

**RECORD OF UNDERSTANDING
RELATING TO THE AGREEMENT
BETWEEN THE EFTA STATES
AND TURKEY**

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1. It is agreed that Turkey in fulfilment of its commitments to the European Economic Community will not discriminate against the EFTA States in particular in respect of import duties and charges having equivalent effect, fiscal duties as well as quantitative restrictions and measures having equivalent effect and procedures and formalities imposed on trade. Turkey shall inform the Joint Committee of any change in respect of its commitments to the European Community in the areas covered by this Agreement.

The EFTA States and Turkey express their readiness to discuss in the Joint Committee improvements implemented by the European Community in its trade relations with Turkey with a view to examine possibilities for improvements in the above-mentioned fields which could be introduced in the Free Trade Area.

2. In the implementation of the reduction timetable specified in Annex III referred to in paragraph 2 of Article 4, the positive or negative trend in liberalization by the European Economic Community with regard to textiles and ready made garments subject to quotas vis-à-vis Turkey will be taken into consideration and EFTA States' commitments for such products might be adjusted accordingly after consultations in the Joint Committee.

In such a situation the development of trade in these products will be taken into account. Should the European Economic Community totally abolish their restrictions before 1 January 1996 the matter will be referred to the Joint Committee with a view to consider the possibility of accelerating the dismantling of duties.

3. As regards the implementation of Annex III referred to in paragraph 2 of Article 4, Austria, Liechtenstein and Switzerland are prepared to apply the following reductions of the basic duties:

Austria

On the date of the entry into force of the Agreement	45 %
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On 1 January 1994	15 %
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On 1 January 1996	40 %
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Liechtenstein and Switzerland

On the date of the entry into force of the Agreement	60 %
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On 1 January 1996	40 %
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4. Products covered by the ECSC and EURATOM Treaties referred to in Annex IV and originating in an EFTA State will be subject to tariff reductions and reductions of charges with equivalent effect and abolition of quantitative restrictions in Turkey as soon as these products are included in an agreement between Turkey and the European Economic Community. Special rules that might be applied for these products in trade between Turkey and the European Economic Community will be applied to the EFTA States, with the exception of Liechtenstein and Switzerland, after consultations within the Joint Committee. The modalities for their application and implementation shall be decided within the Joint Committee.

5. It is agreed that the EFTA States and Turkey closely coordinate their efforts in training those concerned with the use of the simplified procedure laid down in Protocol B with regard to the issue, control and verification of evidence of origin in order to enable them to be authorized to use this procedure. The time and modalities of the introduction of the simplified procedure shall be agreed upon after deliberations in the Sub-Committee on origin and customs matters.

6. With reference to Explanatory Note 7 of Annex I to Protocol B concerning the definition of the concept of "originating products" and the methods of administrative co-operation Turkey has informed the EFTA States that the Agreement on Implementation of Article VII of the GATT to which Turkey is a Party will be implemented in Turkey on 12 February 1994. Therefore, it is agreed that until this date Turkey will define "customs value" in accordance with the Convention on the Valuation of Goods for Customs Purposes.

7. Article 9 of the Agreement shall apply to Switzerland and Liechtenstein with regard to state monopolies concerning salt and gunpowder only to the extent that these States will have to fulfil corresponding obligations under the Agreement between the EFTA States and the European Economic Community and their Member States on a European Economic Area.

Article 9 shall be applicable at the latest from 1 January 1995 in the case of the Austrian monopoly on salt and the Icelandic monopoly on fertilizers.

8. The Parties agree to enter into negotiations at the request of any Party with the aim to improve the provisions on intellectual property rights of this Agreement, in particular in light of the results of Turkey - European Economic Community negotiations.

9. Taking into account developments in other international fora and in their respective relations with the European Economic Community and in view of the growing importance of areas closely related to trade in goods, the EFTA States and Turkey will periodically discuss in the Joint Committee possibilities to extend their trade relations to the fields of foreign direct investment and trade in services. Parties will immediately notify each other of proposals in this field, made in particular in their relations with the European Economic Community.