29	1.776.913	6.59
Greece-1981	10.664	0.14	216.240	0.23	87.827	0.32	104.400	0.39
Hungary-2004	9.709	0.12	182.280	0.19	148.291	0.53	147.741	0.55
Ireland-1973	5.028	0.06	498.559	0.52	677.696	2.43	479.131	1.78
Italy-1957	59.066	0.75	2.099.880	2.19	688.582	2.47	638.914	2.37
Latvia-2004	1.883	0.02	38.872	0.04	25.295	0.09	26.660	0.10
Lithuania-2004	2.795	0.04	65.503	0.07	53.483	0.19	50.480	1.87
Luxembourg-1957	639	0.01	86.710	0.09	180.788	0.65	151.078	0.56
Malta-2004	516	0.01	17.189	0.02	26.174	0.09	23.777	0.88
Netherlands-1957	17.533	0.22	1.018.007	1.06	840.460	3.01	736.543	2.73
Poland-2004	37.781	0.48	674.048	0.70	393.471	1.41	370.534	1.37
Portugal-1986	10.299	0.13	249.886	0.26	105.509	0.38	113.075	0.42
Romania-2007	19.115	0.24	284.087	0.30	116.047	0.42	132.127	0.49
Slovakia-2004	5.447	0.07	114.870	0.12	109.303	0.39	109.565	0.41
Slovenia-2004	2.107	0.03	61.526	0.06	51.640	0.19	47.725	0.18
Spain-1986	47.326	0.60	1.425.276	1.48	498.633	1.79	477.434	1.77
Sweden-1995	10.415	0.13	627.437	0.65	289.188	1.04	261.840	0.97
EU-27	446.976	5.69	11.709.136	17.78	8.651.890	31.13	1.783.150	6.62
UK	67.326	0.86	3.186.859	3.32	875.196	3.14	899.365	3.33
Norway	5.408	0.07	482.437	0.50	200.451	0.72	141.350	0.52
Switzerland	8.697	0.11	812.866	0.85	571.427	2.05	476.216	1.77
Iceland	372	0.01	25.458	0.03	9.779	0.04	10.236	0.04
Liechtenstein	38	0.01	6.427	0.01	3.761	0.02	2.218	0.008
EFTA	13.857	0.20	1.327.188	1.39	785.418	2.83	630.02	0.23
Türkiye	85.042	1.08	815.271	0.85	289.144	1.04	291.018	1.08
USA	331.893	4.23	22.996.100	24.0	2.539.648	9.11	3.401.361	12.62
Mexico	130.262	1.66	1.293.037	1.35	522.532	1.87	541.756	2.01
Canada	38.246	0.49	1.990.761	2.07	611.121	2.19	609.185	2.26
NAFTA	462.155	6.38	26.279.898	27.42	1.133.653	4.78	4.552.302	16.89
China	1.412.360	18.01	17.734.062	18.5	3.553.509	12.75	3.091.259	11.47
Russia	143.446	1.83	1.775.799	1.85	548.860	1.97	379.077	1.41
Japan	125.681	1.60	4.937.421	5.14	910.488	3.26	936.410	3.47
India	1.393.409	17.77	3.173.397	3.30	679.680	2.44	758.871	2.82
World	7.840.000	100	96.100.091	100	27.880.000	100	26.950.000	100

Source: World Bank (2022). "GDP (current US$), Population (Total), Exports of goods and services (current US$), Imports of goods and services (current US$)," https://data.worldbank.org/indicator/NY.GDP.MKTP.CD, 01.09.2022 short and long term. In the short run, barriers to trade between the countries in the union were removed. The continuation of barriers to non-union countries has reduced non-union trade. Due to the Customs Union, trade has been diverted from outside the union into the union. This is called the Trade Diversion effect. In the long run, trade between the countries in the union and the countries outside the union may increase. An example of this is the supply and demand effect. If the members of the union have grown and increased their income after the union was established, the import demands will increase accordingly, and the trade volumes will increase compared to the past. This situation is called the trade creation effect. Production Effect is an effect that changes according to the situation in the supply of raw materials within the Union. Due to the Customs Union, some industries that exist in the countries within the union can get the chance to procure some of their inputs more cheaply due to the abolition of customs tariffs. In this way, production takes place more economically and at a higher rate. Due to the Customs Union, during the departure of customs tariffs among the members of the union, some goods that were previously purchased from third countries at low cost will be procured from the members of the union with higher costs, and this situation causes a decrease in production. The Outward Processing Regime (HIR) has similar situations with the production effect. C- Consumption Effect: It is in question in cases where there is an increase in production due to the union and a larger share is allocated for consumption, which is likely to occur in parallel. The unity and integrity that emerged with the Customs Union will be in favor of all members in parallel with the compatibility and harmony existing in the economic structures of the countries within the union. Income Distribution Effect refers to trade creation effect arises due to the Customs Union. Due to the effect of creating trade, the commercial activities in the union increase the income of the members of the union accordingly. Due to the trade diversion effect, the demand for the goods of third countries will decrease, and production will decrease and this will cause a decrease in the incomes of the countries. The increase in the incomes of the members of the Union and the decrease in the incomes of the third countries deteriorates the income distribution between the countries (Chart 1).

3.3.2. Dynamic effects of the customs union

The main purpose of economic integration is to accelerate economic growth in countries. Integration affects the growth rate

Chart 1: Static effects of the customs unions



of participating countries and resource allocation becomes more efficient in the long run. Dynamic effects lead to an increase in new investments, enable more efficient use of productive resources, benefit from existing externalities, and increase economic efficiency with the increase in competition. But there are also negative effects in underdeveloped countries. There are also negative effects in less developed countries. It makes the less developed country even poorer as a result of the investment and labor in the less developed countries shifting to the more developed country that is a member of the integration. The Customs Union means a transition from a small market to a large market. For this reason, it is possible for economies to gain the advantages of the big market. Dynamic effects of customs union; As a result of the growth of the market, the formation of internal and external economies, the use of more advanced technologies, the increase in specialization and the complete removal of uncertainty for investors. It is the long-term effects of the Customs Union on the growth rate. It is the long-term economic developments that affect the GDP due to the customs union.

4. HISTORY OF POLITICAL, ECONOMIC AND COMMERCIAL RELATIONS BETWEEN THE EU AND TÜRKİYE WITH REGARD TO THE SPECIFIC CUSTOMS UNION

4.1. The Customs Union Process

From the Turkish-German cooperation sparked by Enver Pasha to the scientific discoveries of scientists who immigrated to Türkiye from Hitler's Germany in the 1930s, Türkiye has been in constant interaction with the West, mainly with Germany throughout the 20th century. The economic basis of cooperation after the Second World War can also lead to later political rapprochement.

Consistent with its desire to adhere to the global reorganization and establish itself in the new world order after World War II, Türkiye sought to integrate with the West. As a sign of this, in July 1959, for geographical, economic, social and cultural reasons, it applied for membership of the EEC (European Economic Community) immediately after its foundation.

The Turkish-German relationship has been strengthened by the signing of the Ankara Agreement in 1963, which established a customs union between the two countries.[7]

Paragraph 1 of Article 2 of the Ankara Agreement aims at building a partnership to strengthen trade and economic relations between Türkiye and the EU parties, was signed on September 12, 1963 and came into effect on December 1, 1964 in force. The Ankara Agreement provided for the path to full membership in three phases as "preparatory phase", "transitional phase" and "final

7 Ankara Agreement was followed by the establishment of the Turkish-German University in Istanbul in 1992, which has become a major center for research and education in the region. In addition, the two countries have signed numerous agreements in the fields of science, technology, and culture, which have further strengthened the relationship.

phase" according to paragraph 3 of Article 2 (Official Journal of the European Communities, 1963: No L 361/31).

The preparatory period, during which Türkiye assumes no responsibility, is intended to reduce the economic differences between the parties. The European Community contributed to the development of the Turkish economy during the preparatory period, when Türkiye had no obligations. In this context, commercial facilities and financial aid have been provided and loans have been granted. According to Article 3 of the Ankara Agreement, the duration of the preparatory period is 5 years, except for extension according to the procedures provided for in the preliminary protocol (Official Journal of the European Communities, 1963: No L 361/31).

The preparatory phase of the Ankara Agreement was designed to create a customs union between Türkiye and the EU parties. This phase was to be completed within 5 years of the agreement coming into force. During this phase, the parties agreed to eliminate customs duties and other charges on imports and exports between them. They also agreed to harmonize their customs regulations and to establish a common external tariff.

At the end of the "preparatory phase" provided for in the agreement, the "Additional Protocol", signed on November 23, 1970 and which came into force in 1973, regulated the provisions of the transitional period and the obligations to be assumed by the contracting parties. Accordingly, a timetable for the elimination of tariffs and quotas on goods traded between the parties has been established. Article 2 of the Additional Protocol explains the conditions for the free movement of goods in Türkiye or the Community, which, according to Article 4 of the Ankara Agreement, is subject to the progressive development and completion of a customs union between Türkiye and the Community through the economic policy coordination of the parties. The "transitional period", which started with the entry into force of the "Additional Protocol" and is based on mutual/balanced commitments, aims at the gradual establishment of the Customs Union between Türkiye and the EU. In this regard, Article 7 of the Additional Protocol prevents the Contracting Parties from imposing new import or export duties or duties or taxes having equivalent effect and increasing the duties or charges applied in their trade relations. The Parties are empowered only by the Association Council to levy new duties or taxes having equivalent effect on exports and such powers may only be used by the Parties to achieve the objectives of the Agreement. Article 9 of the Additional Protocol provides for the abolition by the European Community of duties and taxes having equivalent effect on imports from Türkiye, and Article 10 for equivalent duty and tax reductions, which Türkiye must gradually apply until the end of the last transition period. In accordance with Articles 11, 18 and 61 of the Protocol, Türkiye has committed itself to zeroing, within a calendar of 12-22 years, the customs duties levied on goods originating in the Union and to introducing the common customs tariff applied by the EU to third countries. (Amtsblatt der Europäischen Gemeinschaften, 1970: Nr. L 293/7-17). The transitional phase of the Ankara Agreement was designed to create a free trade area.

Türkiye made the cuts to which it was entitled until 1978, but in 1979, Türkiye and the EEC signed the Additional Protocol to the Ankara Agreement, which allowed Türkiye to postpone its commitments to the EEC for 5 years. This agreement was ratified by the Turkish Parliament in 1980. The agreement allowed Türkiye to postpone its commitments to the EEC until 1985, when it was expected that the Turkish economy would be in a better position to meet the EEC's requirements.

In the 1980s, Türkiye's perspective on the Customs Union also changed with its tendency to open up and import substitution policies. On the one hand, Türkiye applied for membership of the European Community on April 14, 1987, on the other hand, since 1988, it has accelerated the postponed schedule for compliance and reduction of customs duties to be reinstated.

In 1989, Türkiye and the European Community signed the Customs Union Agreement, which was the first step towards full membership of the European Union.

In the "last end period," ie the last of the three periods for the integration of Türkiye into the European Economic Community in the Ankara Agreement, it was planned to establish a customs union between Türkiye and the community. The Customs Union established under Article 5 of the Ankara Agreement will impose obligations on the parties in coordinating economic policies. The "Customs Union Decision" adopted at the Association Council meeting on 6 March 1995 lays down the conditions for the implementation of the last period of the Customs Union. The 22 year transitional period provided for in the additional protocol ended on January 1, 1996, and the "final period" for Türkiye's EU accession was initiated.

4.2. Scope of the Customs Union

Association Council Decision No. 1/95 was part of the process of Türkiye's accession to the European Union and was intended to bring Türkiye closer to the EU in terms of economic and political integration. It brought obligations to Türkiye beyond the classic customs union defined in the Ankara Agreement. The decision extended the scope of the Ankara Agreement, which established the Customs Union between the EU and Türkiye to include additional areas such as competition policy, public procurement, intellectual property rights, and the free movement of capital (Official Journal of the European Communities, 1996: No L 35/7).

According to Article 8 of the decision of the EC-Türkiye Association Council of December 22, 1995 on the implementation of the final phase of the customs union, Türkiye is obliged to unconditionally harmonize the legal provisions of the common law of the Union in its legal system with the EU. Türkiye must implement decisions taken by the Union to eliminate technical barriers to trade and ensure cooperation for standardization and quality assurance in this direction. According to Article 10 of the Decision, Türkiye has to inform the Customs Cooperation Committee in case of trade measures or in exceptional cases. Pursuant to Article 4 of the Decision, customs duties, charges having equivalent effect, quantity restrictions and all other measures on both exports and imports will be abolished. In addition, after the entry into force of the decision, the parties were prevented from imposing new duties or charges having equivalent effect (Official Journal of the European Communities, 1996: Nr. L 35/2-3).

Article 2 of the Customs Union Decision defined the scope of the Customs Union to be established (Official Journal of the European Communities, 1996: Nr. L 35/1), as mentioned in Article 11 of the Ankara Agreement that came into force in 1963 (Official Journal of the European Communities, 1963:No L 361/32), with the exception of agricultural products, which were specified in the second Annex of the Agreement establishing the European Community (Vertrag zur Gründung der EWG, 1957:16-17). As part of the Customs Union process, which includes the free movement of industrial and processed agricultural products between the parties. According to Article 25 of the Association Council Decision, Türkiye is responsible for taking the necessary Common Agricultural Policy measures for the free movement of agricultural products within the Customs Union, and the Community is responsible for holding consultations with Türkiye in an appropriate manner by mutual interests are taken into account. Article 19 of the Customs Union Decision establishes the need to calculate separately the share of agricultural products used in production from the duty rates applicable to imports of processed agricultural products (Official Journal of the European Communities, 1996: Nr. L 35/5-6).

In Article 54 of Decision No. 1/95 of the Association Council (Customs Union Decision), the areas directly affecting the functioning of the Customs Union were counted as trade policy and, accordingly, agreements with third countries for industrial products. Legislation on the elimination of technical barriers to trade in industrial goods, competition law and industrial and intellectual property law form the basis of the Customs Union legislation (Official Journal of the European Communities, 1996: Nr. L 35/12). The purpose of these additional commitments is to further integrate the markets and bring Türkiye closer to the EU by putting the commercial relations between the parties on a harmonious legal footing. Pursuant to Article 56(2) of the Association Council Decision No. 1/95, which makes the Customs Union Joint Commission responsible for Türkiye's compliance with the law, protects mutual interests and obliges pursuant to Article 56(1) to comply with the EU legislation on customs policy by Türkiye (Official Journal of the European Communities, 1996: Nr. L 35/13).

4.3. Importance of the Customs Union

The need to apply a common customs tariff to third countries, which is inherent in a customs union, has obliged Türkiye to adjust its customs tariffs to the level of the common customs tariff applied by the EU for third countries, Article 13 of the Customs Union Decision (Official Journal of the European Communities, 1996: Nr. L 35/4).

The second section of the Customs Union Decision is titled "Elimination of quantitative restrictions or measures having equivalent effect" and emphasizes the lifting of quantitative restrictions and the same effects in foreign trade between EU countries and Türkiye. While Article 5 establishes the need to prohibit quantitative restrictions on imports and all measures having equivalent effect, Article 6 deals with the obligation to prohibit quantitative restrictions on exports and all measures having equivalent effect. Exceptional import, export and transit bans or restrictions that cannot be dealt with under Articles 5 and 6 are listed in Article 7. Goods that prevent human, animal or plant life, as well as goods and services that infringe intellectual, industrial and commercial property, may not be the subject of foreign trade between EU-TR (Official Journal of the European Communities, 1996: Nr. L 35/2).

The Movement Certificate A.TR must be attached in order for the goods to benefit from the preferential regime in trade of industrial products and processed agricultural products between Türkiye and any EU member country. The EUR.1 movement certificate is used to ensure that products originating in Türkiye and EFTA (European Free Trade Association) countries can benefit from the provisions of the agreement. The use of circulation documents, which have to be obtained from official bodies for the import and export of goods and services in international trade and which are also certified by official bodies, shows that international transport and trade entails some legal obligations.

The customs union brings with it some asymmetric disadvantages for Türkiye:

- By adopting the Customs Union Protocol, Türkiye was obliged to harmonize its trade policy with the EU. In this regard, according to paragraph 1 of Article 16, the Customs Union saw a gradual transition to the preferential customs regime of the EU within 5 years from the date of the Customs Union decision coming into force on January 1, 1996. Türkiye had to grant third countries the same concessions to which the EU has made concessions. In the event that Türkiye applies a different customs policy than the Community, the conditions for the equalization tax to be applied by the Community are also set out in paragraph 3 of the same article (Official Journal of the European Communities, 1996: Nr. L 35/5). This situation has brought Türkiye huge losses in customs tax revenue
- For the effective functioning of the Customs Union within the market mechanism, all practices that prevent or restrict competition between Türkiye and EU Member States should be prevented in accordance with Article 32 of the Protocol (Official Journal of the European Communities, 1996: Nr. L 35/7-8).

Decision No. 1/95, disclosing the modalities of customs union relations between Türkiye and the EU, was drawn up in accordance with EU internal market regulations. In other words, it can be clarified that the customs union between Türkiye and the EU has a much wider integration framework than the traditional customs union relationship, which stipulates the elimination of customs duties, which expresses the quantitative restrictions and the harmonization of customs tariffs for third countries, and includes obligations that go beyond such a relationship. It is envisaged that some of these commitments will be fulfilled on 1 January 1996, when the customs union was formally completed, and some of them within the specified transitional period.

4.4. Customs Union Modernization

Today, among the economic integration models, only the EU has reached the penultimate level, the level of economic and monetary union. Türkiye, on the other hand, has implemented economic cooperation based on the customs union with the EU.

The main problem of our study is to examine the impact of the customs union process on the foreign trade relations between Türkiye and the EU. At this point, it should be noted that Türkiye is now the only country in the customs union, although it is not a member of the EU. The tremendous revival of world trade as a result of globalization and the efforts of countries to increase their share and competitiveness in world trade led to the emergence of new economic and commercial alliances. The customs union has thus contributed to the economic integration between the EU and Türkiye. As of January 1996, when the decision on the implementation of the final phase of the Customs Union came into force, the EU consisted of fifteen western, central, northern and southern European countries. With the Eastern European enlargement in 2004 and 2007 the membership increased to 27 and in 2013 when Croatia was additionally admitted to the Union. Membership was back to 27 as of January 2022, with Britain leaving the Union.

The Enlargement Strategy, adopted on October 8, 2014, advocated unleashing the full potential of the Customs Union to increase the strategic importance of EU-Türkiye relations, based on the need for modern trade agreements to deepen economic integration between Türkiye and the EU. According to the enlargement strategy, in order to strengthen the economic cooperation of the Customs Union, it would be beneficial to start negotiations on the fifth chapter of public procurement, the eighth chapter of competition policy, and the nineteenth chapter of social policy and employment after Türkiye has met the necessary criteria.

Based on the data in Table 2, it can be said that the share of Türkiye's member exports and imports in total exports-imports was in a fluctuating trend between 1996 and 2021 and there was a relative decrease. While the EU's share in Türkiye's total exports was 48.78% in 1996, this rate decreased to 41.08% in 2022. Likewise, while the EU's share in Türkiye's total imports was 50.06% in 1996, this rate decreased to 31.11% in 2022.

There has been a relative increase in the ratio of Türkiye's total exports to meet its total imports. While the ratio of Türkiye's total exports to its total imports was 53.23% in 1996, this ratio was 81.94% by 2021. A significant increase was observed in the ratio of Türkiye's EU-27 exports to EU-27 imports. While the ratio of Türkiye's EU-27 exports to EU-27 imports was 51.87% in 1996, this ratio was 108.21% in 2021.

A study was conducted by the European Commission to the World Bank (WB) regarding these problems of the Customs Union. As a result of this study, the report prepared by the World Bank was shared with the public in April 2014. In the report, it was emphasized that Türkiye was one of the three countries that were included in the Customs Union before gaining EU candidate country status. As a result of Türkiye's acceptance of the EU's common external tariff on industrial products and industrial components of agricultural products within the scope of the Customs Union, the parties agreed to abolish all customs duties, quantitative restrictions and duties with equivalent effect on bilateral trade. In the customs union, it has been examined that the reduction of import duties on most industrial products expands the bilateral trade volume and will directly contribute to Türkiye's productivity increases. It has been stated that the technical regulations required in the process of harmonization with the EU acquis have improved the quality infrastructure in Türkiye and facilitated reforms, including the modernization of the Turkish Customs Administration (World Bank, 2014).

In August 2015, the Commission published a Strategic Plan on the Customs Union Update Process entitled "Enhancing EU-Türkiye Bilateral Trade Relations and Modernizing the EU-Türkiye Customs Union." The said plan emphasized that the Customs Union needs to be updated by emphasizing that the Customs Union only covers industrial products, complementary harmonization in some economic laws and temporary preferential concessions on certain processed agricultural products, while developing two-way trade, economic integration and investment flows over the two decades engaged (European Commission, 2016a).

The systemic problems that have arisen within the framework of the Customs Union and expand preferential trade and economic relations with the EU to new areas such as agriculture, public procurement, services and e-commerce. Likewise, the goal of balanced trade with the US is another focus. A preferential trade agreement will make a significant contribution to this in the short term, but ultimately a free trade agreement (European Commission, 2016b).

The EU Commission has noted that Türkiye has not yet implemented the necessary reforms to ensure the full functioning of the Customs Union. This includes the implementation of the necessary measures such as removing some additional duties on imports of third country origin products to ensure the free movement of goods, services, capital and people, as well as the implementation of the necessary measures to ensure the proper functioning of the customs union (Delegation of the European Union to Türkiye, 2022).

The EU-Türkiye Customs Union is an important part of the EU-Türkiye relationship and it is essential that both sides comply with its provisions. The Commission has been monitoring the implementation of the Customs Union and has taken action when necessary. The Commission has also been in contact with the Turkish authorities to ensure that the Customs Union is properly implemented. The Commission is also working with the Turkish authorities to ensure that the necessary measures are taken to ensure that the Customs Union is properly implemented. Türkiye has conveyed to the Commission the information that only 37 of the approximately 4 million units of goods coming from the EU in 2021 require a certificate of origin by the Turkish customs. In order for Türkiye not to face Considering the negative impact of the COVID-19 pandemic process on the global trade in goods and services, especially in 2020 and 2021, and the increasing importance of e-commerce, it would be beneficial to remove the main barriers that hinder the digital goods and prevent trade in

Table 2: Türkiye's foreign trade (million current US$) and the EU's share (%), 1996-2021

Year	Total export value (Mllion, current US$, 2021)	EU-27 export value (Mllion, current US$, 2021)	Share of EU countries in Türkiye's total exports (%)	Total import value (Million, current US$, 2021)	EU-27 import value (Mllion, current US$, 2021)	Share of EU countries in Türkiye's total imports (%)	Foreign trade balance (Million, current US$, 2021)	Foreign trade volume (Million, current US$, 2021)	Ratio of exports to imports (%)	Ratio of EU-27 exports to EU-27 imports (%)
1996	23.224	11.328	48.7	43.626	21.838	50.06	−20.402	66.851	53.23	51.87
1997	26.261	11.959	45.54	48.558	23.364	48.12	−22.297	74.819	54.08	51.19
1998	26.973	13.095	48.55	45.921	22.613	49.24	−18.947	72.895	58.74	57.91
1999	26.587	13.621	51.23	40.671	20.347	50.03	−14.084	67.258	65.37	66.94
2000	27.774	13.651	49.15	54.502	25.804	47.35	−26.727	82.277	50.96	52.90
2001	31.334	15.400	49.15	41.399	17.926	43.30	−10.064	72.733	75.69	85.91
2002	36.059	17.932	49.73	51.553	23.259	45.12	−15.494	87.612	69.95	77.10
2003	47.252	23.809	50.39	69.339	31.656	45.65	−22.086	116.592	68.15	75.21
2004	63.167	31.154	49.32	97.539	43.813	44.92	−34.372	160.760	64.76	71.11
2005	73.476	35.610	48.46	116.774	48.085	41.18	−43.297	190.250	62.92	74.06
2006	85.534	52.119	60.93	139.576	54.309	38.91	−54.041	225.110	61.28	95.97
2007	107.271	60.399	56.31	170.062	62.995	37.04	−62.790	277.334	63.08	95.88
2008	132.027	55.549	42.07	201.963	69.254	34.29	−69.936	333.990	65.37	80.21
2009	102.142	41.288	40.42	140.928	53.142	37.71	−38.785	243.071	72.48	77.69
2010	113.883	45.697	40.13	185.544	67.710	36.49	−71.661	299.427	61.38	67.49
2011	134.906	54.436	40.35	240.841	85.598	35.54	−105.934	375.748	56.01	63.59
2012	152.461	50.700	33.25	236.545	82.027	34.68	−84.083	389.006	64.45	61.81
2013	151.802	54.253	35.74	251.661	86.176	34.24	−99.858	403.463	60.32	62.96
2014	157.610	58.610	37.19	242.177	82.851	34.21	−84.566	399.787	65.08	70.74
2015	143.838	53.441	37.15	207.234	73.139	35.29	−63.395	351.073	69.41	73.07
2016	142.529	56.657	39.75	198.618	72.180	36.34	−56.088	341.147	71.76	78.49
2017	156.992	64.302	40.96	233.799	78.656	33.64	−76.806	390.792	67.15	81.75
2018	167.920	72.847	43.38	223.047	73.366	32.89	−55.126	390.967	75.28	99.29
2019	171.464	72.308	42.17	202.704	63.343	31.25	−31.239	374.169	84.59	114.15
2020	160.656	66.016	41.09	209.534	69.445	33.14	−49.879	389.154	76.67	95.06
2021	213.598	87.743	41.08	260.682	81.086	31.11	−46.203	496.642	81.94	108.21

Source Türkiye: Cumhuriyeti Ticaret Bakanlığı (2022). "Dış Ticaret İstatistikleri", https://ticaret.gov.tr/istatistikler/dis-ticaret-istatistikleri, 01.10.2022

services between Türkiye and the EU. Accordingly, it would be appropriate to include a chapter on digital markets and services in the acquis communautaire (Ülgen et al., 2021).

Michel stated at the meeting in Ankara that they were ready to put on the table a concrete and positive agenda with three pillars: economic cooperation, migration and people-to-people contact mobility, and they hoped that Türkiye will benefit from this window of opportunity.

European Commission President von der Leyen also announced that they will work on modernizing the Customs Union framework. Von der Leyen also stated that they will explore ways to increase public-private sector collaboration with a focus on green and digital transformation.

The customs union should include provisions on the free movement of digital goods and services, the protection of personal data, the promotion of digital trade, and the facilitation of digital skills, and the promotion of digital literacy.

5. DISCUSSION AND CONCLUSION

The European Union has already taken steps to harmonize regulations and standards, and to create a common currency. The European Commission has proposed a number of initiatives to create a single market, including the European Single Market Act, the European Services Directive, and the European Digital Single Market. These initiatives are designed to reduce barriers to trade and investment, and to create a level playing field for businesses across the European Union.

The EU will continue to promote the use of the World Trade Organization (WTO) dispute settlement mechanism to resolve trade disputes. This will ensure that the EU's trading partners comply with the rules of the WTO and the EU's own trade agreements. The EU will also continue to use the WTO's dispute settlement mechanism to ensure that its trading partners comply with the rules of the WTO and the EU's own trade agreements.

The customs union between Türkiye and the EU has been beneficial for both parties. It has allowed for the free movement of goods, services, capital and people between the two countries, and has helped to increase trade and investment. The customs union has also helped to reduce tariffs and other trade barriers, making it easier for Türkiye to export its products to the EU. However, the customs union has not been a major factor in Türkiye's EU membership.

The Ankara Agreement was signed in 1963 between the European Economic Community (EEC) and Türkiye. It was the first step in Türkiye's process of accession to the Customs Union. The agreement provided for the gradual liberalization of trade between the two parties, with the aim of establishing a free trade area. The agreement also provided for the gradual elimination of customs duties and other restrictions on the movement of goods between the two parties. The agreement was amended in 1970 and again in 1973. In 1995, the agreement was replaced by the European Union-Türkiye Association Agreement.

Türkiye is also subject to the common external tariff of the Customs Union, which means that it has to impose the same tariffs on imports from countries outside the Customs Union as the other members. The Customs Union has been beneficial for Türkiye in terms of trade liberalization and economic integration with the EU. It has enabled Türkiye to benefit from the free movement of goods, services, capital and people within the EU. This has resulted in increased trade and investment flows between Türkiye and the EU. The Customs Union has also enabled Türkiye to benefit from the EU's preferential trade agreements with third countries. This has caused some problems for Türkiye, as it has to impose tariffs on imports from countries with which it has free trade agreements, such as the United States.

The customs union process has had a significant impact on the foreign trade relations between Türkiye and the EU. The customs union has led to the elimination of customs duties and other restrictions on the movement of goods between the two countries. This has resulted in increased trade flows between the two countries, as well as increased investment and economic cooperation. The customs union has also led to the harmonization of technical regulations and standards, which has facilitated the movement of goods between the two countries.

It would be beneficial to deepen the integration by including agriculture, fisheries, services, public procurement and digital services sectors in the customs union. This will increase the competitiveness of the Turkish economy in the global market and will also increase the trade volume between Türkiye and the EU. Furthermore, it will create new job opportunities and increase the income of the people. It will also help to reduce the current account deficit of Türkiye. Moreover, it will help to increase the foreign direct investments in Türkiye and will also help to increase the foreign exchange reserves of the country. In addition, it will help to increase the technological capabilities of the Türkiye's economy.

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