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Abstract

The Turkish FTA Puzzle

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According to the textbook definition of a customs union, member states of such a union liberalize mutual trade while they adopt a common external tariff or, more broadly, a common trade policy towards third countries. Likewise, art. XXIV of the GATT stipulates that “substantially the same duties and other regulations of commerce are applied by each of the members of the union to the trade of territories not included in the union”. It is – at first sight - surprising to see then that the EU and Turkey negotiate and sign FTAs separately, while being bound by a customs union at the same time. This is the puzzle which is addressed in this short article. We illustrate the actual divergence in FTA policies, show the reasons behind it, and point to the sub-optimality of the current arrangement. We also show the relevance of this case for the post-Brexit EU-UK trade relations.

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