

Turkey Initiates Arbitration Procedure in The Localization of Pharmaceuticals Dispute Ongoing with the EU

27 Jul 2022

Turkey initiated arbitration procedure against the World Trade Organization's ("**WTO**") report concerning the dispute between Turkey and the European Union ("**EU**") regarding Turkey's localization of pharmaceuticals practice.

The dispute between the EU and Turkey was initiated by the complaint submitted by the EU to WTO on 2 April 2019 regarding various measures applied by Turkey with respect to localization of pharmaceuticals. The measures identified by the EU include a localization requirement, a technology transfer requirement, an import ban on localized products, and a prioritization measure.

The EU claimed that the challenged measures are inconsistent with a number of international agreements including the General Agreement on Tariffs and Trade 1994 ("**GATT 1994**"). Upon the request of the EU, the WTO has composed a panel on 17 March 2020. The panel issued its report to the parties on 11 November 2021.

On 22 March 2022, Turkey and the EU jointly communicated that they had agreed on procedures for arbitration regarding the dispute. The parties also requested the panel to transmit the final report to the parties, without circulating it, and to allow the parties to disclose the report if they resorted to arbitration.

On 25 April 2022, Turkey filed a Notice of Appeal and initiated the arbitration proceedings and disclosed the full text of the report transmitted by the panel to the parties.

The panel report includes the following key points:

- The localization requirement is inconsistent with the national treatment obligation in article III:4 of the GATT 1994, because it is designed to create a financial incentive for consumers to select domestically produced pharmaceutical products over imported pharmaceutical products, and thus accords "less favourable treatment" to those imported pharmaceutical products.
- The prioritization measure is inconsistent with article III:4 of the GATT 1994.

On the other hand, the panel has rejected Turkey's arguments against EU's claims.

The decision on the dispute will be given by the arbitral tribunal composed of three arbitrators.

Please see [this link](#) for the details and the developments and [this link](#) for the arbitration notice regarding the dispute.

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