



# Fact sheet

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## Free trade agreement between the EFTA states and Turkey

### Summary

On 25 June 2018, the EFTA states (Switzerland, Iceland, Liechtenstein and Norway) and Turkey signed a modernised free trade agreement at the EFTA Ministerial Meeting in Sauðárkrúkur (Iceland). The free trade agreement with Turkey, which came into force in 1992, is the oldest EFTA agreement still in force. The modernisation will bring the agreement in line with EFTA's standards which have continually developed in the 26 years since the agreement came into force. It will contain new provisions on mutual recognition of the results of conformity assessments, rules of origin, the protection of intellectual property, trade in services and trade and sustainable development. It is the first time that EFTA has comprehensively modernised an existing agreement. In parallel to the modernisation of the free trade agreement, Switzerland<sup>1</sup> has also revised its bilateral agreement on agriculture with Turkey. The modernised agreements will enter into force once they have been ratified by both contracting parties.

### Importance of the free trade agreement between EFTA and Turkey

For Switzerland as an export-dependent country with globally diversified markets, the conclusion of free trade agreements (FTAs), along with its membership of the World Trade Organization and contractual relations with the European Union, is one of the three main pillars of its policy of market opening and improved foreign economic framework. Switzerland also strives to keep its existing agreements up to date so as to avoid discrimination against competitors from other countries on the markets concerned wherever possible.

Industrial goods from EFTA states already benefit from duty-free market access in Turkey thanks to the existing FTA. The modernisation of this agreement has no effect on these concessions. However, Switzerland and Turkey have agreed certain additional concessions concerning processed and basic agricultural products. Moreover, the agreements strengthen the legal certainty and predictability of the conditions governing our economic relationship with Turkey and remove certain barriers affecting Swiss exports to Turkey which arose when the customs union between Turkey and the EU was created in 1995.

The modernisation of the FTA will deepen Switzerland's economic integration with the Mediterranean area. This policy of integration led Switzerland to sign the Regional Convention on pan-Euro-Mediterranean preferential rules of origin (PEM Convention). It has also led to the conclusion of numerous EFTA FTAs with states around the Mediterranean: Israel (1992), Jordan (2001), Lebanon (2004), Tunisia (2004), Egypt (2007); as well as with the Palestinian Authority (1998) and the West Balkan states Macedonia (2000), Serbia (2009), Albania (2009), Montenegro (2011) and Bosnia-Herzegovina (2013).

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<sup>1</sup> As a result of the 1923 Customs Treaty, the bilateral agriculture agreement between Switzerland and Turkey also applies to the Principality of Liechtenstein.

## **Main provisions of the Agreement**

The modernised FTA with Turkey largely corresponds to the FTAs with third countries concluded by EFTA more recently and covers a large number of sectors. It includes provisions on trade in industrial goods (including fish and other marine products) and processed agricultural products, technical barriers to trade, sanitary and phytosanitary measures, rules of origin, trade facilitation, trade in services, the protection of intellectual property, competition, public procurement, dispute settlement as well as trade and sustainable development.

The bilateral agreement on agriculture governs trade in basic agricultural products. The agreement on agriculture is linked to the FTA and has no independent legal effect. Some of the provisions of the the EFTA-Turkey FTA also apply to the agreement on agriculture.

The existing FTA already allows for duty-free trade of **industrial goods** (including fisheries products) between Switzerland and Turkey. The modernisation of the agreement does not change this.

However, the list of concessions covering **processed agricultural products** has been revised. On the one hand, the updated list aims to increase the coverage of Swiss and Turkish concessions on a reciprocal basis to reflect the FTAs recently concluded with other states (covering coffee, tea, jams, fruit jellies, vinegar and more).<sup>2</sup> On the other hand, the customs regime for processed agricultural products is no longer linked to the regime accorded by the parties to the EU, as in the most recent FTAs (with Georgia and the Philippines). The tariff concessions for these products are now also fixed in the list of concessions as duty-free concessions or fixed discounts. Turkey will continue to grant Switzerland the same concessions as to the EU. The concessions granted by Switzerland largely correspond to those it grants to other EFTA free trade partners. Moreover, the parties reciprocally grant larger preference margins to certain products of special interest. This means that Switzerland receives additional concessions for chocolate, cereal products such as muesli, and ice cream. In exchange, Switzerland grants Turkey additional discounts for some tariff lines in the area of confectionary products, chocolate, preserved pastry goods, pasta and bulgur.

In parallel to the FTA, the bilateral agreement on agriculture between Switzerland and Turkey has also been revised. This agreement replaces the unilateral concessions which Switzerland has granted Turkey since 1992 with bilateral concessions. This means that Swiss **basic agricultural products** benefit from improved access to the Turkish market. In exchange, Switzerland confirms the preferences in force since 1992 and grants Turkey additional preferential market access for further Turkish agricultural exports – within the framework of Swiss agriculture policy. Switzerland receives improved access to the Turkish market for important export products such as cheese, butter, apples, fruit juice, meat products, wine, animal feed and cigarettes. For Turkey, improved market access for olive oil, nuts, fruit juice and gherkins is particularly important.

The agreement's **rules of origin** have been written into the agreement pursuant to the pan-Euro-Mediterranean convention (PEM Convention). The same rules of origin govern the bilateral agreement on agriculture.

The FTA contains **trade facilitation** measures that require the parties to uphold international standards when laying down customs procedures. The WTO Trade Facilitation Agreement has been incorporated into the FTA. Moreover, the parties have agreed on obligations which go beyond those of the WTO agreement. This means for example that the import of goods cannot be made conditional on the authentication of documents such as commercial invoices

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<sup>2</sup> Though these are processed agricultural products, the relevant concessions have been included in the bilateral agreement on agriculture at Turkey's request.

or customs documentation in the exporting country by a chamber of commerce or an embassy.

The provisions on **technical barriers to trade** (TBT) and **sanitary and phytosanitary measures** (SPS) are based on the relevant WTO agreements. Certain provisions have been specified and extended. Turkey amended its legislation on CE marking and conformity assessment bodies to conform to EU legislation in 2012. Previously, Swiss companies importing to Turkey were sometimes subject to different provisions to those of their competitors from the EU. The modernisation of the agreement includes a revision of Protocol E on the **reciprocal recognition of conformity assessments** of products, which was contained with the existing FTA and has now been transferred to a new annex. Swiss products being brought onto the Turkish market will now be subject to the same rules as products from the EU. This is extremely important for Switzerland and is expected to facilitate exports significantly.

The **Services Chapter** follows the definitions and provisions of the General Agreement on Trade in Services (GATS). Moreover, the annexes added to this chapter contain specific rules which go beyond GATS. For example, measures concerning the financial sector, which is a priority for Switzerland, make exceptions to supervisory measures more balanced, define time periods for granting licences more clearly and transparently, and improve transparency regarding the criteria and procedures for handling authorisation requests. As part of the modernisation of the FTA with Turkey, annexes have been negotiated on health services, international road transport and logistics services as well as tourism and travel services for the first time. These complement annexes similar to those in other FTAs on financial services, telecommunications services, electronic commerce, the movement of natural persons for the purpose of providing services and the co-production of films and TV programmes. In the services sector, Turkey also allows a significantly higher level of market access than that required by its WTO commitments (in particular for installation and maintenance staff, which are particularly important to Switzerland, and for providers of logistics services).

The agreement also contains wide-ranging provisions on the protection and the application of **intellectual property** rights. The protection covers copyright and related property rights, brands, geographic designations, designations of origin, names and coats of arms of countries, designs, patents, plant varieties, topographies of microprocessors and confidential information. The level of protection essentially corresponds to the European level. The principles of national treatment and Most-Favoured-Nation apply in line with the specific provisions of the WTO agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). The patent protection agreed corresponds to the European Patent Convention. The parties recognise that the fact that a product is imported cannot be considered a permissible basis for granting a compulsory licence. This ensures that the rights granted by a patent can be exercised for imported goods. The agreement also includes a commitment to protect test data for medicines for six years, and test data for plant protection products for seven years. For medicines in the case of Turkey, the date when the product was placed on the market in the EU-Turkey customs union is to be considered the start date of the data exclusivity. Plant varieties are protected in line with the International Convention for the Protection of New Varieties of Plants (UPOV 91). Moreover, the parties confirm their obligations under a series of central World Intellectual Property Organization agreements.

As in other EFTA FTAs, the **competition** provisions state that certain practices which distort competition are incompatible with the agreement. The agreement also includes a mechanism under which such practices can be avoided should a specific case arise.

In the chapter on **Trade and Sustainable Development**, the EFTA states and Turkey recognise the principle that economic and social development and environmental protection are interdependent components of sustainable development. They confirm their commitment to pursuing international and bilateral trade relations in accordance with the goals of sustainable development. The parties to the treaty also confirm their obligation to comply with the

multilateral environmental agreements and the conventions of the International Labour Organization they have ratified. They also commit to endeavouring to provide for and encourage high levels of environmental and labour protection in their legislation and implement them effectively.

As usual, a Joint Committee is established to manage the agreement and ensure proper implementation of the provisions it contains. If **disputes** arise regarding the implementation of the agreement, the parties will strive to reach an amicable settlement by consultation. If this is not possible, an interstate arbitration procedure will be used in which a decision is taken by an arbitration panel. The ruling of the arbitration panel is final and binding for the parties to the dispute.

The agreement contains a negotiation clause regarding **government procurement**.

### **Economic relations between Switzerland and Turkey**

Switzerland's annual total trade with Turkey (excluding precious metals, gemstones, works of art and antiques) amounts to around CHF 3.3 billion, making Turkey Switzerland's 20th largest economic partner and an export market of similar importance to India or Saudi Arabia. The most important export products in 2017 were chemical and pharmaceutical products (54%); machines, devices and electronics (19%); and precious instruments, clocks and jewellery (14%). The most important categories of imported goods were textiles, clothes and shoes (38%); vehicles (15%); and chemical and pharmaceutical products (12%).

Figures from the Swiss National Bank show that Swiss direct investment in Turkey totalled around CHF 2.7 billion at the end of 2016. Swiss companies employed around 15,400 people in Turkey. In Istanbul, Switzerland Global Enterprise runs one of 22 Swiss Business Hubs worldwide, which help Swiss companies enter the Turkish market.

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Legal texts: <http://www.efta.int/free-trade/free-trade-agreements>