

FREE TRADE AGREEMENT

BETWEEN

THE REPUBLIC OF TURKEY

AND

THE KINGDOM OF DENMARK

IN RESPECT OF

THE FAROE ISLANDS

PREAMBLE

The Republic of Turkey and the Kingdom of Denmark in respect of the Faroe Islands (hereinafter referred to as “the Parties”, “Turkey” or “Faroe Islands” where appropriate),

REAFFIRMING the mutual interest of the Parties in the continual reinforcement of the multilateral trading system and considering that the provisions and instruments of the General Agreement on Tariffs and Trade 1994 (hereinafter referred to as “GATT 1994”) and the Marrakesh Agreement Establishing the World Trade Organization (hereinafter referred to as “WTO”) constitute a basis for their foreign trade policy;

CONFIRMING their intention to participate actively in the process of economic integration in Europe and expressing their preparedness to co-operate in seeking ways and means to strengthen this process;

TAKING INTO CONSIDERATION the “Agreement Establishing an Association between the Republic of Turkey and the European Economic Community” and the “Agreement between the European Community and the Government of Denmark and the Home Government of the Faroe Islands”;

DESIRING to create more favourable conditions for the sustainable development and diversification of trade between the Parties and for the promotion of commercial and economic co-operation in areas of common interest on the basis of equality, mutual benefit, non-discrimination, and a balance of rights and obligations;

DETERMINED to lay down for this purpose provisions aimed at the progressive abolition of the obstacles to trade between the Parties and to establish clear, predictable and lasting rules to promote the development of reciprocal trade and investments, by means of establishing a free trade area;

DECLARING their readiness to examine the possibility of developing and deepening their economic relations by extending the fields covered by this Free Trade Agreement (hereinafter referred to as “this Agreement”);

RECOGNISING that free trade agreements contribute to the expansion of world trade, to greater international stability, and, in particular, to the development of closer relations among their peoples;

RECALLING the status of the Faroe Islands as a self-governing part of the Kingdom of Denmark;

CONSIDERING that the government of the Faroe Islands concludes this Agreement on behalf of the Kingdom of Denmark pursuant to the Act on Conclusion of Agreements under International Law by the government of the Faroe Islands;

HAVE AGREED as follows:

**TITLE I
INITIAL AND GENERAL PROVISIONS**

**Article I.1
Establishment of the Free Trade Area**

The Parties hereby establish a free trade area as provided for in this Agreement and in conformity with Article XXIV of the GATT 1994.

**Article I.2
Objectives**

The objectives of this Agreement are to:

- (a) increase and enhance the economic co-operation between the Parties and raise the living standards of their people;
- (b) promote the expansion of bilateral trade through the harmonious development of the economic relations between the Parties;
- (c) eliminate obstacles and restrictions on trade in goods, which fall within the ambit of this Agreement;
- (d) contribute, by the removal of barriers to trade, to the harmonious development and expansion of world trade;
- (e) provide fair conditions of competition in trade between the Parties; and
- (f) enhance co-operation for adequate and effective protection of intellectual property rights between the Parties.

**Article I.3
Trade Relations Governed by Other Agreements**

1. The Parties, without prejudice to the rights and obligations provided for in this Agreement, preserve the right to maintain or establish customs unions, free trade areas or other arrangements with third countries.
2. In case the rights and obligations provided for under this Agreement are being affected, either Party may request to hold consultations within the Joint Committee concerning agreements establishing or adjusting customs unions or free trade areas and, where required, on other major issues related to the Parties' respective trade policies with third countries.

Article I.4
Intellectual Property Rights

1. The rights and obligations of the Parties with respect to each other related to intellectual property rights shall be governed by the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (hereinafter referred to as “TRIPS Agreement”) and any other multilateral intellectual property agreements to which both of the Parties are contracting parties.
2. The Parties shall ensure adequate, effective and non-discriminatory protection of intellectual property rights, including measures for the enforcement of such rights against infringement thereof, counterfeiting and piracy, in accordance with the provisions of this Article, the TRIPS Agreement and any other multilateral intellectual property agreements to which both of the Parties are contracting parties.
3. The Parties shall co-operate on intellectual property matters, and either party shall provide the legal means for interested parties to prevent the commercial use of the other Party’s country name, where such use is likely to mislead consumers with regard to the geographical origin of the good.

Article I.5
Transparency

1. The Parties shall publish or otherwise make publicly available promptly and, except in emergency situations, at the latest by the time of their entry into force, their laws, regulations, judicial decisions, administrative rulings of general application and their respective international agreements that may affect the operation of this Agreement.
2. The Parties shall promptly respond to specific questions and provide, upon request, information to each other on matters referred to in Paragraph 1.
3. Nothing in this Agreement shall require any Party to provide confidential information, the disclosure of which would impede law enforcement or otherwise be contrary to the public interest, or which would prejudice legitimate commercial interests of particular enterprises, public or private.

TITLE II
MARKET ACCESS FOR GOODS

Chapter 1
Common Provisions

Article II.1
Customs Duty

For the purpose of this Agreement, a customs duty includes any duty or charge of any kind imposed on, or in connection with, the importation or exportation of a good, including any

form of surtax or surcharge imposed on, or in connection with, such importation or exportation, but does not include any:

- (a) internal taxes or other charges equivalent to internal taxes imposed in accordance with Article II.6 on National Treatment of this Agreement;
- (b) fees or other charges imposed in accordance with Article II.7 on Fees and Other Charges of this Agreement;
- (c) safeguard duties or levies imposed in accordance with Article II.12 on General Safeguards of this Agreement;
- (d) anti-dumping duties or countervailing measures imposed in accordance with Article II.13 on Anti-dumping and Countervailing Measures of this Agreement.

Article II.2 Classification and Valuation of Goods

1. The classification of goods in trade between the Parties shall be that set out in each Party's respective tariff nomenclature in conformity with the Harmonised Commodity Description and Coding System (hereinafter referred to as "the Harmonised System" or "HS").
2. A Party may introduce new tariff splits, provided that the preferential conditions applied in the new tariff splits are not less preferential than those applied pursuant to this Agreement.
3. For the purposes of determining the customs value of goods traded between the Parties, provisions of Article VII of the GATT 1994 and the WTO Agreement on Implementation of Article VII of the GATT 1994, as may be amended, shall apply *mutatis mutandis*.

Article II.3 Base Rates

1. For each good, the base rate to which reductions or eliminations set out in this Agreement is to be applied shall be the Most Favoured Nation (hereinafter referred to as "MFN") customs duty that was in force on 1 January 2014.
2. The Parties shall communicate to each other their respective base rates and their respective tariff nomenclature, including full definitions of the goods in English, within two months after the entry into force of this Agreement.
3. The Parties shall publish or otherwise make public the applied customs duty for the other Party for each good set in their respective tariff nomenclature, immediately following tariff reductions or eliminations to be made in accordance with this Agreement.

Article II.4
Customs Duties on Exports

1. Customs duties on exports and charges having equivalent effect shall be abolished in trade between the Parties upon the entry into force of this Agreement.
2. From the date of the entry into force of this Agreement no new customs duties on exports and charges having equivalent effect shall be introduced in trade between the Parties.

Article II.5
Quantitative Restrictions on Imports and Exports

Neither Party may adopt or maintain any prohibition or restriction on the importation of any good of the other Party or on the exportation or sale for export of any good destined for the territory of the other Party, except in accordance with Article XI of the GATT 1994 and its interpretative notes. To this end, Article XI of the GATT 1994 and its interpretative notes are incorporated into and made a part of this Agreement, *mutatis mutandis*.

Article II.6
National Treatment

Each Party shall accord national treatment to the goods of the other Party in accordance with Article III of the GATT 1994, including its interpretative notes. To this end, Article III of the GATT 1994 and its interpretative notes are incorporated into and made part of this Agreement, *mutatis mutandis*.

Article II.7
Fees and Other Charges

Each Party shall ensure, in accordance with Article VIII of the GATT 1994 and its interpretative notes, that all fees and charges of whatever character (other than customs duties and other duties and charges that are excluded from the definition of a customs duty under Article II.1 (Customs Duty)) imposed on, or in connection with, importation or exportation are limited in amount to the approximate cost of services rendered and do not represent an indirect protection to domestic goods or taxation of imports or exports for fiscal purposes.

Article II.8
Sanitary and Phytosanitary Measures

1. The rights and obligations of Parties with respect to each other relating to sanitary and phytosanitary measures shall be governed by the WTO Agreement on the Application of Sanitary and Phytosanitary Measures.
2. The Parties shall not apply their regulations in sanitary and phytosanitary matters as an arbitrary or unjustifiable discrimination or a disguised restriction on trade between them.

Article II.9
Technical Regulations

1. The rights and obligations of the Parties with respect to each other on technical regulations and related measures shall be governed by the WTO Agreement on Technical Barriers to Trade.
2. The Parties shall co-operate and exchange information within the Joint Committee in the fields of technical regulations, standards, metrology, and conformity assessment procedures, with the aim of eliminating technical barriers to trade.
3. The Parties agree to enter, where appropriate, into negotiations for the mutual recognition in the field of conformity assessment, taking into consideration the international rights and obligations of both Parties.

Article II.10
Rules of Origin and Administrative Cooperation

1. For the purpose of this Agreement, originating goods means the goods that qualify as originating goods in accordance with the provisions of this Article.
2. The rights and obligations of the Parties in respect of rules of origin and administrative cooperation between the customs authorities of the Parties, shall be governed by the Regional Convention on pan-Euro-Mediterranean preferential rules of origin (hereinafter referred to as the "Convention").
3. For the goods which fall within the HS chapter 3 and headings 16.03, 16.04 and 16.05, the cumulation provided in the Convention shall only apply to the goods originating in Turkey, Faroe Islands and the European Free Trade Association (hereinafter referred to as the "EFTA") Member States.
4. If a Party withdraws from the Convention, the Parties shall immediately enter into negotiations with a view to adopt new rules of origin applicable to this Agreement. Until such rules enter into force, the rules of origin contained in the Convention shall apply to this Agreement, *mutatis mutandis*, allowing only for cumulation between the Parties.

Article II.11
Internal Taxation

1. The Parties shall refrain from any measure or practice of an internal fiscal nature establishing, whether directly or indirectly, discrimination between the products of one Party and like products originating in the other Party.
2. Products exported to the territory of the Parties may not benefit from repayment of internal indirect taxation in excess of the amount of indirect taxation imposed on them.

Article II.12
General Safeguards

1. The rights and obligations of the Parties to apply safeguard measures shall be governed by Article XIX of the GATT 1994 and the WTO Agreement on Safeguards.
2. This Agreement shall not confer any additional rights or obligations on the Parties with regard to the application of safeguard measures, referred to in Paragraph 1.

Article II.13
Anti-dumping and Countervailing Measures

1. The rights and obligations of the Parties with respect to each other relating to anti-dumping and countervailing measures shall be governed by Article VI and Article XVI of the GATT 1994, the WTO Agreement on Implementation of Article VI of the GATT 1994 and the WTO Agreement on Subsidies and Countervailing Measures.
2. This Agreement shall not confer any additional rights or obligations on the Parties with regard to the application of anti-dumping and countervailing measures, referred to in Paragraph 1.

Chapter 2
Industrial Goods

Article II.14
Scope

1. The provisions of this Chapter shall apply to industrial goods originating in the Parties.
2. The term “industrial goods” means, for the purpose of this Agreement, the goods falling within HS chapters 25 to 97.

Article II.15
Elimination of the Customs Duties on Imports

1. Each Party shall abolish all customs duties on imports and any charges having equivalent effect on goods originating in the other Party on the date of entry into force of this Agreement.
2. No new customs duty on imports or charges having equivalent effect shall be introduced in trade between the Parties.

Chapter 3
Agricultural Goods

Article II.16
Scope

1. The provisions of this Chapter shall apply to agricultural goods originating in the Parties.
2. The term “agricultural goods” means, for the purpose of this Agreement, the goods falling within HS chapters 1 to 24.

Article II.17
Elimination of the Customs Duties on Imports

1. For the agricultural goods originating in the Faroe Islands, Turkey shall with regard to customs duties accord preferential treatment not less favourable than it accorded as of 1 January 2014 to the EFTA Member States.
2. For the agricultural goods originating in Turkey, the Faroe Islands shall with regard to customs duties accord preferential treatment not less favourable than it accorded as of 1 January 2014 to the European Union.
3. Taking into account the role of agriculture in their respective economies, the development of trade in agricultural goods and their respective agricultural policies, the Parties shall examine in the Joint Committee the possibilities of granting further concessions to each other in trade in agricultural goods.

Article II.18
Specific Safeguards

Notwithstanding other provisions of this Agreement, and in particular Article III.3 (Fulfilment of Obligations and Dispute Settlement), given the particular sensitivity of the

agricultural market, if imports of products originating in one of the Parties, which are subject to concessions granted under this Agreement, cause serious disturbance to the market or domestic regulatory mechanisms in the other Party, the Parties shall enter into consultations immediately to find an appropriate solution. Pending such solution, the Party concerned may, as appropriate, in accordance with the rules and procedures of the WTO Agreement on Safeguards, which applies *mutatis mutandis* to this Article, reinstate customs duties on the products concerned, which shall not be higher than the base rate or the actual MFN customs duty, whichever is lower.

TITLE III INSTITUTIONAL PROVISIONS AND DISPUTE SETTLEMENT

Article III.1 Establishment of the Joint Committee

1. A Joint Committee is hereby established in which each Party shall be represented by its senior officials.
2. The Joint Committee shall be responsible for the administration of this Agreement and shall ensure proper implementation of its provisions.
3. The Joint Committee shall meet once every two years or on request of either Party. The Joint Committee shall be chaired alternately by the Parties.
4. The Joint Committee shall adopt its rules of procedure.

Article III.2 Functions of the Joint Committee

1. For the efficient implementation of this Agreement, the Joint Committee shall have the following functions:
 - (a) reviewing the general functioning of this Agreement;
 - (b) setting up sub-committees as it considers necessary for accomplishing its tasks, and supervising the work of these sub-committees;
 - (c) reviewing, considering and, as appropriate, deciding on specific matters related to the operation and implementation of this Agreement, including matters reported by sub-committees;
 - (d) facilitating, as appropriate, the avoidance and settlement of disputes arising under this Agreement;
 - (e) as appropriate, providing interpretations of this Agreement;

- (f) reviewing the possibility of further removal of the obstacles to trade between the Parties and further development of the trade relationship; and
 - (g) exploring ways to enhance trade between the Parties and to further the objectives of this Agreement.
2. The Joint Committee may take decisions in the matters related to this Agreement, including decisions to adopt any amendment to this Agreement. The Joint Committee may also make recommendations to matters related to this Agreement. The Joint Committee shall take decisions and make recommendations by consensus.
 3. The decisions taken by the Joint Committee on any amendment to this Agreement shall be subject to the completion of the respective internal ratification procedures of each Party in accordance with Article IV.5 (Amendments).

Article III.3 **Fulfilment of Obligations and Dispute Settlement**

1. The Parties shall take all necessary measures to ensure the achievement of the objectives of this Agreement and the fulfilment of their obligations under this Agreement.
2. The Parties shall at all times endeavour to agree on the interpretation and implementation of this Agreement and shall make every attempt through cooperation and consultations to avoid and settle disputes between them and to arrive at a mutually satisfactory resolution of any matter that might affect its operation.
3. Each Party may request consultations within the Joint Committee with respect to a measure or any other matter relating to the interpretation or implementation of this Agreement.
4. The requesting Party shall deliver written notification to the other Party, stating the reasons for the request, including the identification of the measure at issue and an indication of relevant Article(s) of this Agreement, and shall also provide sufficient information to enable an appropriate examination of the matter.
5. The Joint Committee shall convene within 30 calendar days after the date of receipt of the request. Upon initiation of consultations, the Parties shall provide all relevant information to enable the examination of how the measure or any other matter might affect the interpretation or implementation of this Agreement, and give confidential treatment to the information exchanged during consultations.
6. The Joint Committee shall endeavour to resolve the matter or dispute promptly in the form of a decision, and if the Parties agree, may make recommendations regarding the implementing measures to be taken by the Party concerned, and the timeframe for doing so.

7. The Joint Committee may call on technical advisers or create working groups or expert groups as it deems necessary; and/or may assist the Parties to reach a mutually satisfactory resolution of the matter or dispute.

8. If the matter or dispute cannot be solved within a reasonable period of time during the consultations, the Joint Committee may agree to establish an Arbitration Panel. Numbers of arbitrators, selection procedures of the arbitrators, proceedings of the Arbitration Panel and the timeframe within which the Arbitration Panel should submit its Report, shall be established by the Joint Committee.

9. If a Party considers that the other Party has failed to fulfil an obligation under this Agreement, and the Joint Committee has failed to arrive at a commonly acceptable solution within 90 calendar days from the receipt of the notification referred to in Paragraph 4, the Party concerned may take appropriate measures. The measures taken shall be notified immediately to the Joint Committee, which shall hold regular consultations with a view to their abolition. The measures shall be abolished when conditions no longer justify their maintenance, or, if the dispute is submitted to the Arbitration Panel.

10. This Article is without prejudice to Parties' rights and obligations under Article XXII and XXIII of the GATT 1994, in conjunction with the Understanding on Rules and Procedures Governing the Settlement of Disputes annexed as Annex 2 to the Agreement establishing the WTO.

TITLE IV EXCEPTIONS AND FINAL PROVISIONS

Article IV.1 General and Security Exceptions

1. Nothing in this Agreement shall prevent the Parties from taking actions and adopting measures that are consistent with Article XX and Article XXI of the GATT 1994.
2. The Joint Committee shall be informed, to the fullest extent possible, of measures taken under Paragraph 1 and of their termination.

Article IV.2 Payments and Transfers

1. Except under the circumstances envisaged in Article IV.3 (Balance of Payment Exceptions), a Party shall not apply restrictions on international transfers and payments for current transactions with the other Party.
2. Nothing in this Agreement shall affect the rights and obligations of the Parties under the Articles of the Agreement of the International Monetary Fund (hereinafter referred to as the "IMF"), including the use of exchange actions which are in conformity with the Articles of the Agreement of the IMF, provided that a Party shall not impose restrictions

on capital transactions inconsistently with its specific commitments regarding such transactions, except under Article IV.3 (Balance of Payment Exceptions) or at the request of the IMF.

Article IV.3 Balance of Payment Exceptions

1. The Parties shall endeavour to avoid the application of the restrictive measures for balance of payment purposes.
2. Should a Party decide to impose measures for balance-of-payments purposes, it shall do so only in accordance with the GATT 1994, including the Declaration on Trade Measures Taken for Balance of Payments Purposes (1979 Declarations) and the Understanding on the Balance of Payments provisions of the GATT 1994 (BOP Understanding).
3. Any restrictive measure adopted or maintained under this Article shall be non-discriminatory, be of limited duration, and may not go beyond what is necessary.
4. The Party maintaining or having adopted such restrictive measures, or any changes thereto, shall promptly notify them to the Joint Committee and present, as soon as possible, a time schedule for their removal.

Article IV.4 Evolutionary Clause

The Parties may mutually agree to extend this Agreement with the aim of broadening and supplementing its scope in accordance with their respective legislation, by concluding agreements on specific sectors or activities in light of the experience gained during its implementation.

Article IV.5 Amendments

1. The Parties may agree, in writing, to make amendments to this Agreement.
2. Any amendment to this Agreement shall be subject to the completion of the respective internal ratification procedures of the Parties.
3. Any amendment to this Agreement shall enter into force on the first day of the second month following the date of the receipt of the latter written notification through diplomatic channels, by which the Parties inform each other that all national requirements for the entry into force are fulfilled or on another date as the Parties may agree.
4. Any amendment shall constitute an integral part of this Agreement, upon the completion of the internal ratification procedures of the Parties.

Article IV.6
Entry into Force

1. The Parties shall ratify this Agreement in accordance with their internal ratification procedures.
2. This Agreement shall enter into force on the first day of the second month following the date of the receipt of the latter written notification through diplomatic channels, by which the Parties inform each other that all national requirements for the entry into force are fulfilled or on another date as the Parties may agree.

Article IV.7
Duration and Termination

1. This Agreement shall be valid indefinitely.
2. Either Party may give written notice to the other of its intention to terminate this Agreement. Termination shall take effect on the first day of the seventh month after the date of the notification to the other Party.
3. The Parties agree that in case of accession of one of the Parties to this Agreement to the European Union this Agreement will be terminated on the date of the accession to the European Union in accordance with the Article XXIV of the GATT 1994.

IN WITNESS WHEREOF the undersigned plenipotentiaries, being duly authorised thereto, have signed this Agreement.

DONE at Ankara, this sixteenth day of December, in the year two thousand and fourteen, in two originals, each in the Turkish, Faroese and English languages, all texts being equally authentic. In case of any divergence in the interpretation of this Agreement, the English text shall prevail.

**For the Government of
the Republic of Turkey**

**For the Kingdom of Denmark in
Respect of the Faroe Islands**

**Nihat ZEYBEKÇİ
Minister of Economy**

**Kaj Leo Holm JOHANNESSEN
Prime Minister**