

Indirect taxation*Article 50*

1. Neither Party shall, directly or indirectly, impose on the products of the other Party any internal taxation of any kind in excess of that imposed directly or indirectly on similar domestic products.

Neither Party shall impose on the products of the other Party any internal taxation of such a nature as to afford indirect protection to other products.

2. Products exported to the territory of either of the parties shall not qualify for refunds of internal indirect taxation which exceed the indirect taxation directly or indirectly imposed on those products.

3. The Parties shall repeal any provisions existing at the date of the entry into force of this Decision which conflict with the above rules.

Article 51

The Association Council may recommend the Parties to take measures to approximate laws, regulations or administrative provisions in respect of fields which are not covered by this Decision but have a direct bearing on the functioning of the Association, and of fields covered by this Decision but for which no specific procedure is laid down therein.

CHAPTER V**INSTITUTIONAL PROVISIONS***SECTION I***The EC-Turkey Customs Union Joint Committee***Article 52*

1. In accordance with Article 24 of the Association Agreement, an EC-Turkey Customs Union Joint Committee is hereby established. The Committee shall carry out exchange of views and information, formulate recommendations to the Association Council and deliver opinions with a view to ensuring the proper functioning of the Customs Union.

2. The Parties shall consult within the Committee on any point relating to the implementation of this Decision which gives rise to a difficulty for either of them.

3. The Customs Union Joint Committee shall adopt its rules of procedure.

Article 53

1. The Customs Union Joint Committee shall consist of representatives of the Parties.

2. The office of Chairman of the Customs Union Joint Committee shall be held alternately, for a period of six months, by the representative of the Community, i.e. the European Commission, and the representative of Turkey.

3. In order to carry out its duties, the Customs Union Joint Committee shall meet, as a general rule, at least once a month. It shall also meet on the initiative of its Chairman or at the request of one of the Parties in accordance with its rules of procedure.

4. The Customs Union Joint Committee may decide to establish any subcommittee or working party to assist it in carrying out its duties. The Customs Union Joint Committee shall lay down the composition and rules of operation of such subcommittees or working parties in its rules of procedure. Their duties shall be determined by the Customs Union Joint Committee in each individual case.

*SECTION II***Consultation and decision procedures***Article 54*

1. In areas of direct relevance to the operations of the Customs Union, and without prejudice to the other obligations deriving from Chapters I to IV Turkish legislation shall be harmonized as far as possible with Community legislation.

2. Areas of direct relevance to the operation of the Customs Union shall be commercial policy and agreements with third countries comprising a commercial dimension for industrial products, legislation on the abolition of technical barriers to trade in industrial products, competition and industrial and intellectual property law and customs legislation.

The Association Council may decide to extend the list of areas where harmonization is to be achieved in the light of the Association's progress.

3. The procedural rules provided for the Articles 55 to 60 shall apply for the purposes of this Article.

Article 55

1. Wherever new legislation is drawn up by the Commission of the European Communities in an area of direct relevance to the operation of the Customs Union

and the Commission of the European Communities consults experts from Member States of the Community, it shall also informally consult Turkish experts.

2. When transmitting its proposal to the Council of the European Union, the Commission of the European Communities shall send copies thereof to Turkey.

3. During the phase preceding the decision of the Council of the European Union, the Parties shall, at the request of either of them, consult each other again within the Customs Union Joint Committee.

4. The Parties shall cooperate in good faith during the information and consultation phase with a view to facilitating, at the end of the process, the decision most appropriate for the proper functioning of the Customs Union.

Article 56

1. Where it adopts legislation in an area of direct relevance to the functioning of the Customs Union as defined in Article 54 (2), the Community shall immediately inform Turkey thereof within the Customs Union Joint Committee to allow Turkey to adopt corresponding legislation which will ensure the proper functioning of the Customs Union.

2. Where there is a problem for Turkey in adopting the corresponding legislation, the Customs Union Joint Committee shall make every effort to find a mutually acceptable solution maintaining the proper functioning of the Customs Union.

Article 57

1. The principle of harmonization defined in Article 54 shall not affect Turkey's right, without prejudice to its obligations deriving from Chapters I to IV to amend legislation in areas of direct relevance to the functioning of the Customs Union provided the Customs Union Joint Committee has concluded that the amended legislation does not affect the proper functioning of the Customs Union or that the procedures referred to in the paragraphs 2 to 4 of this Article have been accomplished.

2. Where Turkey is contemplating new legislation in an area of direct relevance to the functioning of the Customs Union, it shall informally seek the views of the Commission of the European Communities on the proposed legislation in question so that the Turkish legislator may take his decision in full knowledge of the consequences for the functioning of the Customs Union.

The Parties shall cooperate in good faith with a view to facilitating, at the end of the process, the decision most

appropriate for the proper functioning of the Customs Union.

3. Once the proposed legislation has reached a sufficiently advanced stage of drafting, consultations shall be held within the Customs Union Joint Committee.

4. Where Turkey adopts legislation in an area of direct relevance to the functioning of the Customs Union, it shall forthwith inform the Community within the Customs Union Joint Committee.

If Turkey's adoption of such legislation is likely to disrupt the proper functioning of the Customs Union, the Customs Union Joint Committee shall endeavour to find a mutually acceptable solution.

Article 58

1. If, at the end of the consultations undertaken under the procedure provided for in Article 56 (2) or Article 57 (4), a mutually acceptable solution cannot be found by the Customs Union Joint Committee and if either Party considers that discrepancies in the legislation in question may affect the free movement of goods, deflect trade or create economic problems on its territory, it may refer the matter to the Customs Union Joint Committee which, if necessary, shall recommend appropriate ways of avoiding any injury which may result.

The same procedure will be followed if differences in the implementation of legislations in an area of direct relevance to the functioning of the Customs Union, cause or threaten to cause impairment of the free movement of goods, deflections of trade or economic problems.

2. If discrepancies between Community and Turkish legislation or differences in their implementation in an area of direct relevance to the functioning of the Customs Union, cause or threaten to cause impairment of the free movement of goods or deflections of trade and the affected Party considers that immediate action is required, it may itself take the necessary protection measures and notify the Customs Union Joint Committee thereof; the latter may decide whether to amend or abolish these measures. Priority should be given to measures which least disturb the functioning of the Customs Union.

Article 59

In areas of direct relevance to the proper functioning of the Customs Union, the Commission of the European Communities shall ensure Turkish experts are involved as

far as possible in the preparation of draft measures to be submitted subsequently to the committees which assist the Commission of the European Communities in the exercise of its executive powers. In this regard, when drafting proposals, the Commission of the European Communities shall consult experts from Turkey on the same basis as it consults experts from the Member States of the Community. Where the matter referred to the Council of the European Union is in accordance with the procedure applying to the type of committee concerned, the Commission of the European Communities shall transmit to the Council of the European Union the views of the Turkish experts.

Article 60

Turkish experts shall be involved in the work of a number of technical committees which assist the Commission of the European Communities in the exercise of its executive powers in areas of direct relevance to the functioning of the Customs Union where this is required to ensure the proper functioning of the Customs Union. The procedure for such participation shall be decided by the Association Council before the entry into force of this Decision. The list of Committees is contained in Annex 9. If it appears to the Parties that such an involvement should be extended to other Committees, the Customs Union Joint Committee may address the necessary recommendations to the Association Council for decisions.

SECTION III

Settlement of disputes

Article 61

Without prejudice to paragraphs 1 to 3 of Article 25 of the Ankara Agreement, if the Association Council fails to settle a dispute relating to the scope or duration of protection measures taken in accordance with Article 58 (2), safeguard measures taken in accordance with Article 63 or rebalancing measures taken in accordance with Article 64, within six months of the date on which this procedure was initiated, either Party may refer the dispute to arbitration under the procedures laid down in Article 62. The arbitration award shall be binding on the Parties to the dispute.

Article 62

1. If a dispute has been referred to arbitration there shall be three arbitrators.
2. The two parties to the dispute shall each appoint one arbitrator within 30 days.

3. The two arbitrators so designated shall nominate by common agreement one umpire who shall not be a national of either Party. If they cannot agree within two months of their appointment, the umpire shall be chosen by them from seven persons on a list established by the Association Council. The Association Council shall establish and review this list in accordance with its rules of procedure.

4. The arbitration tribunal shall sit in Brussels. Unless the Parties decide otherwise, it shall adopt its rules of procedure. It shall take its decisions by majority.

SECTION IV

Safeguard measures

Article 63

The Parties confirm that the mechanism and modalities of safeguard measures provided for in Article 60 of the Additional Protocol remain valid.

Article 64

1. If a safeguard or protection measure taken by a Party creates an imbalance between the rights and obligations under this Decision, the other Party may take rebalancing measures in respect of that Party. Priority shall be given to such measures as will least disturb the functioning of the Customs Union.

2. The procedures provided for in Article 63 shall apply.

CHAPTER VI

GENERAL AND FINAL PROVISIONS

Entry into force

Article 65

1. This Decision shall enter into force on 31 December 1995.
2. During the year 1995, progress in the implementation of this Decision shall be examined regularly within the Association Committee, which will report to the Association Council.