

## Law Bulletin

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### **UK TRADE RELATIONS: FREE TRADE AGREEMENT**

Turkey and the United Kingdom have been negotiating a free trade agreement in their efforts to sustain the current bilateral market access structure following the end of the Brexit transition period. On 29 December 2020 the two countries finally signed the much-expected free trade agreement.

#### *Background of the Negotiations*

The United Kingdom is among Turkey's top trade partners. The instrument that enhanced the two countries' trade relations was, without doubt, the Ankara Agreement. The Ankara Agreement, creating an association between the European Economic Community and Turkey, has been promoting continuous and balanced trade and economic relations between the parties and led to the establishment of the customs union. Under the customs union, Turkey adopted the European Union's common external tariff (CET) for most industrial products and agricultural products' industrial components. The parties also eliminated all customs duties, quantitative restrictions and charges on their bilateral trade.

When the United Kingdom was a member of the European Union, it was naturally within the scope of the customs union. Therefore, the trade between the United Kingdom and Turkey was free of customs duties and charges, to the extent covered by the customs union. This advantage irrefutably helped blossom the trade relations between the two countries. Once the United Kingdom decided to exit the European Union, many uncertainties arose regarding the future of the United Kingdom's economy as well as its trade relations with Turkey.

Following Brexit, the United Kingdom conformed to the European Union regulations and participated in the customs union during the "Brexit transition period". However, the transition period ended on 31 December 2020. During the transition period, the European Union and the United Kingdom negotiated a trade and cooperation agreement to shape their future relations. That agreement was signed on 24 December 2020. Once the transition period ended, the United

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Kingdom also left the customs union with Turkey, meaning that the trade relationship between the United Kingdom and Turkey would fundamentally change in the absence of a bilateral free trade agreement between.

## *Scope of the Free Trade Agreement*

The statements of governmental authorities indicated that the free trade agreement's main purpose is to maintain and develop the rights acquired under the customs union. Very recently, the United Kingdom made the agreement's full text public. As expected, the agreement comprises of provisions about goods, and does not extend to the treatment of investments by the party states' nationals. According to the agreement, the parties will eliminate or reduce all customs duties on industrial and agricultural products listed in the agreement.

As for the treatment of investments by the party states' nationals, the Bilateral Investment Treaty signed between the United Kingdom and Turkey remains unaffected by the free trade agreement. In addition, the two countries agreed to commence a review of the free trade agreement (being no later than two years after its effective date) with a view to replace, modernize and expand the scope. The parties further agreed that this review will include trade in agricultural goods, trade in services, investment, subsidies, sustainable development, environment, climate change, labour, anti-corruption, digital economy, small and medium-sized enterprises and intellectual property. The Ministry of Trade of the Republic of Turkey stated that the review process envisaged in the agreement has not yet begun, but that they have been conducting preliminary studies on the matter.

The signed free trade agreement simply lays the groundwork to establish a deeper and more comprehensive trade relationship between Turkey and the United Kingdom.

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