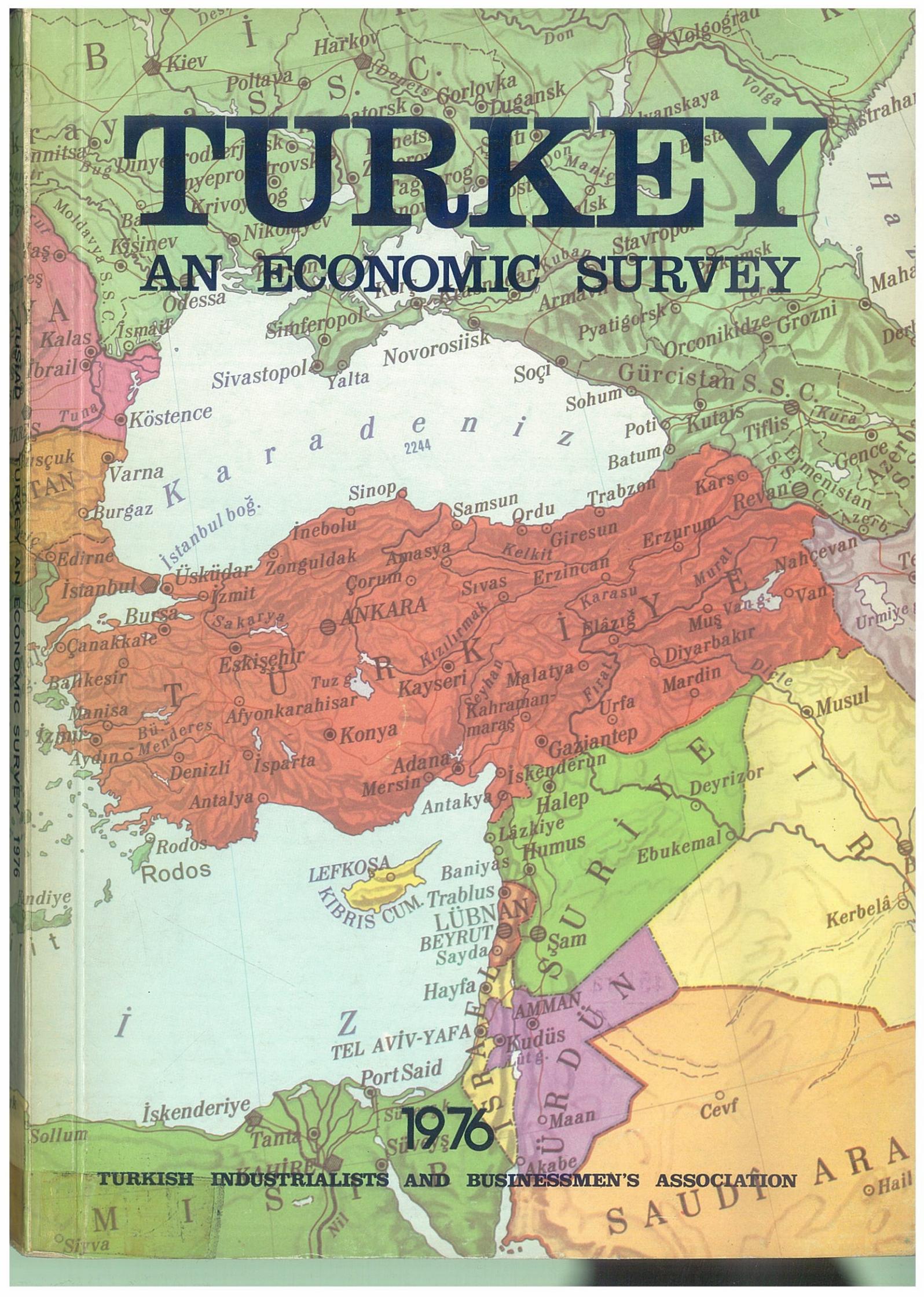


# TURKEY

## AN ECONOMIC SURVEY



TURKEY AN ECONOMIC SURVEY 1976

1976

TURKISH INDUSTRIALISTS AND BUSINESSMEN'S ASSOCIATION

SAUDI ARABIA

# **TURKEY**

**AN ECONOMIC SURVEY**

**1976**

**TURKISH INDUSTRIALISTS AND BUSINESSMEN'S ASSOCIATION**

TURKEY-AN ECONOMIC SURVEY has been prepared to give brief information on the recent developments in the country.

A group of Turkish economists associated with the Turkish Industrialists and Businessmen's Association worked on it. Their aim has been to give a concise quantitative picture of the economy, taking care to avoid their personal evaluations of it.

The reader of this report should be aware that it is not an official statement on the problems of the Turkish economy as viewed by the Government, nor a reflection of the opinions of the members of TURKISH INDUSTRIALISTS AND BUSINESSMEN'S ASSOCIATION.

The main sources used in the preparation of the survey are the various publications of the State Planning Organization, State Institute of Statistics, the Ministries, and the EBA Economic Press Agency.

More detailed information, comments and discussions on the subject covered by this survey are available in various documents of TURKISH INDUSTRIALISTS AND BUSINESSMEN'S ASSOCIATION published in Turkish. This document has been prepared in English upon the requests of those who could not follow the Association's publications in Turkish.

Istanbul, May 11, 1976

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AN ECONOMIC SURVEY

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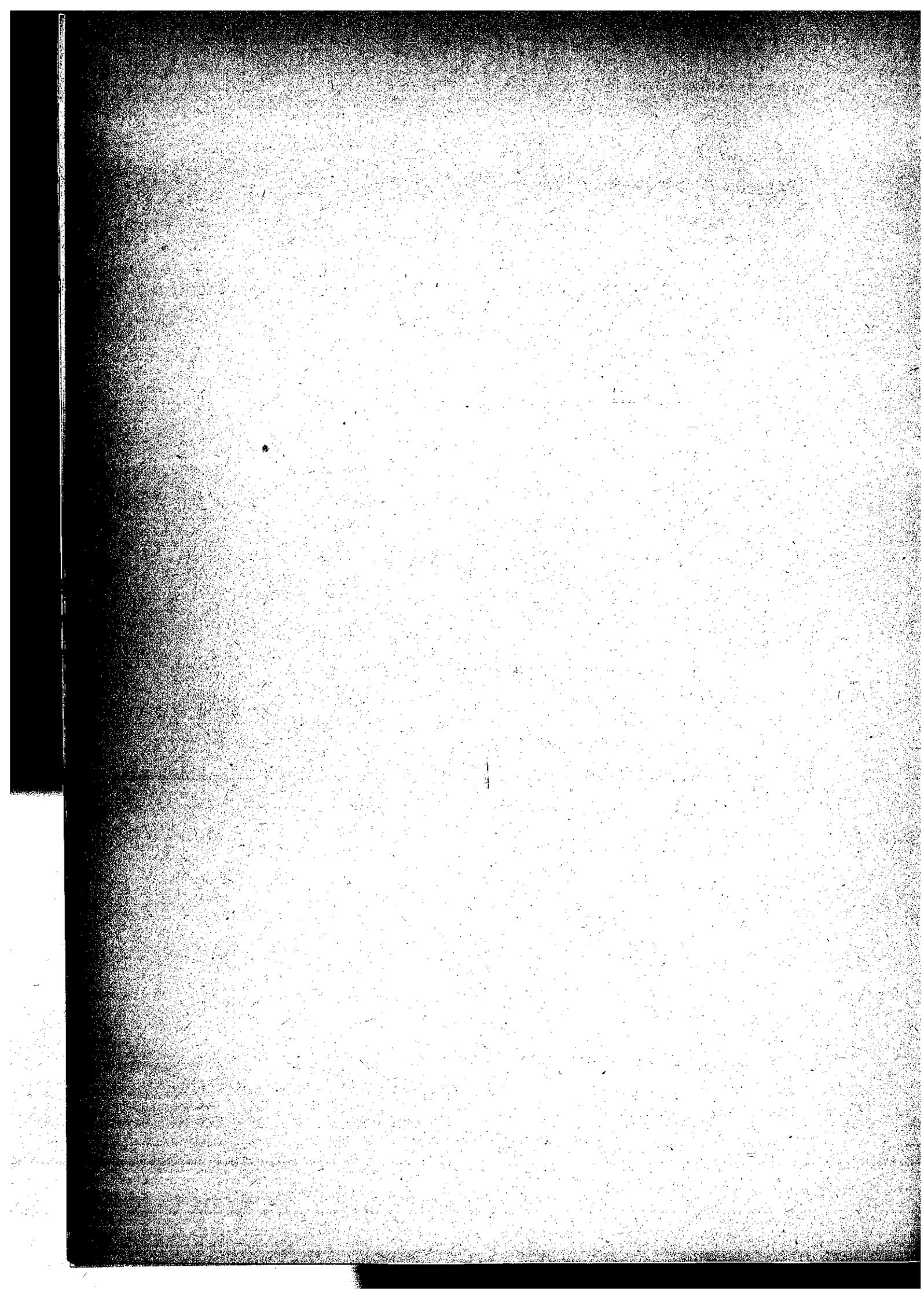
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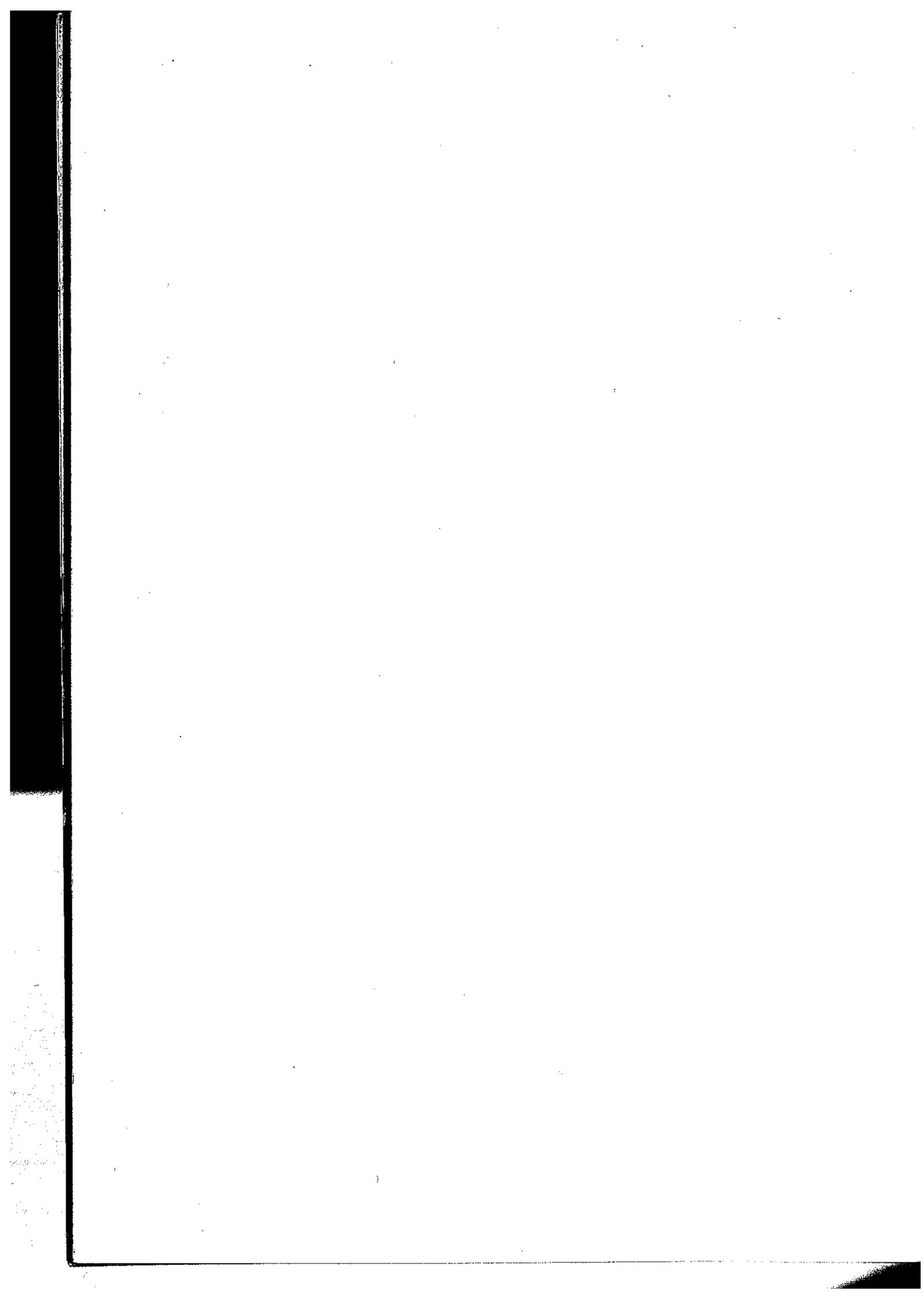
# TURKEY

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## CHAPTER I

### POPULATION - LAND

#### Population

1. According to the provisional figures, Turkey's population increased by nearly 13 % between 1970 and 1975; annual rate of increase was 2.4 % - slightly lower than for the period of 1965-1970 (2.5 %).
2. Overall population density increased by 23.8 percent during the last five years (from 45 persons/km<sup>2</sup> in 1970 to 52 persons/km<sup>2</sup> in 1975) ; the increase in population density between 1965 and 1970 was 9.8 percent.
3. Of the geographical regions, population growth on the Mediterranean coast was highest (3.68 percent) with population growth in Thrace at 3.23 percent on the Marmara and Aegean coasts 2.87 percent, in Southeastern Anatolia 2.86 percent, and in Central Anatolia 2.48 percent - all above the national average of 2.43 percent. Population growth was below the national average in the following regions: Eastern Anatolia, Western Anatolia (inland), and the Black-sea coast.
4. The growth in urban population has been 4.04 percent over the last five years compared to a 1.34 percent increase in rural population. While rural population in some provinces increased above the national average, it declined in others.
5. Only in 12 out of 67 provinces was annual urban population increase at a rate below the national average. Although the number of cities remained the same between 1970 and 1975, and the number of small towns (sub-districts) and villages increased slightly, population in most of the cities increased faster than the national average, indicating increasing urbanisation in Turkey. Thus one of Turkey's untackled headaches, is growing by leaps and bounds, continuing far ahead of efforts to solve it.

TABLE 1

TURKEY'S POPULATION BY CENSUS

| <u>Date of Census</u> | <u>Preliminary Results</u> | <u>Final Results</u> | <u>Annual o/oo inc. in total Population</u> | <u>No. of Provinces</u> | <u>No. of Dist-ricts</u> | <u>No. of Sub.dist. and Villages</u> | <u>Density Persons/km<sup>2</sup></u> |
|-----------------------|----------------------------|----------------------|---------------------------------------------|-------------------------|--------------------------|--------------------------------------|---------------------------------------|
| 1927                  | 13,636,265                 | 13,648,270           | --                                          | 63                      | 320                      | 40,991                               | 18                                    |
| 1935                  | 16,115,342                 | 16,158,018           | 21.3                                        | 57                      | 356                      | 34,876                               | 21                                    |
| 1940                  | 17,771,999                 | 17,820,950           | 19.8                                        | 63                      | 370                      | 34,024                               | 23                                    |
| 1945                  | 18,860,222                 | 18,790,174           | 10.7                                        | 63                      | 396                      | 34,063                               | 24                                    |
| 1950                  | 20,934,470                 | 20,947,188           | 22.0                                        | 63                      | 422                      | 34,252                               | 27                                    |
| 1955                  | 24,130,778                 | 24,064,763           | 28.1                                        | 66                      | 493                      | 34,951                               | 31                                    |
| 1960                  | 27,809,831                 | 27,754,820           | 29.3                                        | 67                      | 570                      | 34,408                               | 36                                    |
| 1965                  | 31,391,207                 | 31,391,421           | 24.9                                        | 67                      | 571                      | 35,638                               | 41                                    |
| 1970                  | 35,666,549                 | 35,605,176           | 25.2                                        | 67                      | 572                      | 35,997                               | 45                                    |
| 1975                  | 40,197,669                 | --                   | 24.2                                        | 67                      | 572                      | 36,064                               | 52                                    |

| <u>Geographic Regions</u> | <u>Population Census Final Results</u> |                               |                               | <u>Population Census Preliminary Results</u> |                               |                               |
|---------------------------|----------------------------------------|-------------------------------|-------------------------------|----------------------------------------------|-------------------------------|-------------------------------|
|                           | <u>Total</u>                           | <u>Province and Districts</u> | <u>Sub.Dist. and Villages</u> | <u>Total</u>                                 | <u>Province and Districts</u> | <u>Sub.Dist. and Villages</u> |
|                           |                                        | 1 9 7 0                       | 1 9 7 5                       |                                              | 1 9 7 5                       | 1 9 7 5                       |
| TOTAL                     | 35,605,176                             | 13,725,776                    | 21,879,400                    | 40,197,669                                   | 16,799,796                    | 23,397,873                    |
| Thrace                    | 3,210,792                              | 2,039,648                     | 1,171,149                     | 3,773,705                                    | 2,218,086                     | 1,455,619                     |
| Black Sea Cost            | 5,401,331                              | 1,291,341                     | 4,109,990                     | 5,762,932                                    | 1,511,869                     | 4,251,063                     |
| Marmara and coasts        | 6,193,766                              | 2,774,100                     | 3,419,666                     | 7,149,722                                    | 3,401,650                     | 3,748,072                     |
| Mediterranean coast       | 2,794,718                              | 1,191,436                     | 1,603,282                     | 3,359,694                                    | 1,557,149                     | 1,802,545                     |
| West Anatolia             | 2,810,108                              | 941,477                       | 1,868,631                     | 3,015,540                                    | 1,103,074                     | 1,912,466                     |
| Central Anatolia          | 8,939,728                              | 3,499,572                     | 5,440,156                     | 10,120,281                                   | 4,463,656                     | 5,656,625                     |
| Southeast Anatolia        | 1,597,584                              | 655,458                       | 942,126                       | 1,842,972                                    | 846,526                       | 996,446                       |
| East Anatolia             | 4,657,149                              | 1,332,749                     | 3,324,400                     | 5,172,823                                    | 1,597,786                     | 3,575,037                     |

TABLE 2

POPULATION IN TEN LARGEST CITIES (Municipal Boundaries)

(1970 - 75)

|                           | <u>1975</u>      | <u>1970</u>      | <u>Annual Increase<br/>per thousand</u> |
|---------------------------|------------------|------------------|-----------------------------------------|
| Istanbul                  | 2,534,839        | 2,132,407        | 34.57                                   |
| Ankara                    | 1,698,542        | 1,236,152        | 63.55                                   |
| İzmir                     | 636,078          | 520,832          | 39.97                                   |
| Adana                     | 467,122          | 348,014          | 58.86                                   |
| Bursa                     | 346,084          | 275,553          | 45.28                                   |
| Gaziantep                 | 300,801          | 227,652          | 55.72                                   |
| Eskişehir                 | 258,266          | 216,373          | 35.39                                   |
| Konya                     | 246,381          | 200,464          | 41.24                                   |
| Kayseri                   | 207,039          | 160,985          | 50.31                                   |
| Diyarbakır                | 169,746          | 149,566          | 25.31                                   |
| <b>TOTAL</b>              | <b>6,864,898</b> | <b>5,468,398</b> | <b>25.41</b>                            |
| <u>As percent of :</u>    |                  |                  |                                         |
| Total urban<br>population | 40.86            | 39.84            |                                         |
| Turkey total              | 17.07            | 15.35            |                                         |

6. In 1975 it is estimated that out of 15.3 m in the labour force, only 14.3 m are fully employed. According to the Third Plan, out of an average of 440,000 persons entering the labour force annually only 160,000 are able to enter productive activities. Furthermore at the end of the Second Plan, uninsured and unorganized workers were distributed as follows: 600,000 agricultural workers, 3.7 m artisans, craftsman, and their apprentices, and 5.9 m unpaid agricultural family workers and others.

TABLE 3

DISTRIBUTION OF ECONOMICALLY ACTIVE POPULATION

(15-64 years, Civilian)

| <u>Sector</u>  | <u>1962</u> | <u>1967</u> | <u>1972</u> | <u>1975</u> | <u>Chg.in Proportion '75 over' 62</u> |                |
|----------------|-------------|-------------|-------------|-------------|---------------------------------------|----------------|
|                |             |             |             |             | <u>Points</u>                         | <u>Percent</u> |
| Agriculture    | 77.1        | 71.3        | 64.8        | 60.5        | -16.6                                 | 100.0          |
|                |             |             |             |             | <u>Absorbed by</u>                    |                |
|                |             |             |             |             |                                       |                |
| Industry       | 8.3         | 9.2         | 11.1        | 12.7        | -4.4                                  | 26.5           |
| Construction   | 2.6         | 2.9         | 3.2         | 3.8         | -1.2                                  | 7.2            |
| Commerce       | 2.7         | 3.1         | 4.7         | 5.1         | -2.4                                  | 14.5           |
| Transportation | 2.2         | 2.5         | 3.4         | 4.0         | -1.8                                  | 10.8           |
| Services       | 6.4         | 8.3         | 11.8        | 13.0        | -6.6                                  | 39.8           |
| Unknown        | <u>0.7</u>  | <u>2.7</u>  | <u>1.0</u>  | <u>0.9</u>  | <u>-0.2</u>                           | <u>1.2</u>     |
| TOTAL          | 100.0       | 100.0       | 100.0       | 100.0       | -16.6                                 | 100.0          |

TABLE 4

POPULATION-TOTAL, URBAN AND RURAL

(as of October of each year)

Total Urban and Rural

| <u>Year</u> | <u>Millions</u> |              |              | <u>Percent of Total</u> |              |
|-------------|-----------------|--------------|--------------|-------------------------|--------------|
|             | <u>Total</u>    | <u>Urban</u> | <u>Rural</u> | <u>Urban</u>            | <u>Rural</u> |
| 1927        | 13.6            | 3.3          | 10.3         | 24.3                    | 75.7         |
| 1935        | 16.2            | 3.9          | 12.3         | 24.1                    | 75.9         |
| 1940        | 17.8            | 4.5          | 13.3         | 25.3                    | 74.7         |
| 1945        | 18.8            | 4.7          | 14.1         | 25.0                    | 75.0         |
| 1950        | 20.9            | 5.2          | 15.7         | 24.9                    | 75.1         |
| 1955        | 24.1            | 6.9          | 17.2         | 28.6                    | 71.4         |
| 1960        | 27.8            | 8.9          | 18.9         | 32.0                    | 68.0         |
| 1965        | 31.4            | 10.8         | 20.6         | 34.4                    | 65.6         |
| 1970        | 35.7            | 13.8         | 21.9         | 38.7                    | 61.3         |
| 1975        | 40.2            | 16.8         | 23.4         | 41.8                    | 58.2         |

TABLE 5  
AVERAGE ANNUAL RATES OF POPULATION INCREASE

| Years     | (Percent) |       |       |
|-----------|-----------|-------|-------|
|           | Total     | Urban | Rural |
| 1927-1935 | 2.2       | 2.1   | 2.2   |
| 1935-1940 | 1.9       | 2.9   | 1.6   |
| 1940-1945 | 1.1       | 0.9   | 1.2   |
| 1945-1950 | 2.2       | 2.0   | 2.2   |
| 1950-1955 | 2.9       | 5.8   | 1.9   |
| 1955-1960 | 2.9       | 5.2   | 1.9   |
| 1960-1965 | 2.5       | 4.0   | 1.7   |
| 1965-1970 | 2.6       | 6.3   | 1.5   |
| 1970-1975 | 2.4       | 4.0   | 1.3   |

Source: Census of Population, State Institute of Statistics, Publication Numbers, 399,410,452,537,616

TABLE 6  
POPULATION CHARACTERISTICS

| Region / Area      | Depen-<br>dency<br>Ratio | %<br>Literatel/ | Net                            | Net Population                |
|--------------------|--------------------------|-----------------|--------------------------------|-------------------------------|
|                    |                          |                 | Migration<br>Rate per<br>1.000 | Increase<br>Rate per<br>1.000 |
| Turkey             |                          |                 |                                |                               |
| Total              | 87.6                     | 53.2            | -                              | 25.0                          |
| Rural              | 92.7                     | 45.1            | -20.3                          | 27.2                          |
| Urban              | 77.9                     | 67.9            | 17.4                           | 20.7                          |
| Ankara             | 73.0                     | 79.4            | 51.4                           | 21.8                          |
| Istanbul           | 56.0                     | 82.0            | 32.9                           | 12.6                          |
| İzmir              | 60.0                     | 74.0            | 44.4                           | 14.4                          |
| REGION             |                          |                 |                                |                               |
| Central Anatolia   |                          |                 |                                |                               |
| Rural              | 96.1                     | 42.9            | -25.0                          | 31.0                          |
| Urban              | 88.3                     | 63.4            | - 3.8                          | 23.5                          |
| Black Sea          |                          |                 |                                |                               |
| Rural              | 88.7                     | 45.3            | -13.8                          | 23.2                          |
| Urban              | 91.6                     | 63.1            | - 0.4                          | 24.4                          |
| Aegean and Marmara |                          |                 |                                |                               |
| Rural              | 77.0                     | 55.2            | -17.8                          | 20.9                          |
| Urban              | 71.8                     | 68.8            | 18.0                           | 15.6                          |
| Mediterranean      |                          |                 |                                |                               |
| Rural              | 98.8                     | 52.0            | -26.0                          | 27.1                          |
| Urban              | 84.8                     | 65.7            | 15.0                           | 23.0                          |
| Eastern Anatolia   |                          |                 |                                |                               |
| Rural              | 109.2                    | 30.8            | -20.5                          | 34.2                          |
| Urban              | 98.4                     | 50.0            | - 6.1                          | 31.7                          |

l/ Ages 8 years and over

Source : Republic of Turkey, Ministry of Health and Social Welfare, School of Public Health, Vital Statistics from the Turkish Demographic Survey (Ankara, 1970)

Land Holding Patterns

7. Sample tabulations taken from the 1963 and 1970 Censuses of Agriculture are shown in Table 7. There are many deficiencies in these data, but they probably give an accurate impression of the skewed nature of land distribution in Turkey. For example in 1963 less than 4 % of the holdings comprised over 28% of the cultivated land. In 1970, provisional data show that 3.1 % of the holdings covered over 25 % of the cultivated land holdings.

TABLE 7

PERCENTAGE DISTRIBUTION OF AGRICULTURAL LANDHOLDINGS IN TURKEY

(1963 and 1970)

| Size of Holdings<br>in Decares | 1963                  |                      | 1970                  |                      |
|--------------------------------|-----------------------|----------------------|-----------------------|----------------------|
|                                | Number of<br>Holdings | Land Area<br>Covered | Number of<br>Holdings | Land Area<br>Covered |
| 1 - 50                         | 68.8                  | 24.4                 | 75.1                  | 29.6                 |
| 51 - 100                       | 18.1                  | 23.9                 | 14.7                  | 23.2                 |
| 101 - 200                      | 9.4                   | 23.7                 | 7.1                   | 21.8                 |
| 201 - 500                      | 3.2                   | 17.0                 | 2.6                   | 14.3                 |
| 501 -1000                      | 0.4                   | 4.5                  | 0.4                   | 5.7                  |
| 1,000 and over                 | 0.1                   | 6.5                  | 0.1                   | 5.4                  |
| TOTAL                          | 100.0                 | 100.0                | 100.0                 | 100.0                |

8. On June 13, 1973 a Land Reform Bill was passed by the Parliament and a Land and Agricultural Reform Commission was set up within the Office of the Prime Minister headed by an Undersecretary.
9. The Third Plan states that land and agricultural reform is one of the main reforms to be implemented within the Third Plan period (1973-77). The goals are stated to be, to raise the standard of living, improve the distribution of income and productivity of the landless and small landholders through the distribution of land, and to secure organization of the farmers and to effect increases in their output.

## CHAPTER II

### THE ROLES OF THE STATE AND THE PRIVATE SECTOR IN TURKISH ECONOMY

#### Political Set-up

10. Turkey has witnessed a series of government stalemates in the past few years. Following inconclusive 1973 elections, the left-of-center Republican People's Party (RPP) and the conservative National Salvation Party (NSP) formed a coalition in January 1974. Due to ideological and political differences, however, the coalition was dissolved in September 1974.
11. A series of caretaker governments that held power until April 1975, a coalition of the more moderate Justice Party (JP) and the NSP was formed. The present coalition, under Prime Minister Süleyman Demirel of the JP, received a vote of confidence from parliament for its middle-of-the-road program.
12. Turkey is a member of the OECD and GATT and an associate member of the European Economic Community (with full membership scheduled for 1995). Turkey also belongs to the Regional Cooperation for Development (RCD) organization comprised of Iran, Pakistan and Turkey.

#### Mixed Economy

13. The economic policy adopted by successive governments has not altered substantially since 1963 when the first five-year development plan was announced: the emphasis is on a mixed economy, in which private and state enterprise both play a significant part, and which will foster industrial development to balance the traditional dependence on agriculture.

#### Market

14. The Turkish economy has grown substantially since the early 1960s. Under the first five-year plan (1963-67), real GNP growth averaged 6.7 % a year. Under the second plan (1968-72), real GNP growth slightly exceeded the 7 % per annum target, although performance was uneven. The growth rate soared to 9.2 % in 1971, and registered 7.6 % in 1972, 7 % in 1973 and 7.4 % in 1974. Despite this progress, the country is still plagued by serious economic and social problems, including a rapidly expanding population, high unemployment, galloping inflation (20 % in 1973, 30 % in 1974 and 10 % in 1975) and chronic foreign trade deficit.

15. Through its five-year plans, Turkey is trying to overcome some of its fundamental economic problems and to establish an industrial base. The plans set overall economic goals, which are supplemented by detailed programs announced each year. The third five-year plan (1973-77) calls for a 7.9 % annual real growth in GNP and 11.8 % in industrial production.
16. Priority is now being given to the following sectors: electrical power generation, fertilizers, sugar, iron and steel, electronics and telecommunications, automobiles, machine tools, heavy electrical equipment, agricultural and construction machinery and shipbuilding.

#### State Role in Industry

17. Turkey's economy is mixed, with the government owning about 47 % of Turkish industry. Since the early 1950s, the private sector has been given the opportunity to invest in or even to take over certain existing state-owned industries, but most often, local private industry has not had the capital to do so. In recent years, more emphasis has been placed on private enterprise, due mainly to the increased financial burdens of the state as well as to the unprofitability of the state sector.
18. The original objective of the state sector was to develop Turkey's industrial base at a time when private capital was lacking.
19. The state firms, organized as wholly or partially owned "State Economic Enterprises" (SEEs), increasingly face financial and administrative difficulties. Set up as corporations, they operate like government departments, with the attendant ills of overstaffing and low productivity. This leads many of them to operate at a loss and the SEEs as a whole have been able to assure the Treasury of a relatively small net annual profit only in the past decade.
20. Even with the trend toward more reliance on the private sector, the government will continue to play an important role in economic affairs.

#### State-owned Industry

21. Only industries coming under the "monopolies law" are exclusively reserved to the state (tobacco products, most spirits, utilities, rail, air and municipal public transport, salt, opium products). However, the private sector has been permitted to engage in production of tobacco products for export.

22. The network of government industries (SEEs) includes a number of industries in addition to those reserved exclusively to the state. At present, the more important of the 27 SEEs engaged in industry and communications include: Sumerbank (mainly textiles), Etibank (mining and mineral processing), MKEK or the Machinery and Chemical Industries' Board (industrial chemicals, munitions, special steels, castings, etc.), TPAO (petroleum), Azot (fertilizers), PTT (post office, telephones and telegraphs), SEKA (paper) the Maritime Bank, TMO (Cereals Office), TEK (Turkish National Electricity Board), TCDD (railways), Pet-Kim (Petrochemicals), THY (Turkish Airlines) and TKI (Turkish Coal Board). Other SEEs include the State Investment Bank, the Social Insurance Board, the National Building Society, the State Pension Fund, an insurance company and the Central Bank.
23. Through the SEEs, the Treasury also has interests in some 45 other industrial joint ventures with private capital. Some of these involve foreign corporations--such as the Ereğli Iron and Steel Mills Corp, the Northern Electric-PTT telecommunications equipment plant and the Mannesman-Sumerbank steel pipe factory.
24. There have been no nationalizations since the 1930s, at least of existing manufacturing industries.
25. The production and price and even employment policies of State Economic Enterprises (SEEs) are determined by government since these agencies are greatly manipulated in pursuing economic policies. Arguments for increased autonomy of these enterprises, since the beginning of the planned period, failed to convince governments to allow these giants to operate under competitive conditions in the market. Certain rules of economics, however, need to be observed or ensuing losses become inevitable. One of these is the rule that an investing enterprise should be able to finance some portion of the investment cost from its own resources in order to profit or to keep investing, as SEEs are required to do.
26. The financial table concerning SEEs shows that implementation in Turkey is far from adhering to this rule. (Table 8). The result is increased subsidies out of Treasury funds. And increased budgetary support of these enterprises leads to increased budgetary deficits which greatly contribute to inflation.

TABLE 8

INVESTMENT PROGRAM AND FINANCIAL REQUIREMENTS OF SEES - 1975

(TL. Million)

| SEE               | 1975              |                    |                      |
|-------------------|-------------------|--------------------|----------------------|
|                   | Profit<br>or Loss | Invest.<br>Program | Total<br>Requirement |
| MKEK              | - 96              | 384                | 480                  |
| SÜMERBANK         | + 172             | 592                | 420                  |
| T.Cement          | - 30              | 311                | 341                  |
| T.Iron and Steel  | + 550             | 2,600              | 2,050                |
| T.Paper Works     | - 150             | 713                | 863                  |
| ETIBANK           | - 650             | 1,635              | 2,285                |
| Electricity A.    | + 980             | 4,083              | 3,103                |
| Petrochem. Co.    | + 175             | 557                | 382                  |
| Petroleum Of.     | --                | 150                | 150                  |
| TPAO              | --                | 4,281              | 4,281                |
| T.Coal Works      | -1,790            | 1,050              | 2,840                |
| Fertilizer Ind.   | + 69              | 589                | 520                  |
| Meat and Fish Ag. | - 135             | 275                | 410                  |
| TMO               | -1,890            | 64                 | 1,954                |
| T. Milk Ind.      | + 10              | 110                | 100                  |
| T. Sugar Ind.     | - 770             | 814                | 1,584                |
| T. Wool Entr.     | --                | --                 | --                   |
| Feed Ind.         | - 38              | 62                 | 100                  |
| TZDK              | + 71              | 71                 | --                   |
| Tea Co.           | - 680             | 97                 | 777                  |
| T.Cargo Lines     | --                | 713                | 713                  |
| Maritime Bank     | - 250             | 507                | 757                  |
| PTT               | - 60              | 1,815              | 1,875                |
| Railways          | -1,382            | 2,603              | 3,985                |
| Airways           | - 80              | 310                | 390                  |
| Radio and TV. Co  | - 45              | 350                | 395                  |
| DMO               | + 38              | 38                 | --                   |
| Tourism Bank      | - 15              | 20                 | 35                   |
| <b>TOTAL</b>      | <b>-5,996</b>     | <b>24,794</b>      | <b>30,790</b>        |

27. Financial requirement of State Economic Enterprises (SEE) in 1976 is programmed to be TL 48,022.5 m. TL. 38,434.2 m of this amount is investments planned for 1976, while the remaining TL. 9,588.3 m is the consolidated loss of the enterprises. Sources from which this financial deficit will be financed are given in the (Table 8)

|                    | <u>1950</u> | <u>1963</u> | <u>1967</u> | <u>1973</u> |
|--------------------|-------------|-------------|-------------|-------------|
| Consumer goods     | 47.8        | 61.3        | 51.3        | 66.9        |
| Intermediary goods | 63.7        | 39.0        | 41.8        | 47.4        |
| Investment goods   | 26.4        | 66.0        | 76.2        | 83.3        |
|                    | <u>49.5</u> | <u>55.8</u> | <u>52.1</u> | <u>63.3</u> |

29. The private sector has given more emphasis during the planned period to consumer goods industries and to investment goods industries. It is interesting to note that it is the private sector which invests the most in investment goods including consumer durables producing industries. In fact 89,84 percent of total investments made in 1973 in the capital goods sector are private.

(Million TL. %)

|      | Capital Goods Industry |               |                 | Manufacturing Industry |               |                   |
|------|------------------------|---------------|-----------------|------------------------|---------------|-------------------|
|      | Public                 | Private       | Total           | Public                 | Private       | Total             |
| 1971 | 109<br>6.81            | 1492<br>93.19 | 1601<br>(18.79) | 3669<br>43.07          | 4850<br>56.93 | 8519<br>(100.00)  |
| 1972 | 218<br>20.74           | 1315<br>79.26 | 1533<br>(12.11) | 5929<br>46.85          | 6727<br>53.15 | 12656<br>(100.00) |
| 1973 | 276<br>10.16           | 2440<br>89.84 | 2716<br>(17.45) | 5966<br>38.33          | 9600<br>61.67 | 15566<br>(100.00) |

Source : Doç. Dr. Uğur Korum, Türkiye'de İmalât Sanayiinin Yapısı, 1975.

30. The share of the private sector in the Employment, Production and Investment of large manufacturing industry has increased considerably between 1963 and 1973.
31. For the year 1973 and by referring to the table below following observations can be made:

TABLE 9

FINANCING OF SEEs - 1976 (TL.Mil.)

|                             |           |
|-----------------------------|-----------|
| Profit-Loss Balance         | 9,588.3   |
| 1976 Investments            | 38,434.2  |
| Total Requirement           | 48,022.5  |
| Sources of Finance :        |           |
| Budgetary Transfers         | 10,000.0  |
| State Investment Bank - SIB | 10,000.0  |
| of which                    |           |
| Own-resources of SIB        | (2,500.0) |
| Social Insurance Assoc.     | (5,000.0) |
| Social Funds (1)            | (2,500.0) |
| Foreign Sources             | 15,000.0  |
| of which                    |           |
| Foreign Project Credit      | (7,500.0) |
| Others                      | (7,500.0) |
| Special Funds (2)           | 6,800.0   |
| Fund no. 20 (3)             | 3,700.0   |
| Auto-financing              | 2,522.5   |
| TOTAL                       | 48,022.5  |

- (1) Pension Fund and MEYAK  
 (2) Legal Reserves at the Central Bank  
 (3) Petroleum Fund.

The Role of the Private Sector in Industry

28. The relative importance of the private sector in Manufacturing has increased from 49,5 % of the value of production in Manufacturing in 1950 to 63,3 % in 1973, the last year for which data on manufacturing has been published.

TABLE 10

THE SHARE OF THE PRIVATE SECTOR IN LARGE MANUFACTURING  
INDUSTRY

| Years | Employment (000) |         |      | Investment<br>(billion TL) |         |      | Production<br>(billion TL) |         |      |
|-------|------------------|---------|------|----------------------------|---------|------|----------------------------|---------|------|
|       | Total            | Private | %    | Total                      | Private | %    | Total                      | Private | %    |
| 1963  | 319.0            | 179.3   | 52.2 | 1.1                        | 0.5     | 48.2 | 19.6                       | 10.9    | 55.8 |
| 1964  | 346.6            | 199.7   | 57.6 | 2.0                        | 0.8     | 40.7 | 23.0                       | 13.2    | 57.3 |
| 1965  | 390.3            | 220.0   | 56.3 | 1.6                        | 0.9     | 55.0 | 28.6                       | 15.1    | 52.8 |
| 1966  | 410.7            | 231.2   | 56.3 | 1.6                        | 1.0     | 63.4 | 34.1                       | 18.1    | 53.2 |
| 1967  | 438.0            | 249.6   | 57.0 | 2.2                        | 1.4     | 63.1 | 41.9                       | 21.7    | 51.9 |
| 1968  | 460.5            | 265.9   | 57.7 | 2.4                        | 1.6     | 65.7 | 46.8                       | 25.1    | 53.7 |
| 1969  | 480.2            | 289.7   | 60.1 | 3.0                        | 1.9     | 62.3 | 59.7                       | 32.2    | 54.1 |
| 1970  | 506.2            | 289.7   | 61.3 | 3.0                        | 2.4     | 63.3 | 72.3                       | 41.5    | 57.4 |
| 1971  | 541.0            | 334.2   | 61.7 | 4.7                        | 3.0     | 62.6 | 88.4                       | 53.6    | 60.7 |
| 1972  | 576.9            | 261.6   | 62.6 | 7.1                        | 4.6     | 64.8 | 104.9                      | 65.6    | 62.5 |
| 1973  | 637.6            | 412.0   | 64.6 | 9.2                        | 6.1     | 66.7 | 141.2                      | 89.4    | 63.3 |

- 65 % of the investments in manufacturing are made by the Private Sector.
  - Approximately 65 % of the workers are employed by Private firms.
  - 63,3 % of production is being created by the Private Sector.
  - During the period 1963 - 1973 the private sector has created employment opportunities for 232 thousand people, or 74 % of total employment created amounting to 317 thousand people. The rate of increase amounts to 125,8 %.
32. The public sector has thus created employment for 85 thousand people or 26 % of total employment. The increase of the employment in the public sector between 1963 and 1973 amounts to only 61 %
- The private sector creates an additional employment by investing 81 thousand liras, while the public sector creates an additional job by investing 139 thousand liras, 72 % more than the private sector.
  - The share of the private sector in employment has shown a modest increase in consumer goods, and intermediary goods industries but a very considerable increase in capital goods and consumer durable industries.

TABLE 11

SHARE OF THE PRIVATE SECTOR IN TOTAL EMPLOYMENT  
IN MANUFACTURING

|                    | <u>1950</u> | <u>1963</u> | <u>1967</u> | <u>1973</u> |
|--------------------|-------------|-------------|-------------|-------------|
| Consumer Goods     | 52.5        | 58.4        | 55.5        | 61.6        |
| Intermediary Goods | 58.2        | 54.2        | 56.0        | 61.5        |
| Investment Goods   | 14.1        | 50.0        | 62.6        | 73.7        |
|                    | 48.6        | 57.3        | 57.0        | 64.6        |

- There is an apparent increase in the rate of capacity use in the private sector between 1974 and 1975 as can be observed in the table below :

TABLE 12

RATE OF CAPACITY USE IN THE PRIVATE SECTOR

| ( % )                |        |        |        |        |
|----------------------|--------|--------|--------|--------|
| Rate of Capacity Use | 1975   | Cumul. | 1974   | Cumul. |
| less than % 50       | % 9.6  | 100.0  | % 7.0  | 100.0  |
| % 51 - 60            | % 11.0 | 90.4   | % 16.9 | 93.0   |
| % 61 - 70            | % 12.3 | 79.4   | % 16.9 | 76.1   |
| % 71 - 80            | % 21.9 | 67.1   | % 25.4 | 59.2   |
| % 81 - 90            | % 26.0 | 45.2   | % 15.5 | 33.8   |
| % 91 -100            | % 19.2 | 19.2   | % 18.3 | 18.3   |

Source : TUSIAD 1975 Sanayi Anketi Ön Sonuçları

Incentives to Industry

33. Major incentives are investment allowances, low-interest export credit, import rights, equivalent to export potential and partial or total relief from customs duties on imported capital equipment and materials. A system of duty and other tax drawbacks are

available to exporters. There are no recent examples of foreign companies receiving incentives, since there has been little foreign investment activity in Turkey in the past few years.

34. A recent proposal by the Ministry of Industry and Technology calls for new tax incentives, reductions in customs duties and more government financing. These would be made available to new foreign and domestic private investment in tourism, export trade and other services that earn foreign exchange.
35. Investments that increase exports, improve product quality, earn foreign exchange or attract foreign tourism qualify for the various benefits. Generally, only those investments that exceed TL. 250,000 are eligible.
36. Corporate tax incentives are given in the form of investment allowances, i.e. 40 % of the amount invested in agriculture, 50% in "underdeveloped" provinces and 30 % in approved investments elsewhere. The investment allowance works as follows: Assuming that a company has a 30 % allowance, up to 20 % of pre-tax profits is then exempt from tax each year over any number of years until a tax saving equivalent to 30 % of the total equity invested and approved by the government is reached. Total equity is defined by negotiation and stated in the original investment approval. It may include working capital but not borrowed funds. Normal depreciation is allowed simultaneously with the investment allowance.

#### personal Tax Incentives

37. The income of a foreign employee is taxed in the same manner as that of local personnel, except that the former may transfer up to one third of his salary abroad as savings (if he is employed by an investor coming in under Law 6224). He may also import a car and household effects duty-free on a temporary basis-which precludes sale in Turkey and necessitates the re-exportation of the items at the end of the foreign employee's assignment. Special tax arrangements may be arranged for foreign managers and technicians posted temporarily in Turkey.
38. Tariff incentives are also normally available both to domestic and foreign investors. The latter are advised to incorporate a request for import tariff concessions in their original investment application, as a condition thereof.

39. Investors may receive 100 % relief from custom duties on imported equipment and materials. If total exemption is not granted, payment of duties on imported capital equipment and materials destined for priority industries may be spread out over five years. The production or turnover tax on "priority" imports is a comparatively favorable 10 % of net value.
40. Although tariff protection may be granted to producers in Turkey, the general practice is for the government to ban or restrict by quotas imports of competing goods once local production is deemed to be adequate in quality, quantity and price.
41. The government gives no binding guarantees as to the issue of import licenses necessary for the operation of any industrial (or other) enterprise. Nevertheless, industry as a whole is given special priority when import lists and quotas are drawn up. While some industries are forced to use locally produced materials, when, on grounds of quality and/or cost, they would prefer to import them, producers' import requests (especially in essential and export-oriented industries) have always been handled fairly within the limits of currency availabilities. At present, local industrialists report that almost all sectors have adequate supplies of imported materials.

#### Capital Incentives

42. The government may recommend new investment projects (foreign or domestic) to various lending organizations. Priority investments may also benefit from reduced-interest short and medium-term loans from the commercial banks.
43. The country's first industrial estate at Bursa has attracted a growing number of companies, even though costs are not notably lower than elsewhere. There is a new estate at Manisa (near izmir) and another is being developed near Ankara.

#### Price Controls

44. The government may impose price ceilings on some products, e.g. sugar, cement, fertilizer and cereals. Other products, such as drugs and pesticides are subject to profit margin limitations, usually stated as 20 % for the manufacturer or importer, and 25 % for the wholesaler and retailer combined (35% for drugs). Sometimes these stated margins are not actually allowed in practice. Prices of state monopoly products are set by the government, while the municipalities set retail ceiling prices on such staples as bread and meat.

45. From time to time the government carries out investigations into the pricing of locally manufactured goods.
46. In 1973 an interministerial committee was set up to control prices, mainly those of manufactures and foodstuffs. While the controls have proven effective for most manufactures, the committee has not been able to control food prices, with a resulting inflation rate of about 30 %. Under the new government, a Price Control Committee was set up to achieve stable consumer prices, but the new controls have not yet proven effective.

The Main Ratios of the Largest 100 Firms in Turkey, 1974

47. The Istanbul Chamber of Industry is gathering information on the largest 100 firms in Turkey for the last years.
48. In the three tables below indicators and ratios are calculated for the Private and the Public Sectors as well as for main sub-sectors of manufacturing.

TABLE 13

THE MAIN RATIOS OF THE LARGEST  
HUNDRED FIRMS IN TURKEY, 1974

|                            | State<br>Economic<br>Enterprises | Private<br>Sector | Total   |
|----------------------------|----------------------------------|-------------------|---------|
| Profit/Turnover            | 12.27                            | 8.75              | 9.90    |
| Profit/Paid-up Capital     | 16.86                            | 27.33             | 21.82   |
| Turnover/Paid-up Capital   | 1.37                             | 3.12              | 2.20    |
| Paid-up Capital/Worker(TL) | 174.001                          | 118.696           | 145.158 |
| Turnover/Worker(TL)        | 261.072                          | 364.535           | 315.035 |

TABLE 14  
INDICATORS AS PERCENT INCREASE IN 1974  
FOR 64 FIRMS INCLUDED  
AMONG THE LARGEST 100 FIRMS

|                               | Number<br>of firms | Turn<br>Over | Share<br>Capital | Profit | Employ-<br>ment |
|-------------------------------|--------------------|--------------|------------------|--------|-----------------|
| Private Sector                |                    |              |                  |        |                 |
| Cars                          | 3                  | 34.1         | 8.4              | - 26.5 | 12.1            |
| Other Automotive              | 7                  | 4.1          | 5.7              | - 47.2 | 7.9             |
| Tires                         | 3                  | 31.5         | 9.1              | 6.3    | 3.8             |
| Durable Consumer Goods        | 3                  | 41.4         | 38.6             | 1.5    | 10.7            |
| Paint                         | 3                  | 39.1         | 60.5             | -      | 1.9             |
| Textiles                      | 10                 | 53.3         | 28.0             | 9.7    | 0.1             |
| Synthetic fibres and<br>yarns | 2                  | 11.6         | 22.0             | - 72.9 | 31.8            |
| Cement                        | 2                  | 49.4         | 12.9             | - 34.4 | -0.1            |
| Vegetable Oil                 | 3                  | 16.2         | 32.6             | 117.5  | -8.1            |
| T O T A L                     | 36                 |              |                  |        |                 |
| Other                         | 13                 | 39.9         | 37.9             | 60.3   | -6.6            |
| T O T A L                     | 49                 |              |                  |        |                 |
| Public Sector                 | 15                 | 58.8         | -2.2             |        | 1.2             |
| T O T A L                     | 64                 |              |                  |        |                 |

TABLE 15  
RATIOS FOR 64 FIRMS INCLUDED  
AMONG THE LARGEST 100 FIRMS

|                               | Profit/Capital |      | Profit/Turnover |      | Turnover/<br>Share Capital |       |
|-------------------------------|----------------|------|-----------------|------|----------------------------|-------|
|                               | 1973           | 1974 | 1973            | 1974 | 1973                       | 1974  |
| Private Sector                |                |      |                 |      |                            |       |
| Cars                          | 26.4           | 19.3 | 7.5             | 4.4  | 351.7                      | 434.2 |
| Other Automotive              | 38.1           | 24.4 | 10.8            | 6.7  | 354.9                      | 349.6 |
| Tires                         | 19.2           | 18.7 | 11.8            | 9.6  | 162.1                      | 195.2 |
| Durable Consumer              | 45.6           | 33.4 | 14.1            | 10.1 | 322.5                      | 328.9 |
| Paint                         | -              | -    | -               | -    | 745.0                      | 645.5 |
| Textiles                      | 31.0           | 26.6 | 10.7            | 7.7  | 289.5                      | 346.8 |
| Synthetic fibres<br>and yarns | 38.0           | 18.0 | 22.1            | 11.4 | 172.1                      | 157.4 |
| Cement                        | 28.2           | 18.6 | 18.2            | 9.1  | 155.2                      | 205.5 |
| Vegetable Oil                 | 27.0           | 44.3 | 4.6             | 8.6  | 586.0                      | 513.6 |
| T O T A L                     | 30.9           | 22.7 | 10.6            | 7.0  | 295.9                      | 326.4 |
| Other                         | 27.7           | 32.2 | 9.1             | 10.4 | 305.2                      | 309.5 |
| T O T A L                     | 30.3           | 24.5 | 10.3            | 7.6  | 297.4                      | 323.3 |
| Public Sector                 |                | 14.5 |                 | 12.3 | 91.9                       | 149.1 |
| T O T A L                     |                |      |                 |      | 152.8                      | 208.8 |

TABLE 16

THE TOP 100 TURKISH FIRMS IN 1974

|    |                                                  | Turn-over<br>Million<br>TL. | Share/<br>Capital<br>Million<br>TL. | 1974<br>Profit<br>Million<br>TL. | Employment |
|----|--------------------------------------------------|-----------------------------|-------------------------------------|----------------------------------|------------|
| 1  | İpras Refinery                                   | SEE                         | 6.293                               | 1.381                            | 631        |
| 2  | Karabük Iron and Steel Co.                       | SEE                         | 3.336                               | 4.039                            | 886        |
| 3  | Ereğli Iron and Steel Co.                        | Ankara                      | 3.316                               | 1.173                            | 326        |
| 4  | Turkish Sugar Manuf. Co.                         | SEE                         | 2.901                               | 678                              | 87         |
| 5  | Turkish Paper Mill                               | SEE                         | 2.498                               | 2.617                            | 226        |
| 6  | Turkish Petro Chemical Works                     | SEE                         | 1.588                               | 1.354                            | 340        |
| 7  | Tofas - Fiat Automobile Co.                      | Bursa                       | 1.568                               | 434                              | 74         |
| 8  | Otosan -Koç Group- Automotive Co.                | Istanbul                    | 1.377                               | 307                              | 93         |
| 9  | Oyak/Renault Automobile Co.                      | Bursa                       | 1.368                               | 252                              | 23         |
| 10 | Turkish Meat and Fish Co.                        | SEE                         | 1.224                               | 489                              | 12         |
| 11 | -                                                | SEE                         | -                                   | -                                | -          |
| 12 | Arçelik -Koç Group- White Goods Co.              | Istanbul                    | 1.037                               | 374                              | -          |
| 13 | Güney Sanayi , Textile Co.                       | Adana                       | 964                                 | 263                              | 50         |
| 14 | Uzel/Massey Ferguson Tractor Manuf.              | Istanbul                    | 915                                 | 291                              | -          |
| 15 | Mensucat Santral , Textile Co.                   | Istanbul                    | 906                                 | 229                              | 60         |
| 16 | Azot Sanayi , Fertilizers Co.                    | SEE                         | 896                                 | 1.040                            | 101        |
| 17 | Bossa -Sabancı Group- Textile Co.                | Adana                       | 875                                 | 168                              | 75         |
| 18 | Etibank, State Mining Group                      | SEE                         | 852                                 | 2.273                            | -224       |
| 19 | Rabak, Electrolitic Copper Works                 | Istanbul                    | 816                                 | 338                              | 117        |
| 20 | -                                                | Istanbul                    | -                                   | -                                | -          |
| 21 | Sümerbank , Textile Group                        | Sümerbank                   | 725                                 | 25                               | 35         |
| 22 | Çelik Endüstrisi - Steel Works                   | Istanbul                    | 719                                 | 102                              | 54         |
| 23 | Paktaş, Textile Co.                              | Adana                       | 660                                 | 127                              | 41         |
| 24 | Türk Pirelli , Tire Co.                          | Istanbul                    | 659                                 | 377                              | 79         |
| 25 | Türk Traktör/Fiat Tractor Co.                    | Ankara                      | 646                                 | 144                              | 23         |
| 26 | Metaş , Metalurgical Works                       | Ege                         | 627                                 | 216                              | 33         |
| 27 | BMC Automotive Group - Özakat Group-             | Ege                         | 617                                 | 130                              | 20         |
| 28 | -                                                | Istanbul                    | -                                   | -                                | -          |
| 29 | Profilo , White Goods Co.                        | Istanbul                    | 571                                 | 181                              | 43         |
| 30 | -                                                | Tarsus                      | -                                   | -                                | -          |
| 31 | Mannesman/Sümerbank Steel Pipe Mnuf.             | İzmit                       | 559                                 | 179                              | 62         |
| 32 | Kayseri , Textile Co.                            | Sümerbank                   | 557                                 | 238                              | 60         |
| 33 | Sasa -Sabancı Group- Sentetic Fiber Co.          | Adana                       | 546                                 | 373                              | 65         |
| 34 | Otomarsan/Mercedes Bus Manuf.Co.                 | Istanbul                    | 529                                 | 165                              | 32         |
| 35 | Uniroyal, Tire Co.                               | Istanbul                    | 514                                 | 250                              | 12         |
| 36 | Otomobilcilik -Özakat Group- Auto.Co.            | Ege                         | 512                                 | 211                              | 80         |
| 37 | Turyağ/Henchel Margarine-Detergent Gr.           | Ege                         | 508                                 | -                                | 46         |
| 38 | Simko/Siemens Household Appl-Koç Gr.-            | Istanbul                    | 495                                 | 82                               | 54         |
| 39 | Goodyear, Tire Co.                               | Istanbul                    | 493                                 | 226                              | 67         |
| 40 | Karadeniz Copper Co.                             | Ankara                      | 478                                 | 448                              | 105        |
| 41 | İzmir Textile Co.                                | Sümerbank                   | 459                                 | 224                              | 42         |
| 42 | Chrysler Automotive Co.                          | Istanbul                    | 430                                 | 159                              | 44         |
| 43 | Türk Demir Döküm-Koç Group-<br>Metal Casting Co. | Istanbul                    | 425                                 | 159                              | 32         |
| 44 | -                                                | Sümerbank                   | -                                   | -                                | -          |
| 45 | Fertilizer Co.                                   | Istanbul                    | 389                                 | 258                              | 72         |
| 46 | Aksu, Textile Co.                                | Istanbul                    | 379                                 | 139                              | 16         |
| 47 | Art. Animal Food Prod.Co.                        | SEE                         | 368                                 | 248                              | 12         |
| 48 | Koruma, Agricultural Pesticides Co.              | Istanbul                    | 363                                 | 110                              | 53         |
| 49 | İzmir                                            | Ege                         | 360                                 | 103                              | 29         |
| 50 | MAN , Bus and Truck Manuf. Co.                   | Istanbul                    | 356                                 | 43                               | -          |

THE TOP 100 TURKISH FIRMS IN 1974

|     |                                           |           | (Continued)          |              |        | Employment |
|-----|-------------------------------------------|-----------|----------------------|--------------|--------|------------|
|     |                                           |           | Turn-over<br>Million | Share / 1974 |        |            |
|     |                                           |           |                      | Capital      | Profit |            |
|     |                                           | TL.       | TL.                  | TL.          |        |            |
| 51  | Eczacıbaşı, Pharmaceutical Co.            | Istanbul  | 354                  | 252          | 30     | 1.553      |
| 52  | Sifaş, Syntetic Fibers Manuf.             | Bursa     | 348                  | 194          | 36     | 1.046      |
| 53  | Trakya, Seed-Oil Production Co.           | Tekirdağ  | 343                  | 42           | 11     | 280        |
| 54  | -                                         | Istanbul  | -                    | -            | -      | -          |
| 55  | Paşabahçe, Glassworks                     | Istanbul  | 340                  | 131          | 40     | 2.561      |
| 56  | Merinos, (Wollen Worsted) Textile Co.     | Sümerbank | 340                  | 156          | 42     | 3.266      |
| 57  | -                                         | Istanbul  | -                    | -            | -      | -          |
| 58  | Birlik, Textile Co.                       | Kayseri   | 339                  | 69           | 33     | 1.823      |
| 59  | Çayırova Glassworks                       | İzmit     | 327                  | 191          | 41     | 1.381      |
| 60  | Çukurova, Cement Co.                      | Adana     | 326                  | 139          | -      | 714        |
| 61  | DYO -Yaşar Group-Synthetic Paints         | Ege       | 326                  | 37           | 24     | 531        |
| 62  | Telra -Profilo Group- Radio, TV Product.  | Istanbul  | 311                  | 64           | 36     | 751        |
| 63  | Akçimento, Cement Co.                     | Istanbul  | 311                  | 171          | 37     | 636        |
| 64  | Murgul, Copper Production Co.             | Etibank   | 307                  | 273          | 74     | 1.607      |
| 65  | Hürriyet, Newspaper Group                 | Istanbul  | 305                  | 83           | 20     | 714        |
| 66  | Bozkurt, Textile Co.                      | Istanbul  | 305                  | 98           | -      | 1.609      |
| 67  | -                                         | Istanbul  | -                    | -            | -      | -          |
| 68  | -                                         | Istanbul  | -                    | -            | -      | -          |
| 69  | -                                         | Istanbul  | -                    | -            | -      | -          |
| 70  | Nasaş, Aluminium Works                    | Istanbul  | 282                  | 178          | 40     | 666        |
| 71  | Malatya Textile Co.                       | Sümerbank | 280                  | 110          | 50     | 2.974      |
| 72  | Nazilli Textile Co.                       | Sümerbank | 278                  | 120          | 71     | 2.087      |
| 73  | Marsa Margarine Co.-Sabancı Group-        | Adana     | 276                  | 77           | 38     | 404        |
| 74  | Ergani Copper Manufac.Co.                 | Etibank   | 274                  | 338          | 17     | 2.859      |
| 75  | Birleşik Sanayi                           | Ege       | 271                  | 9            | 1      | 267        |
| 76  | -                                         | Istanbul  | -                    | -            | -      | -          |
| 77  | Siemens Cable Co.                         | Bursa     | 256                  | 44           | 41     | 265        |
| 78  | Turkish Footwear Co.                      | Sümerbank | 250                  | 131          | 39     | 2.033      |
| 79  | Maktaş,                                   | Ege       | 246                  | 31           | 13     | 563        |
| 80  | Çanakkale Ceramic Works                   | Istanbul  | 244                  | 155          | 29     | 1.520      |
| 81  | Eskişehir Textile Co.                     | Sümerbank | 243                  | 171          | 49     | 1.506      |
| 82  | ÇBS ,Paint and Chemical Works             | Istanbul  | 238                  | 39           | -      | 460        |
| 83  | Karagözoğlu Co.                           | Ege       | 238                  | 19           | 15     | 1.326      |
| 84  | VEB, Günaydın Newspaper Group             | Istanbul  | 235                  | 79           | 30     | 513        |
| 85  | Trakya Sanayii                            | Istanbul  | 234                  | 33           | 11     | 197        |
| 86  | Teksa, Textile Co.-Sabancı Group-         | Adana     | 231                  | 82           | -      | 1.079      |
| 87  | Alarko, Metal Manuf.Co.                   | Istanbul  | 230                  | 39           | 11     | 1.280      |
| 88  | Nuh, Cement Co.                           | Ankara    | 229                  | 131          | 28     | 530        |
| 89  | Kula, Textile Co.                         | Ege       | 228                  | 154          | 47     | 2.150      |
| 90  | Marshall Paint and Varnishing Works       | Istanbul  | 221                  | 45           | 21     | 427        |
| 91  | -                                         | Istanbul  | -                    | -            | -      | -          |
| 92  | -                                         | Istanbul  | -                    | -            | -      | -          |
| 93  | -                                         | Istanbul  | -                    | -            | -      | -          |
| 94  | Fruko/Tamek/Pepsi Cola Co.                | Istanbul  | 217                  | 16           | 3      | 960        |
| 95  | Altınyıldız, (Wollen Worsted) Textile Co. | Istanbul  | 214                  | 131          | 20     | 1.450      |
| 96  | Plastel Plastic Works                     | Istanbul  | 213                  | 82           | 29     | 480        |
| 97  | Aydın Textile Co.                         | Ege       | 213                  | 91           | 29     | 1.535      |
| 98  | -                                         | Istanbul  | -                    | -            | -      | -          |
| 99  | Aker Group, Cement-Metalurgical Works     | Istanbul  | 205                  | 51           | 22     | 191        |
| 100 | -                                         | Istanbul  | -                    | -            | -      | -          |

Source: Chamber of Industry, Istanbul

## CHAPTER III

### A BRIEF RETROSPECTIVE ON THE DEVELOPMENT OF THE TURKISH ECONOMY

#### Growth Performance: 1950-1975

49. Turkey went through the last quarter of a century in a very uneven way: the first part of its economic development (1950-1962) was unplanned; the second (1963-1975) quasi planned; political instability disturbed the continuity of economic development in several instances. Fluctuations in agricultural output dominated the growth of Gross National Product since the share of Agricultural Income did not drop below 25% of GNP.
50. During these 25 years Agriculture grew at 4.3% yearly on the average a respectable accomplishment if not an outstanding one. This became possible through extension of the land under cultivation during the first part of the period; and through more intensive use of fertilizers, pesticides, irrigation and machinery during the second part. Deviations from the average growth rate are very big as can be seen from the Table 17.
51. The largest deviation is in 1951 with 19,8% increase, in 1954 with 13.9% decrease. In 1971 there is an increase equal to 13,3% followed in 1973 by the second large decrease equal to 9,9%. As agriculture continues to be an important sector of the economy its fluctuations are reflected on Gross National Product.
52. If we divide the period into equal sub periods of 13 years each, we observe that the period 1950-1962 has been more successful with an average growth rate of 5,2% versus 3,5% for the period 1963-1975. Expansion of land under cultivation, and a low base to start with, allowed for such an increase during the first period; more inputs per hectare were required during the second period,
53. Industrialization continued during the period at a rather even pace with the exception of 1951, 1960 and 1970 and with cyclical fluctuations of limited amplitude and short duration.
54. The average growth rate of the industrial sector is 9,3% with 8,3% during the pre-plan period, and, 10,4% during the quasi planned period. The acceleration of industrial development is far from satisfactory. The world economic conditions, increase in petroleum prices and recession have negatively affected industrial production
55. Construction has increased at an average rate of 7,3%, some decimal points above the rate of growth of GNP. The two sub periods

show no difference on the average but the first period is marked by deeper fluctuations, while the second period is characterized by a regular cycle where a good year is followed by a bad one.

56. Gross National Product increased by 6.6 percent on the average during these 26 years with only three decimal points below the average during 1950-1962 and three decimal points above the average during 1963-1975.

The same is true for Gross Domestic Product.

57. The discrepancies between GDP and GNP arise from fluctuations in Income from the rest of the world. For the recent years GDP grew at a higher rate in 1974 and 1975 while GNP grew at a higher rate than GDP in the period where workers remittances increased considerably and there were buoyant economic conditions abroad (1970-1973).

58. Agricultural value added increased by 158,8 percent in 25 years or at 4% per year, Industry at 9,3%, Construction at 6,8% Gross Domestic Product at 6,3% and Gross National Product at 6,4%.

The index for 1975 with 1950 = 100 is as follows :

|                        | <u>1975</u> |
|------------------------|-------------|
| Agriculture            | 258,8       |
| Industry               | 927,3       |
| Construction           | 523,0       |
| Gross Domestic Product | 463,5       |
| Gross National Product | 473,3       |

#### Recent Developments in Economic Aggregates

59. Achievements of the macro economic targets of the Five Year Plans have come close to targets at the aggregate level but as we move to less aggregation there is more deviation in either direction growth rate of Gross National Product has attained the target rate on the average during the First and Second Five Year Plans but growth rates remained below target rates in Industry and Construction and to a lesser extent in Agriculture while they have exceeded planned rates in Services, Housing and during the Second Plan period in Transportation too.

TABLE 17

THE GROWTH PERFORMANCE OF THE TURKISH ECONOMY IN 1950-1975

(1968 Producers Prices, Yearly % changes)

|           | <u>Agriculture</u> | <u>Industry</u> | <u>Construction</u> | <u>Gross Domestic Product</u> | <u>Gross National Product</u> |
|-----------|--------------------|-----------------|---------------------|-------------------------------|-------------------------------|
| 1950      | 10,9               | 9,3             | 13,3                | 9,4                           | 9,4                           |
| 1         | 19,8               | 2,6             | 10,3                | 12,8                          | 12,8                          |
| 2         | 9,5                | 10,9            | 17,2                | 12,0                          | 11,9                          |
| 3         | 8,7                | 19,2            | 22,4                | 11,2                          | 11,2                          |
| 4         | - 13,9             | 9,2             | 8,0                 | - 2,9                         | - 3,0                         |
| 5         | 9,8                | 11,3            | 7,4                 | 8,1                           | 7,9                           |
| 6         | 5,0                | 9,6             | - 7,0               | 3,3                           | 3,2                           |
| 7         | 6,5                | 10,7            | 24,6                | 7,9                           | 7,8                           |
| 8         | 9,2                | 5,6             | - 9,6               | 4,6                           | 4,5                           |
| 9         | 0,3                | 3,6             | 0,3                 | 4,6                           | 4,1                           |
| 1960      | 2,3                | 0,4             | 4,6                 | 2,9                           | 3,4                           |
| 1         | - 4,9              | 11,7            | - 1,6               | 1,7                           | 2,0                           |
| 2         | 5,0                | 3,5             | 0,8                 | 6,1                           | 6,2                           |
| 3         | 9,6                | 12,0            | 9,4                 | 9,4                           | 9,7                           |
| 4         | - 0,4              | 11,2            | 11,1                | 4,1                           | 4,1                           |
| 5         | - 3,9              | 9,5             | 3,5                 | 2,6                           | 3,1                           |
| 6         | 10,7               | 15,2            | 13,9                | 11,7                          | 12,0                          |
| 7         | 0,1                | 8,2             | 2,9                 | 4,5                           | 4,2                           |
| 8         | 1,5                | 11,1            | 11,1                | 6,7                           | 6,7                           |
| 9         | 1,2                | 12,0            | 2,8                 | 5,3                           | 5,4                           |
| 1970      | 4,0                | 2,2             | 8,3                 | 4,7                           | 5,6                           |
| 1         | 13,3               | 10,4            | - 4,3               | 9,5                           | 10,7                          |
| 2         | - 0,2              | 11,7            | 7,2                 | 6,7                           | 7,6                           |
| 3         | 9,9                | 13,4            | 9,8                 | 4,5                           | 5,5                           |
| 4         | 10,3               | 8,6             | 7,7                 | 8,5                           | 7,4                           |
| 1975      | 8,9                | 9,2             | 9,6                 | 9,0                           | 7,9                           |
| 1950-1962 | 5,2                | 8,3             | 7,4                 | 6,3                           | 6,3                           |
| 1963-1975 | 3,5                | 10,4            | 7,2                 | 6,7                           | 6,9                           |
| 1950-1975 | 4,3                | 9,3             | 7,3                 | 6,5                           | 6,6                           |

Source: DIE, Türkiye Milli Geliri ve Harcamaları, Tablo 10,18

60. The first three years of the Third Five Year Plan show the same tendencies, GNP has lagged behind, the average growth rate for 1973 - 1975 is 6,9% much below the 7,9% target. But the target growth rate for Gross Domestic Product has been attained. The difference has been created by considerable decreases in 1974 and 1975 in the income from the rest of the world, which reduced the rate of increase of Gross National Product. The contrary happened in 1973 when unfavorable weather conditions decreased agricultural value added by 10% and reduced Gross Domestic Product to 4,5%. increasing income from the rest of the world enabled GNP to increase by 5,5%. At the sectoral level Agriculture Industry and Construction lagged behind targets while Transport, Housing and Services grew at rates much higher than target rates.
61. The structure ownership and share in GDP of fixed investment showed interesting and systematic variations.
62. Investments in fixed capital lagged behind targets by 2 points.
63. Private investments exceeded plan targets considerably in the first and third plan, to an unimportant degree during the Second Five Year Plan. The Public Sector lagged behind fixed investments during the First and Third Plans and attained plan targets in the Second Five Year Plan.
64. The structure of investment changed differently than the plan target. Housing and Transport always exceeded the share foreseen in the Plan. Agriculture, social sectors and other services always lagged behind.
65. Industry increased its share from the foreseen one during the Second Plan period, but stayed below the planned target during the three years of the third Five Year Plan.
66. Consumption grew at a higher rate during the Second Plan, and attained plan targets during the 3 years of the Third Plan.
67. The yearly growth rates of national savings were always lower than the plan targets in the second and third five year plans. The deviation of actual rate from targets become more serious in the three years (1973 - 1975) of the Third Plan. As a result of these deviations the actual average saving ratio as percent of GNP dropped from 18,2% of GNP in the Second Plan Period to 17% in the three years of Third Plan Period. It was foreseen to be 20,8% and 23,3% of GNP respectively.

TABLE 18

MACROECONOMIC TARGETS AND ACHIEVEMENTS OF THE DEVELOPMENT PLANS

(%)

|                                             | <u>1st Plan 1963-1967</u> |               | <u>2nd Plan 1968-1972</u> |               | <u>3rd Plan 1973-77</u> |                             |
|---------------------------------------------|---------------------------|---------------|---------------------------|---------------|-------------------------|-----------------------------|
|                                             | <u>Target</u>             | <u>Actual</u> | <u>Target</u>             | <u>Actual</u> | <u>Target</u>           | <u>Actual</u> <sup>1/</sup> |
| <u>Sectoral growth rates</u>                |                           |               |                           |               |                         |                             |
| Agriculture                                 | 4.2                       | 3.7           | 4.1                       | 3.6           | 3.7                     | 3.1                         |
| Industry                                    | 12.3                      | 10.6          | 12.0                      | 9.9           | 11.2                    | 10.4                        |
| Construction                                | 10.7                      | 8.0           | 7.2                       | 5.0           | 11.9                    | 9.0                         |
| Transport                                   | 10.5                      | 7.8           | 7.2                       | 8.8           | 8.2                     | 9.9                         |
| Housing                                     | n.a.                      | 3.5           | 5.9                       | 6.8           | 5.0                     | 6.5                         |
| Services                                    | 6.2                       | 7.5           | 6.3                       | 7.7           | 7.1                     | 8.2                         |
| GDP factor cost                             | 6.9                       | 6.5           | 6.8                       | 6.6           | 7.5                     | 7.5                         |
| GNP market prices                           | 7.0                       | 6.7           | 7.0                       | 7.1           | 7.9                     | 6.9                         |
| <u>Fixed Investment</u>                     |                           |               |                           |               |                         |                             |
| <u>Sectoral Distribution</u>                |                           |               |                           |               |                         |                             |
| Agriculture                                 | 17.7                      | 14.9          | 15.2                      | 12.2          | 11.7                    | 11.5                        |
| Industry                                    | 30.9                      | 31.1          | 34.1                      | 37.1          | 45.4                    | 40.1                        |
| Transport                                   | 13.7                      | 15.7          | 16.1                      | 16.7          | 14.5                    | 20.1                        |
| Housing                                     | 20.3                      | 22.3          | 17.9                      | 20.3          | 15.7                    | 16.1                        |
| Social Sector                               | 9.4                       | 8.1           | 8.5                       | 6.2           | 6.4                     | 6.2                         |
| Other Services                              | 8.0                       | 7.9           | 8.2                       | 7.5           | 6.3                     | 6.0                         |
| Total                                       | 100.0                     | 100.0         | 100.0                     | 100.0         | 100.0                   | 100.0                       |
| <u>Ownership</u>                            |                           |               |                           |               |                         |                             |
| Public                                      | 59.9                      | 52.0          | 52.7                      | 52.4          | 56.3                    | 49.2                        |
| Private                                     | 40.1                      | 48.0          | 47.3                      | 47.6          | 43.7                    | 50.8                        |
| Total                                       | 100.1                     | 100.1         | 100.0                     | 100.0         | 100.0                   | 100.0                       |
| As % of GDP (average in plan period)        | 18.3                      | 16.2          | 21.3                      | 19.3          | 23.4                    | 21.5                        |
| <u>Consumption growth</u>                   |                           |               |                           |               |                         |                             |
| Public                                      | 8.7                       | 7.7           | 8.8                       | 12.3          | 8.0                     | 9.6                         |
| Private                                     | 5.4                       | 4.8           | 5.1                       | 5.5           | 5.9                     | 5.7                         |
| Total                                       | 5.7                       | 5.2           | 5.8                       | 6.6           | 6.3                     | 6.3                         |
| <u>National Savings</u>                     |                           |               |                           |               |                         |                             |
| Yearly growth rate                          | 13.4                      | 16.2          | 12.2                      | 9.1           | 13.6                    | 9.0                         |
| As % of GNP (average in plan period)        | 14.8                      | 16.3          | 20.8                      | 18.2          | 23.3                    | 17.0                        |
| Marginal savings rate (on national savings) |                           | 26.0          | 18.3                      |               | 38.0                    | 26.6                        |

<sup>1/</sup> 1973-1975 actual averages

Source: First, Second and Third Plan documents, and tables, 1976 Yearly Program.

68. The following table indicates annual growth rates achieved in 1974 and 1975 (At factor cost, at 1968 prices)

|                | <u>Average Plan Target</u> | <u>1974 Actual</u> | <u>1975 Actual</u> |
|----------------|----------------------------|--------------------|--------------------|
| 1. Agriculture | 3.7                        | 10.3               | 8.9                |
| 2. Industry    | 11.2                       | 9.1                | 8.5                |
| 3. Services    | 7.7                        | 7.8                | 9.1                |
| 4. GDP         | 7.5                        | 8.7                | 8.8                |
| 5. GNP         | 7.9                        | 7.4                | 8.0                |

The increase of GDP figures in last two years is shown on the table below:

TABLE 19  
GROSS DOMESTIC PRODUCT (Current Prices)  
(Million TL.)

|                | <u>1974</u> | <u>%</u> | <u>1975</u> | <u>%</u> |
|----------------|-------------|----------|-------------|----------|
| 1. Agriculture | 107.772.4   | 29.6     | 133.613.1   | 29.0     |
| 2. Industry    | 80.914.5    | 22.2     | 97.696.2    | 21.2     |
| 3. Services    | 175.981.0   | 48.2     | 229.651.1   | 49.8     |
| GDP            | 364.667.9   | 100.0    | 460.960.4   | 100.0    |

69. According to national income accounts published on March 31, 1976 real GNP has grown at a rate of 8 % in 1975. This rate is slightly higher than last years 7.4 %. The same is true for GDP which has grown by 9 % in 1975 in comparison to 8.5 in 1974.

The rates of growth over the past three years is given below:

|               | <u>1973</u> | <u>1974</u> | <u>1975</u> |
|---------------|-------------|-------------|-------------|
| GNP           | 5.5         | 7.4         | 8.0         |
| GDP           | 4.5         | 8.5         | 9.0         |
| Agruculture   | -9.9        | 10.3        | 8.9         |
| Industry      | 13.4        | 8.6         | 9.0         |
| Manufacturing | 14.4        | 8.3         | 8.8         |
| Construction  | 9.8         | 7.7         | 8.7         |
| Trade         | 11.4        | 8.7         | 9.9         |

70. Gross National Product at constant and current prices and per capita GNP figures since 1968 are as follows:

| Years | Gross National Product |                      | Midyear Population (thousands) | Per Capita GNP       |             | % Increase |
|-------|------------------------|----------------------|--------------------------------|----------------------|-------------|------------|
|       | Current (billionTL)    | Constant (billionTL) |                                | Current TL           | Constant TL |            |
| 1968  | 112.4                  | 112.4                | 33.854                         | 3.323                | 3.323       | 4.0        |
| 1969  | 124.8                  | 118.5                | 34.722                         | 3.597                | 3.416       | 2.8        |
| 1970  | 146.9                  | 125.2                | 35.605                         | 4.126                | 3.518       | 3.0        |
| 1971  | 192.0                  | 138.5                | 36.581                         | 5.250                | 3.788       | 7.7        |
| 1972  | 237.7                  | 149.1                | 37.536                         | 6.334                | 3.973       | 4.9        |
| 1973  | 308.5                  | 157.3                | 38.491                         | 8.015                | 4.087       | 2.9        |
| 1974  | 420.9                  | 168.9                | 39.478                         | 10.661 <sup>1/</sup> | 4.285       | 4.8        |
| 1975  | 528.6                  | 182.4                | 40.197                         | 13.150 <sup>1/</sup> | 4.538       | 5.9        |

<sup>1/</sup> Approximately ₺ 822 at ₺ 1= TL.16

71. Appreciable increases were realized in real percapita income in 1974 and 1975 in spite of a slowdown in both years of industrial production, due mainly to record crops, while in 1973 percapita GNP increased by only 2.9 % due to an absolute decrease in agricultural production. The rates of increase in percapita income for 1974 and 1975 are respectively 4.8 % and 5.9 %.

Structural Changes in GNP

72. The share of agricultural as well as of industry remained fairly stable during 1973-1975. Further decreases in the share of agriculture were not realized in 1974 and 1975 due to record crops for both years. On the other hand low rates of the industrial sector in 1974 and 1975 did not allow the share of industry to increase more quickly.

TABLE 20  
ORIGIN OF GROSS NATIONAL PRODUCT

|              | (in %)         |      |      |                 |      |      |
|--------------|----------------|------|------|-----------------|------|------|
|              | Current Prices |      |      | Constant Prices |      |      |
|              | 1973           | 1974 | 1975 | 1973            | 1974 | 1975 |
| Agriculture  | 25.7           | 26.1 | 25.8 | 21.6            | 22.2 | 22.4 |
| Industry     | 21.7           | 22.5 | 21.9 | 25.1            | 25.4 | 25.7 |
| Construction | 5.2            | 4.8  | 5.0  | 5.9             | 6.0  | 6.0  |
| Trade        | 11.6           | 12.2 | 12.2 | 12.2            | 12.4 | 12.6 |

73. As can be seen from the table above the share of industry is more than the share of agriculture when expressed in constant prices due to the change of domestic terms of trade in favor of industry during the last decade.

TABLE 21

EXPENDITURES ON THE GROSS NATIONAL PRODUCT

(Million TL.in prices)

|                                          | 1974    | 1975    | %<br>Change |
|------------------------------------------|---------|---------|-------------|
| GNP                                      | 501.300 | 538.935 | 7.4         |
| Net Balance of Payments                  |         |         |             |
| Deficit on Current Account <sup>1/</sup> | 10.605  | 23.600  |             |
| Total Available Resources                | 511.905 | 561.995 | 9.8         |
| Total Gross Investment                   | 99.972  | 116.435 | 16.5        |
| - Private                                | 47.319  | 53.825  | 13.7        |
| - Public                                 | 52.653  | 62.610  | 18.9        |
| Gross Fixed Capital Formation            | 86.374  | 101.435 | 17.4        |
| - Private                                | 45.404  | 49.825  | 9.7         |
| - Public                                 | 40.970  | 51.610  | 25.9        |
| Stock Changes                            | 13.598  | 15.000  | 10.3        |
| - Private                                | 1.915   | 4.000   | 108.8       |
| - Public                                 | 11.683  | 11.000  | 16.5        |
| Consumption                              | 411.933 | 445.560 | 8.2         |
| - Private <sup>2/</sup>                  | 354.448 | 380.560 | 13.1        |
| - Public                                 | 57.485  | 65.000  | 7.4         |

Source : SPO

<sup>1/</sup> Sum of (exports-imports) + net factor income from the rest of the world

<sup>2/</sup> Residual

TABLE 22

GROSS NATIONAL PRODUCT BY ORIGIN

(at constant 1968 producers' prices)

|                                               | Chain Index |           |           |        |       |       |
|-----------------------------------------------|-------------|-----------|-----------|--------|-------|-------|
|                                               | 1973        | 1974      | 1975      | 1973   | 1974  | 1975  |
| 1. Agriculture                                | 33.981.3    | 37.472.5  | 40.789.2  | 90.1   | 110.3 | 108.9 |
| a. Farming                                    | 32.176.8    | 35.516.5  | 38.665.3  | 88.5   | 110.4 | 108.9 |
| b. Forestry                                   | 1.522.8     | 1.646.1   | 1.783.0   | 138.3  | 108.1 | 108.3 |
| c. Fishing                                    | 281.7       | 309.9     | 340.9     | 110.2  | 110.0 | 110.0 |
| 2. Industry                                   | 39.517.5    | 42.931.9  | 46.866.2  | 113.4  | 108.6 | 109.2 |
| a. Mining                                     | 2.549.6     | 2.822.4   | 2.939.2   | 104.5  | 110.7 | 104.1 |
| b. Manufacturing                              | 34.812.3    | 37.701.7  | 41.170.3  | 114.4  | 108.3 | 109.2 |
| c. Electricity Gas, Water                     | 2.155.6     | 2.407.8   | 2.756.7   | 109.1  | 111.7 | 114.5 |
| 3. Construction                               | 9.361.3     | 10.082.2  | 11.050.1  | 109.8  | 107.7 | 109.6 |
| 4. Trade                                      | 19.200.0    | 20.877.6  | 22.959.1  | 111.4  | 108.7 | 110.0 |
| 5. Transportation, Communications             | 12.861.9    | 14.003.4  | 15.821.2  | 107.9  | 108.9 | 113.0 |
| 6. Financial Institutions                     | 4.600.2     | 5.018.8   | 5.385.2   | 109.1  | 109.1 | 107.3 |
| 7. Ownership of dwellings                     | 7.761.3     | 8.265.8   | 8.810.5   | 106.3  | 106.5 | 106.6 |
| 8. Professions and services                   | 7.784.5     | 8.457.1   | 9.226.7   | 104.7  | 108.6 | 109.1 |
| 9. (less) imputed bank service charges        | 2.544.8     | 2.776.4   | 2.979.1   | 109.1  | 109.1 | 107.3 |
| 10. Total of Industries (1-9)                 | 132.523.2   | 144.332.9 | 157.929.1 | 104.5  | 108.9 | 109.4 |
| 11. Government services                       | 13.733.5    | 14.563.6  | 15.351.5  | 106.7  | 106.0 | 105.4 |
| 12. Sub Total (10-11)                         | 146.256.7   | 158.896.5 | 173.280.6 | 104.7  | 108.6 | 109.1 |
| 13. Import taxes                              | 5.022.9     | 5.223.3   | 5.639.4   | 101.2  | 104.0 | 108.0 |
| 14. Gross Domestic Product (at market prices) | 151.279.6   | 164.119.8 | 178.920.0 | 104.5  | 108.5 | 109.0 |
| 15. Net Factor income from rest of the world  | -6.029.1    | -4.775.6  | -3.327.0  | -136.6 | -79.2 | -69.7 |
| 16. Gross National Product (at market prices) | 157.308.7   | 168.895.4 | 182.247.0 | 105.5  | 107.4 | 107.9 |

TABLE 23

GROSS NATIONAL PRODUCT BY ORIGIN  
(at current producers' prices)

|                                               | C h a i n I n d e x |           |           |        |        |        |
|-----------------------------------------------|---------------------|-----------|-----------|--------|--------|--------|
|                                               | 1973                | 1974      | 1975      | 1973   | 1974   | 1975   |
| 1. Agriculture                                | 79.204.6            | 109.884.7 | 135.015.9 | 130.2  | 138.7  | 122.9  |
| a. Farming                                    | 77.150.8            | 107.319.8 | 131.947.8 | 130.0  | 139.1  | 122.9  |
| b. Forestry                                   | 1.557.8             | 1.817.9   | 2.120.9   | 138.3  | 116.7  | 116.7  |
| c. Fishing                                    | 496.0               | 747.0     | 947.2     | 126.5  | 150.6  | 126.8  |
| 2. Industry                                   | 67.073.2            | 94.558.0  | 115.047.6 | 127.4  | 141.0  | 121.7  |
| a. Mining                                     | 4.197.3             | 5.502.7   | 6.557.0   | 110.6  | 131.1  | 119.2  |
| b. Manufacturing                              | 59.349.9            | 83.485.3  | 101.518.1 | 129.6  | 140.7  | 121.6  |
| c. Electricity, gas, water                    | 3.526.0             | 5.570.0   | 6.972.5   | 114.9  | 158.0  | 125.2  |
| 3. Construction                               | 16.076.8            | 20.365.0  | 26.456.2  | 127.4  | 126.7  | 129.9  |
| 4. Trade                                      | 35.750.0            | 51.439.0  | 64.944.1  | 132.4  | 143.9  | 126.3  |
| 5. Transportation, Communications             | 23.586.9            | 32.544.2  | 40.635.0  | 137.5  | 138.0  | 124.9  |
| 6. Financial Institutions                     | 8.042.7             | 11.718.2  | 15.432.9  | 127.5  | 145.7  | 131.7  |
| 7. Ownership of dwellings                     | 12.387.2            | 15.236.3  | 19.106.3  | 120.5  | 123.0  | 125.4  |
| 8. Professions and Services                   | 15.098.9            | 20.761.0  | 26.179.6  | 128.4  | 137.5  | 126.1  |
| 9. (less) imputed bank service charges        | 4.449.0             | 6.482.2   | 8.537.1   | 127.5  | 145.7  | 131.7  |
| 10. Total of Industries (1-9)                 | 252.771.5           | 350.024.2 | 434.280.5 | 129.5  | 138.5  | 124.1  |
| 11. Government Services                       | 29.201.8            | 37.815.3  | 54.713.4  | 119.7  | 129.5  | 144.7  |
| 12. Sub Total (10-11)                         | 281.973.3           | 387.839.5 | 488.993.9 | 128.4  | 137.5  | 126.1  |
| 13. Import Taxes                              | 11.476.9            | 15.666.0  | 20.099.5  | 123.0  | 136.5  | 128.3  |
| 14. Gross Domestic Product (at market prices) | 293.450.2           | 403.505.5 | 509.093.4 | 128.2  | 137.5  | 126.2  |
| 15. Net Factor Income from rest of the World  | -15.056.8           | -17.351.3 | -15.602.9 | -173.2 | -115.2 | - 89.9 |
| 16. Gross National Product (at market prices) | 308.507.0           | 420.856.8 | 524.696.3 | 129.9  | 136.4  | 124.7  |

TABLE 24

GROSS NATIONAL PRODUCT BY ORIGIN

(at current factor prices)

|                                               | C h a i n I n d e x |           |           |        |        |       |
|-----------------------------------------------|---------------------|-----------|-----------|--------|--------|-------|
|                                               | 1973                | 1974      | 1975      | 1973   | 1974   | 1975  |
| 1. Agriculture                                | 77.559.8            | 107.772.4 | 132.230.0 | 130.3  | 139.0  | 122.7 |
| a. Farming                                    | 75.977.3            | 105.757.5 | 129.849.4 | 130.1  | 139.2  | 122.8 |
| b. Forestry                                   | 1.086.5             | 1.267.9   | 1.433.4   | 146.1  | 116.7  | 113.1 |
| c. Fishing                                    | 496.0               | 747.0     | 947.2     | 126.5  | 150.6  | 126.8 |
| 2. Industry                                   | 55.916.6            | 80.914.5  | 96.724.2  | 130.7  | 144.7  | 119.5 |
| a. Mining                                     | 3.795.7             | 5.408.8   | 6.508.1   | 111.7  | 142.5  | 120.3 |
| b. Manufacturing                              | 48.881.6            | 70.273.5  | 83.686.5  | 133.5  | 143.8  | 119.1 |
| c. Electricity, gas, water                    | 3.239.3             | 5.232.2   | 6.529.6   | 116.4  | 161.5  | 124.8 |
| 3. Construction                               | 15.632.3            | 19.759.8  | 25.725.1  | 127.4  | 126.4  | 130.3 |
| 4. Trade                                      | 33.020.7            | 47.780.0  | 60.204.7  | 133.1  | 144.7  | 126.0 |
| 5. Transport, Communications                  | 22.139.9            | 30.416.2  | 38.044.4  | 136.6  | 137.4  | 125.1 |
| 6. Financial Institutions                     | 5.472.6             | 8.248.2   | 11.009.8  | 128.6  | 150.7  | 133.5 |
| 7. Ownership of dwellings                     | 10.386.4            | 12.973.9  | 16.221.8  | 120.7  | 124.9  | 125.0 |
| 8. Private Prof. and Services                 | 13.516.5            | 18.987.6  | 24.176.7  | 129.9  | 140.5  | 127.3 |
| 9. Total Industries                           | 233.644.8           | 326.852.6 | 404.336.7 | 130.6  | 139.9  | 123.7 |
| 10. Public Services                           | 29.201.8            | 37.815.3  | 54.713.4  | 119.7  | 129.5  | 144.7 |
| 11. Gross Domestic Product                    | 262.846.6           | 364.667.9 | 459.050.1 | 129.3  | 138.7  | 125.9 |
| 12. Income from the rest of the world         | -15.056.8           | -17.351.3 | -15.602.9 | -173.2 | -115.2 | -89.9 |
| 13. Gross National Product (at factor cost)   | 277.903.4           | 382.019.2 | 474.653.0 | 131.1  | 137.5  | 124.2 |
| 14. Minus Subsidies                           | 1.394.2             | 2.172.0   | 2.500.8   | -      | -      | -     |
| 15. Indirect Taxes                            | 31.997.8            | 41.009.6  | 52.544.1  | 117.1  | 128.2  | 128.1 |
| 16. Gross National Product (at market prices) | 308.507.0           | 420.856.8 | 524.696.3 | 129.9  | 136.4  | 124.7 |

TABLE 25

GROSS NATIONAL PRODUCT BY ORIGIN

(at constant 1968 factor prices)

|                                               | Chain Index |           |           |        |       |       |
|-----------------------------------------------|-------------|-----------|-----------|--------|-------|-------|
|                                               | 1973        | 1974      | 1975      | 1973   | 1974  | 1975  |
| 1. Agriculture                                | 32.882.7    | 36.275.5  | 39.496.5  | 89.5   | 110.3 | 108.9 |
| a. Farming                                    | 31.521.7    | 34.799.0  | 37.891.9  | 88.3   | 110.4 | 108.9 |
| b. Forestry                                   | 1.079.3     | 1.166.6   | 1.263.7   | 138.3  | 108.1 | 108.3 |
| c. Fishing                                    | 281.7       | 309.9     | 340.9     | 110.2  | 110.0 | 110.0 |
| 2. Industry                                   | 31.983.1    | 34.889.3  | 37.898.8  | 112.8  | 109.1 | 108.6 |
| a. Mining                                     | 2.282.6     | 2.777.7   | 2.933.1   | 104.3  | 121.7 | 105.6 |
| b. Manufacturing                              | 27.769.1    | 29.954.2  | 32.495.7  | 113.8  | 107.9 | 108.5 |
| c. Electricily, gaz.                          | 1.931.4     | 2.157.4   | 2.470.0   | 109.1  | 111.7 | 114.5 |
| 3. Construction                               | 9.165.9     | 9.869.3   | 10.821.2  | 109.9  | 107.7 | 109.6 |
| 4. Trade                                      | 18.014.6    | 19.586.2  | 21.557.8  | 111.5  | 108.7 | 110.1 |
| 5. Transport, Communic                        | 12.220.1    | 13.281.3  | 15.058.3  | 107.2  | 108.7 | 113.4 |
| 6. Financial Institutions                     | 3.361.8     | 3.667.7   | 3.935.5   | 109.1  | 109.1 | 107.3 |
| 7. Ownership of develings                     | 6.810.7     | 7.250.3   | 7.727.2   | 106.2  | 106.5 | 106.6 |
| 8. Private Prof and Serv.                     | 7.028.8     | 7.638.6   | 8.331.1   | 104.7  | 108.7 | 109.1 |
| 9. Total Industries                           | 121.467.7   | 132.458.2 | 144.826.4 | 103.6  | 109.0 | 109.3 |
| 10. Public Services                           | 13.733.5    | 14.563.6  | 15.351.5  | 106.7  | 106.0 | 105.4 |
| 11. Gross Domestic Product                    | 135.201.2   | 147.021.8 | 160.177.9 | 103.9  | 108.7 | 108.9 |
| 12. Income from the rest of the world         | -6.029.1    | -4.775.6  | -3.327.0  | -136.6 | -79.2 | -69.7 |
| 13. Gross National Product (at factor cost)   | 141.130.3   | 151.797.4 | 163.504.9 | 105.0  | 107.5 | 107.7 |
| 14. Minus Subsidies                           | 759.9       | 938.9     | 864.0     | -      | -     | -     |
| 15. Indirect Taxes                            | 16.838.3    | 18.036.9  | 19.606.1  | 108.4  | 107.1 | 108.7 |
| 16. Gross National Product (at market prices) | 157.308.7   | 168.895.4 | 182.247.0 | 105.5  | 107.4 | 107.9 |

Prospects for 1976

74. The insufficient domestic savings, delays in investments by the public sector, and the ever increasing foreign trade gap, are the main headaches of the Turkish economy at the outset of 1976.
75. The implementation of development planning has not approached its targets set forth in the Third Plan. While public sector financing remains in great trouble, creating unfavourable effects on the economy as a whole, the long standing problem of insufficient domestic savings, delays in investments and the large foreign trade gap clouded the preparation of the 1976 Program as in many previous cases.

TABLE 26

SOURCES AND USES (TL.Mil)

|                             | 1975 <sup>x</sup>       | 1 9 7 6               |                    |         |
|-----------------------------|-------------------------|-----------------------|--------------------|---------|
|                             | Realization<br>Estimate | Program <sup>xx</sup> | Plan <sup>xx</sup> |         |
|                             | (1)                     | (2)                   | (I)                | (II)    |
|                             | (1)                     | (2)                   | (3)                | (4)     |
| <u>SOURCES :</u>            |                         |                       |                    |         |
| 1. G.N.P.                   | 538.395                 | 582.000               | 258.270            | 536.427 |
| 2. External sources         | 23.600                  | 20.560                | 1.950              | 4.050   |
| 3. Total (1-2)              | 561.995                 | 602.560               | 260.220            | 540.477 |
| <u>USES :</u>               |                         |                       |                    |         |
| 1. Total Investment         | 116.435                 | 135.000               | 64.690             | 134.361 |
| a. Fixed capital investment | 101.435                 | 132.500               | 62.390             | 129.584 |
| (i) Private                 | 49.825                  | 63.500                | 27.390             | 56.889  |
| (ii) Public                 | 51.610                  | 69.000                | 35.000             | 72.695  |
| b. Changes in stock         | 15.000                  | 2.500                 | 2.300              | 4.777   |
| (i) Private                 | 4.000                   | 1.500                 | 1.400              | 2.908   |
| (ii) Public                 | 11,000                  | 1.000                 | 900                | 1,869   |
| 2. Consumption              | 445.560                 | 467.560               | 195.530            | 406.116 |
| (i) Private                 | 380.560                 | 395.560               | 156.130            | 324.282 |
| (ii) Public                 | 65.000                  | 72.000                | 39.400             | 81.834  |
| 3. Total                    | 561.995                 | 602.560               | 260.220            | 540.477 |

Sources : 1976 Program, Third Five Year Plan.

( x) This estimate was made before SIS issued its second estimate based on 9-month data.

(xx) Col.2 is expressed in 1975 prices, Col.3 is in 1971 prices, Col. 4 is Col. 3 (Plan) expressed in 1975 prices for comparison with Program data.

76. In 1976 the economy is expected to have total resources of TL. 602,560 million (in 1975 prices) with a gross national product (GNP) of TL. 582,000 million and TL. 20,560 million to be obtained from external resources - i.e. foreign borrowing or foreign private investment. Table 1 gives sources and uses in 1975 as estimated by SPO and 1976 as forecast by the Program, and the Plan.
77. The Plan figures, expressed in 1971 prices have been inflated by the GNP implicit deflator and expressed in 1975 prices for fair comparison. Thus columns (2) and (4) ought to be compared to see the difference between intentions in the Plan and annual adjustments necessitated by current conditions as far as can be foreseen.
78. The striking deviation of the 1976 Annual Program from Plan intentions is in the size of the external sources (also called "external balance" as it represents magnitude of the fund shortage for intended investment and expected consumption targets). Note in Table 2 that 99.3 percent of total sources were to be gross national product with 0.7 percent external sources in the Plan, in contrast to the current reality of a 96.4% gross national product (of total resources) and external sources constituting 3.6 percent of the total. This was due to the recent world crisis which caused increases in import prices and decreases in some export prices while at the same time the quantity of exports declined, due both to a lack of internationally competitive Turkish industrial products and a fall in demand for traditional Turkish exports (mainly cotton).

TABLE 27

PERCENTAGE DISTRIBUTION OF SOURCES AND USES

|                      | 1975                            | 1976           |             |
|----------------------|---------------------------------|----------------|-------------|
|                      | <u>Realization<br/>Estimate</u> | <u>Program</u> | <u>Plan</u> |
| <u>SOURCES :</u>     |                                 |                |             |
| 1. G.N.P             | 95.8                            | 96.4           | 99.3        |
| 2. External          | <u>4.2</u>                      | <u>3.6</u>     | <u>0.7</u>  |
| 3. TOTAL             | 100.0                           | 100.0          | 100.0       |
| <u>USES :</u>        |                                 |                |             |
| 1. Total Investment  | 20.7                            | 22.4           | 24.9        |
| a. Fixed Capital     | 18.0                            | 22.0           | 24.0        |
| b. Changes in stocks | 2.7                             | 0.4            | 0.9         |
| 2. Consumption       | 79.3                            | 77.6           | 75.1        |
| a. Private           | 67.7                            | 65.6           | 60.0        |
| b. Public            | <u>11.6</u>                     | <u>12.0</u>    | <u>15.1</u> |
| 3. TOTAL             | 100.0                           | 100.0          | 100.0       |

Investment Targets

79. Total investments are programmed to grow by as high as 41.1% in 1976 as compared to the level realized in 1975. The share of investments in the agricultural mining, energy, tourism, housing and other services sectors are to be increased during 1976 while the share of investments in manufacturing and transport and communication are to decline.
80. Given the targets for public versus private sector, the private sector can be easily expected to invest as much as foreseen, whereas the outlook for public sector prospects is not as optimistic. The private sector is expected to invest 16 % of the total in manufacturing industry, and 15 % of the total in housing (which combined, constitute 31 % points of the 43.4 % share in the total). Both of these are areas of high return to capital. It must be noted that especially realization of mining, and energy investments may be limited by the foreign exchange constraints in Turkey.

81. Sectoral Distribution of total investments in 1976 expressed as targets by the State Planning Organization when compared with the past two years can be summarized as follows.

- Heavy emphasis is being given to Energy, Mining and Agriculture.
- Investment in Industry shows a higher share in comparison with 1975 in comparison with 1975 but falls short of 1974 rate.
- Investment in residential construction is being decreased from 17.4 % in 1975 to 15.7 % in 1976.

82. As in many instances in past implementation it is rather difficult without drastic measures to limit residential construction, more over it might in the short run be undesirable to limit construction as it affects many industries providing inputs to this sector.

TABLE 28  
SECTORAL DISTRIBUTION OF INVESTMENT  
 (Million TL. in current prices)

|             | 1974<br>(1) | %<br>(2) | 1975<br>(3) | %<br>(4) | 1976<br>(5) | %<br>(6) |
|-------------|-------------|----------|-------------|----------|-------------|----------|
| Agriculture | 7.992       | 10.9     | 10.214      | 10.1     | 16.475.7    | 11.2     |
| Mining      | 2.483       | 3.4      | 3.075       | 3.0      | 7.541.7     | 5.2      |
| Manufact.   | 22.098      | 30.3     | 28.899      | 28.5     | 43.065.3    | 29.4     |
| Energy      | 4.939       | 6.8      | 6.721       | 6.6      | 13.280.0    | 9.1      |
| Transport.  | 14.399      | 19.7     | 21.195      | 20.9     | 22.259.0    | 15.2     |
| Tourism     | 881         | 1.2      | 1.156       | 1.1      | 2.393.2     | 1.6      |
| Residential | 12.174      | 16.7     | 17.614      | 17.4     | 22.930.0    | 15.7     |
| Education   | 2.608       | 3.6      | 4.585       | 4.5      | 6.675.0     | 4.6      |
| Health      | 857         | 1.2      | 1.185       | 1.2      | 1.785.0     | 1.2      |
| Other Serv. | 4.534       | 6.2      | 6.791       | 6.7      | 10.000.7    | 6.8      |
| Total       | 72.965      | 100.0    | 101.435     | 100.0    | 146.405.6   | 100.0    |

83. Investment in 1975 increased by 16.5 % in real terms and amounted to 116.4 billion TL. 87.1 % of total investment was in fixed capital while 12.9 % was used to finance increases in stocks.

84. 49.1 % of the investment in fixed capital was made by the private sector and 50.9 % by the public sector. In 1974 the share of the private sector was 52 % and that of the public sector 48 %.

TABLE 29

INVESTMENT IN FIXED CAPITAL

|                | 1974    |        | 1975    |        |
|----------------|---------|--------|---------|--------|
|                | Private | Public | Private | Public |
| Agriculture    | 4.540   | 3.452  | 5.348   | 4.766  |
| Mining         | 252     | 2.231  | 300     | 2.775  |
| Manufacturing  | 14.447  | 7.651  | 16.782  | 12.117 |
| Energy         | 200     | 4.739  | 250     | 6.471  |
| Transportation | 5.067   | 9.332  | 8.015   | 13.180 |
| Residential    | 11.622  | 552    | 16.751  | 863    |
| Services       | 1.798   | 7.082  | 2.379   | 11.438 |
| Total          | 37.926  | 35.039 | 49.825  | 51.610 |
|                | 52 %    | 48 %   | 49.1 %  | 50.9 % |

85. The share of the private sector in total investment in Manufacturing dropped from 65.4 % in 1974 to 58.1 % in 1975. In Agriculture it dropped from 56.8 % to 52.4 % while in Transportation it increased from 35.2 % in 1974 to 37.8 % in 1975.
86. In 1974 30.6 % of total private investment went to Residential Construction, in 1975 this ratio increased to 33.6 %
87. Fixed investment in manufacturing by the private sector constituted 38.1 % of total private investment in fixed capital, in 1974 and 33.7 % in 1975.

Patterns of Private Consumption Expenditures

88. There are two sources of information concerning the distribution of consumption expenditures and the shifts which take place in them as a result of socio-economic changes and developments. These are the State Institute of Statistics and the State Planning Organization.
89. Table 30 based on data provided by the State Institute of Statistics gives the distribution of consumption expenditure in three different regions of Turkey: Istanbul, the Black Sea Area and the Eastern part of Turkey.
90. The other two tables have been prepared by the State Planning Organization

TABLE 30

DISTRIBUTION OF CONSUMPTION EXPENDITURE ACCORDING TO  
EXPENDITURE CATEGORIES

|                | <u>Ordu</u> | <u>Erzurum</u> | <u>Istanbul</u> |
|----------------|-------------|----------------|-----------------|
| Food           | 37.47       | 43.00          | 38.31           |
| Housing        | 13.13       | 14.71          | 19.66           |
| Furniture      | 10.35       | 6.70           | 6.22            |
| Clothing       | 19.51       | 13.29          | 12.45           |
| Health         | 4.11        | 2.93           | 4.60            |
| Transportation | 3.24        | 2.44           | 5.30            |
| Entertainment  | 4.04        | 5.97           | 4.08            |
| Others         | 8.15        | 10.96          | 9.38            |

Source : State Institute of Statistics,

91. Regional differences become apparent from this table; more expenditure is being made on food in Erzurum, on housing in Istanbul, on Furniture and Clothing in Ordu, on health and transportation in Istanbul.

TABLE 31

PRIVATE CONSUMPTION EXPENDITURE DURING THE THIRD  
FIVE YEAR PLAN (%)

|                           |      |
|---------------------------|------|
| Agricultural Products     | 24,2 |
| Heating                   | 0,4  |
| Food, Beverages, Tobacco  | 19,5 |
| Textiles and Clothing     | 11,0 |
| Other Industrial Products | 12,6 |
| Electricity               | 0,8  |
| Services                  | 31,5 |

Source : SPO, Third Five Year Development Plan, Table 103.

TABLE 32

PERCENTAGE DISTRIBUTION OF TOTAL CONSUMPTION BY MAIN CONSUMPTION  
GOODS FOR 1972

|                                      |             |
|--------------------------------------|-------------|
| <u>Goods of Agricultural Origine</u> | <u>31,2</u> |
| Meat                                 | 4,9         |
| Milk                                 | 4,3         |
| Eggs                                 | 0,7         |
| Food                                 | 17,6        |
| Beverage                             | 1,1         |
| Tobacco                              | 2,6         |
| <u>Non-durable Consumption Goods</u> | <u>13,1</u> |
| Textiles and Clothing                | 10,3        |
| Paper                                | 0,003       |
| Chemicals                            | 2,0         |
| Printing                             | 0,8         |
| <u>Other Consumption Goods</u>       | <u>0,2</u>  |
| Glass                                | 0,1         |
| Earthware                            | 0,1         |
| <u>Durable Consumption Goods</u>     | <u>3,3</u>  |
| Furniture                            | 0,6         |
| Metal                                | 0,8         |
| Machinery and Equipment              | 1,1         |
| Cars                                 | 0,9         |
| <u>Power Consumption</u>             | <u>1,4</u>  |
| Coal                                 | 0,2         |
| Petroleum Products                   | 1,2         |
|                                      | 100.-       |

Household Consumer Expenditure

92. The low rate of literacy in Turkey implies that a sizeable proportion of households are incapable of keeping basic expenditure records. Moreover, the traditional status of women in many areas and lack of knowledge of accounting principles deter the collection of a reliable time series of household consumer expenditures. By its very nature, a series of nationally representative surveys is a costly and long range endeavor; for example, although the surveys were begun in July 1964, results were published beginning only in 1969. Indeed, in a rapidly developing country such as Turkey, experiencing major structural changes in the economy and plagued with continued high rates of inflation, a series of data collected over a six year period remains somewhat suspect.
93. In an attempt to extract and present as much useful data as possible, the series were combined into three city size strata: 1) cities with a population less than 150,000; 2) cities with a population between 150,000 and 500,000; and 3) cities with a population of more than 500,000.
94. Since 1964 percapita income in Turkey has increased, consumer choices have changed. For all these reasons and the development of the industry producing durable and non durable consumer goods big changes are assumed to have taken place in the 1964 data published in 1969, and summarized in the tables below.

TABLE 33

| City Size         | <u>DISTRIBUTION OF HOUSEHOLD CONSUMPTION EXPENDITURES</u> |         |           |          |        |           |                |       |
|-------------------|-----------------------------------------------------------|---------|-----------|----------|--------|-----------|----------------|-------|
|                   | Food                                                      | Housing | Furniture | Clothing | Health | Transport | Enter-tainment | Other |
| More than 500,000 | 37.6                                                      | 18.3    | 7.3       | 13.5     | 4.0    | 5.4       | 5.0            | 8.9   |
| 150 - 500,000     | 40.8                                                      | 14.1    | 8.0       | 14.8     | 3.7    | 3.4       | 4.8            | 10.5  |
| Less than 150,000 | 41.2                                                      | 13.4    | 9.7       | 15.2     | 3.9    | 2.7       | 5.3            | 83.3  |

DISTRIBUTION OF HOUSEHOLD HEADS BY BASIC FOOD, HOUSING EXPENDITURES

| City Size         | F O O D |                    |                |                |                |                      |  |
|-------------------|---------|--------------------|----------------|----------------|----------------|----------------------|--|
|                   | Bread   | Meat, Fish Poultry | Dairy Products | Fruit and Veg. | Processed Food | Tobacco and Beverage |  |
|                   | TOTAL   |                    |                |                |                |                      |  |
| More than 500,000 | 20.1    | 19.4               | 18.8           | 21.2           | 11.7           | 9.0                  |  |
| 150 - 500,000     | 24.0    | 16.0               | 19.0           | 18.1           | 12.4           | 10.4                 |  |
| Less than 150,000 | 25.9    | 15.6               | 20.0           | 17.0           | 13.0           | 8.6                  |  |

| City Size         | Rent | Utilities | Services and Others |
|-------------------|------|-----------|---------------------|
| More than 500,000 | 52.0 | 31.3      | 16.7                |
| 150 - 500,000     | 47.7 | 36.2      | 16.1                |
| Less than 150,000 | 48.5 | 35.9      | 15.6                |

DISTRIBUTION OF HOUSEHOLD HEADS BY  
SIZE OF HOUSEHOLD AND RENTAL STATUS

| City Size         | Size of Household |      |        | Paying Rent | No. of Rooms |      |        | Rent  |         |          |
|-------------------|-------------------|------|--------|-------------|--------------|------|--------|-------|---------|----------|
|                   | 2                 | 3-4  | Over 4 |             | 1            | 2    | Over 2 | 0-200 | 201-500 | Over 500 |
| More than 500.000 | 5.6               | 37.0 | 57.4   | 49.0        | 11.6         | 38.9 | 49.5   | 55.4  | 34.3    | 12.0     |
| 150 - 500.000     | 4.5               | 31.9 | 63.6   | 45.9        | 18.1         | 41.2 | 40.7   | 80.0  | 19.5    | 0.5      |
| Less than 150.000 | 4.9               | 25.8 | 69.3   | 42.8        | 25.1         | 32.4 | 42.5   | 79.8  | 19.8    | 0.4      |

DISTRIBUTION OF HOUSEHOLD HEADS BY  
HOUSING FACILITIES, AND DURABLE GOODS  
(Percent Without Facility)

|                   | Kitchen | Bath | City Water | Elec-<br>tricity | Record<br>Player | Sewing<br>Machine | Refrig. | Washing<br>Machine |
|-------------------|---------|------|------------|------------------|------------------|-------------------|---------|--------------------|
|                   | TOTAL   |      |            |                  |                  |                   |         |                    |
| More than 500.000 | 15.6    | 40.8 | 26.8       | 11.9             | 81.8             | 46.1              | 71.9    | 77.6               |
| 150 - 500.000     | 22.7    | 57.1 | 46.6       | 15.4             | 86.2             | 73.4              | 86.1    | 76.1               |
| Less than 150.000 | 19.0    | 44.2 | 37.6       | 25.9             | 89.6             | 54.1              | 83.3    | 88.8               |

DISTRIBUTION OF HOUSEHOLD HEADS  
BY EMPLOYMENT STATUS AND INCOME

|                   | Employee | Employer | Self-Employed |
|-------------------|----------|----------|---------------|
|                   | TOTAL    |          |               |
| More than 500.000 | 67.3     | 5.4      | 27.6          |
| 150 - 500.000     | 60.3     | 7.4      | 24.6          |
| Less than 150.000 | 45.9     | 7.9      | 41.9          |

DISTRIBUTION OF HOUSEHOLD HEADS  
BY ECONOMIC ACTIVITY AND INCOME

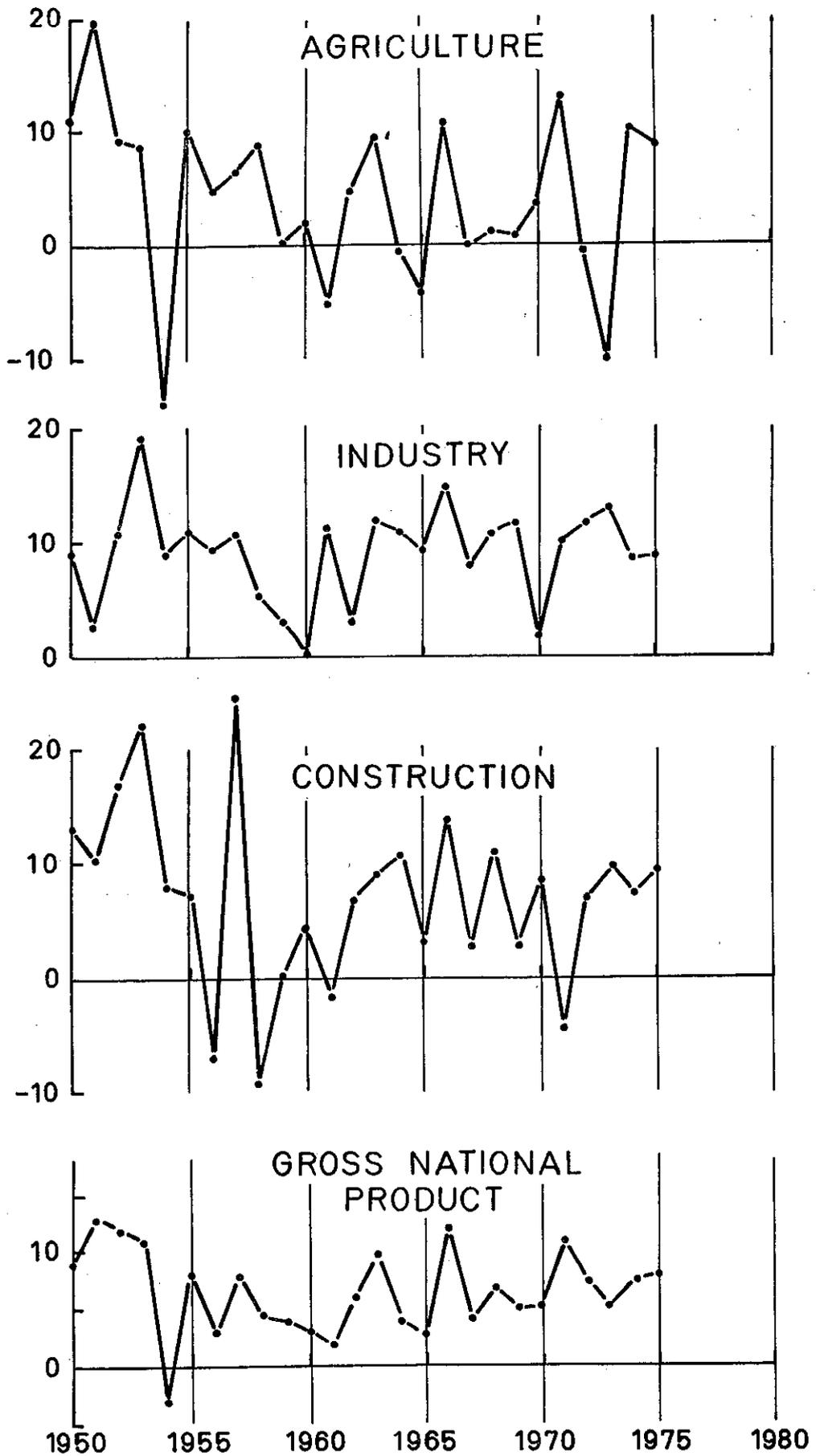
|                   | Agri-<br>cul-<br>ture | Mining | Manu-<br>factur-<br>ing | Constr. | Util-<br>ities | Com-<br>merce | Trans. | Serv-<br>ices | Non<br>Active<br>and<br>Unknown |
|-------------------|-----------------------|--------|-------------------------|---------|----------------|---------------|--------|---------------|---------------------------------|
|                   | TOTAL                 |        |                         |         |                |               |        |               |                                 |
| More than 500.000 | 0.7                   | 0.5    | 14.6                    | 2.9     | 0.8            | 17.9          | 6.4    | 42.4          | 13.7                            |
| 150 - 500.000     | 2.3                   | 0.3    | 21.7                    | 6.4     | 0.4            | 17.3          | 7.9    | 31.8          | 11.7                            |
| Less than 150.000 | 8.3                   | -      | 14.1                    | 6.7     | 0.4            | 24.8          | 8.0    | 25.1          | 12.7                            |

DISTRIBUTION OF HOUSEHOLD HEADS  
BY LAST WEEK OCCUPATION AND INCOME

|                   | Techni-<br>cal and<br>Profess. | Manager-<br>Admin. | Clerical | Sales | Farming | Miners | Trans<br>and<br>Commu. | Crafts<br>and<br>Produce | Service | Non-Active<br>and Unknown |
|-------------------|--------------------------------|--------------------|----------|-------|---------|--------|------------------------|--------------------------|---------|---------------------------|
|                   | TOTAL                          |                    |          |       |         |        |                        |                          |         |                           |
| More than 500.000 | 14.1                           | 2.5                | 9.2      | 11.6  | 1.5     | 1.9    | 7.4                    | 18.2                     | 19.4    | 14.3                      |
| 150 - 500.000     | 5.1                            | 3.3                | 6.1      | 14.8  | 2.2     | 0.2    | 5.3                    | 31.9                     | 19.9    | 11.2                      |
| Less than 150.000 | 7.1                            | 3.5                | 9.0      | 14.9  | 5.5     | 5.4    | 7.2                    | 17.8                     | 16.8    | 12.9                      |

Source for the tables above: Miller and Çetin; A Summary Report of the Results of Household Consumer Expenditure Surveys in Turkey, August 1973.

( YEARLY % CHANGES )



## CHAPTER IV

### SECTORAL DEVELOPMENTS

#### Agriculture

95. The climate and agricultural possibilities of Turkey show such a great variety that many different agricultural products, a few tropical ones, can be cultivated.
96. Agricultural production increases in quantity every year, but its relative share in GNP has declined recently. This is attributable to the expansion of the industrial output. Thus, the share of agricultural production in GDP was 28.3 percent in 1972; this fell to 24.8 percent in 1975.
97. Traditional farming methods are still practiced to some extent in Turkey. However, the stress given to the modernization of this sector in the past 20 years has considerably changed the overall picture. Agricultural industry, especially the production of artificial fertilizers, farming tools and machinery has progressed, and irrigation projects have expanded to cover large areas. Pest control has also gained importance and this has played a significant role in the production increases.
98. The main crops cultivated in Turkey are cereals (wheat, barley, oat, maize, rice); legumes (Bean, pea, chick-pea, lentil); all kinds of vegetables; fruits (citrus, apple, grapes, various kinds of nuts, figs); and industrial crops (tobacco, cotton, sugar beets, jute, flax, olives, tea, sun flowers).

Table 34 gives data on agricultural production in recent years.

99. Agricultural products have traditionally been Turkey's primary export commodities and they still hold a substantial share in the country's exports. Although this share followed a downward trend in the proportional sense in recent years agricultural products constituted 55.6 percent of the total exports in 1974.

TABLE 34

AGRICULTURAL PRODUCTION

( 000 metric tons)

|                         | 1973   | 1974   | 1975   | <u>1974</u><br><u>1973</u> | <u>1975</u><br><u>1974</u> |
|-------------------------|--------|--------|--------|----------------------------|----------------------------|
| <b>CEREALS</b>          |        |        |        |                            |                            |
| Wheat                   | 10.000 | 11.000 | 14.750 | 10.0                       | 34.1                       |
| Barley                  | 2.900  | 3.330  | 4.500  | 14.8                       | 35.1                       |
| Rice                    | 159    | 154    | 165    | -5.7                       | 7.1                        |
| Maize                   | 1.100  | 1.200  | 1.100  | 9.0                        | -8.4                       |
| PULSES                  | 543    | 685    | 768    | 26.2                       | 11.2                       |
| <b>INDUSTRIAL CROPS</b> |        |        |        |                            |                            |
| Cotton                  | 513    | 598    | 460    | 16.6                       | -23.1                      |
| Tobacco                 | 130    | 190    | 210    | 46.1                       | 10.5                       |
| Sugar Beets             | 5.095  | 5.707  | 7.000  | 12.0                       | 22.7                       |
| <b>OIL SEEDS</b>        |        |        |        |                            |                            |
| Sunflower               | 560    | 520    | 350    | -7.1                       | -32.6                      |
| Cotton Seed             | 677    | 880    | 760    | 7.2                        | -9.2                       |
| Groundnuts              | 44     | 37     | 37     | -15.9                      |                            |
| <b>OTHERS</b>           |        |        |        |                            |                            |
| Hazelnuts               | 251    | 244    | 320    | -2.8                       | 31.1                       |
| Olives                  | 333    | 814    | 588    | 144.0                      | -27.8                      |
| Tea                     | 196    | 202    | 205    | 3.1                        | 1.5                        |

100. A comparative evaluation of the 1975 crop for selected agricultural goods shows an impressive outcome.

Natural Resources and Energy

101. Turkey can be considered a fairly rich country as regards natural resources, although she is not at a point of self sufficiency in some of the essential minerals and petroleum.
102. Mining activities are mainly carried out by the public sector which produces nearly 80 percent of the total output. The remaining part is produced by the private sector which in general consists of small scale enterprises and in some cases lacks the financial and technological capacity for rational and optimal production.

103. Turkey produces about 3.3 million tons of petroleum every year. The country's geographical location and its geological nature increase the probability that Turkey might be richer in oil fields than it already is. This hope constitutes the heart of the energy policy according to which oil and natural gas exploration has been given tremendous priority in recent years.
104. The amount of petroleum produced in Turkey meets only one-third of its home consumption. The remaining two-thirds is imported. A pipeline project designed to transport Iraqi oil to Turkey is under way and its realization is likely to make a considerable contribution to the country's economy.
105. Oil production made by Turkish and Foreign Firms has decreased by 6.9 % in 1975.
106. TPAO and Ersan the two Turkish Companies produced 1.11 million tons in 1975 a decrease of 2.1 % in comparison to 1974 production of 1.14 million tons.
107. Production made by Mobil, Dorchester Gas, and Shell Companies decreased by 9.6 % in 1975 bringing the total production of Foreign Companies from 2.2 million tons in 1974 to 2 million tons in 1975.
108. Total domestic production of oil has thus decreased by 6.9 % in one year bringing total production from 3.3 to 3.1 million metric tons.

| Production          | (Metric tons) |           | %      |
|---------------------|---------------|-----------|--------|
|                     | 1 9 7 5       | 1 9 7 4   |        |
| TPAO                | 1.101.598     | 1.111.251 | - 0.8  |
| Ersan               | 12.681        | 26.207    | -106.6 |
| Total Turkish Comp. | 1.114.279     | 1.137.458 | - 2.1  |
| Mobil               | 282.634       | 325.313   | - 15.1 |
| Dorchester Gas      | 69.635        | 80.192    | - 15.1 |
| Mobil Dorchester    | 352.269       | 405.505   | - 15.1 |
| Shell               | 1.628.938     | 1.765.999 | - 8.4  |
| Total Foreign Comp. | 1.981.207     | 2.171.504 | - 9.6  |
| Grand Total         | 3.095.486     | 3.308.962 | - 6.9  |

109. Today, in accordance with the national energy policy, the generation, transmission and distribution of electricity are carried out by a State Economic Enterprise. Energy consumption per person was 345 kWh in 1974. The table below indicates electricity generation in Turkey between 1923 - 1974.

(Million Kilowatt/hrs)

| Years                  | 1923 | 1933 | 1943 | 1953  | 1963  | 1973   | 1974   | 1975   |
|------------------------|------|------|------|-------|-------|--------|--------|--------|
| Electricity generation | 50   | 151  | 457  | 1.201 | 3.983 | 12.361 | 13.477 | 15.631 |

110. As regards major electricity production units, there are at present 13 thermal and 31 hydro electric centers in operation and numerous small scale local generators in Turkey.
111. The break down of electricity generation into various resources can be traced in the following table:

TABLE 35  
SHARE IN TOTAL OUTPUT (GWH and %)

| Kind of Resources | 1 9 7 4 |       | 1 9 7 5 (E) |       | 1 9 7 6 (E) |       |
|-------------------|---------|-------|-------------|-------|-------------|-------|
|                   | Energy  | %     | Energy      | %     | Energy      | %     |
| Coal              | 1516    | 11.2  | 1420        | 9.2   | 1374        | 7.5   |
| Lignite           | 2353    | 17.5  | 2700        | 17.4  | 3264        | 17.7  |
| Fuel Oil          | 6252    | 46.4  | 5980        | 38.6  | 6676        | 36.3  |
| Hydraulic         | 3356    | 24.9  | 5400        | 34.8  | 7086        | 38.5  |
| T O T A L         | 13477   | 100.0 | 15500       | 100.0 | 18400       | 100.0 |

112. As can be noted from the above table, the largest part of electricity generation is provided through petroluem which under the present circumstances does not seem a rational choice. However mention must bu made that the current governmental policy is to shift towards hydro-electric plants.
113. The recently operated Keban Dam generates 4.600 million kwh when put into full generation, and with the completion of several other major dam projects will meet the energy requirements of the country.

#### Manufacturing

114. Since the adoption of economic development programmes in 1963, industrialization has been the key factor accordingly, investments in manufacturing increased more than twice in ten years, measured in constant 1975 prices; from 1.4 billion dollars in 1963 to 3.1 billion dollars in 1975.

115. During this period industrial production not only increased in terms of quantity but also acquired considerable sophistication which enabled the export of manufactured goods as well as raw materials or semi-finished items.
116. Turkey's industrial output consists predominantly of consumer goods. But, the infrastructure and investment goods projects have begun to acquire a greater importance as compared with investments directed to consumer goods production.
117. The breakdown of industrial production can be seen in the table 36 :

TABLE 36

| <u>Production</u>          | <u>1962</u> | <u>1967</u> | <u>1972</u> | <u>1973</u> | <u>1974</u> | <u>1975</u> | <u>1976</u> |
|----------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Consumer Goods             | 62.3        | 52.9        | 46.6        | 53.5        | 47.4        | 51.4        | 48.9        |
| Intermediate Goods         | 27.8        | 35.4        | 39.4        | 32.5        | 39.3        | 34.3        | 35.8        |
| Investment Goods <u>1/</u> | <u>9.9</u>  | <u>11.7</u> | <u>14.0</u> | <u>14.0</u> | <u>13.2</u> | <u>14.2</u> | <u>15.3</u> |
|                            | 100.0       | 100.0       | 100.0       | 100.0       | 100.0       | 100.0       | 100.0       |

1/ Inclusive of consumer durables.

Manufacturing Production in 1975

118. Production increases of considerable magnitude have taken place in capital goods, consumption goods and minerals. Domestic sales seem to have increased also, but less than production in some cases, so that inventories increased by the end of 1975.
119. Important decreases in the production of rolled products, sheets and newsprint took place in 1975, but all other products increased considerable. Electricity, cement and artificial fertilizers have shown rates of increase which indirectly indicate recovery of overall industrial production. In fact electricity increased by 16 % in 1975 versus 9,6 % in 1974, cement by 19.1 % in 1975 versus, 0,3 % in 1974, fertilizers increased by 31,3 % in 1975 versus 27,9 % in 1974.
120. Production of crude petroleum and coal as well as their derivatives decreased considerably in 1975.
121. The average growth rate achieved in the manufacturing industry has been 8.1 percent during the First Five Year Development Plan term (1963-1967); 10.4 percent during the second term (1967-1972); and it is estimated to be 11.7 percent during the third term (1973-1977). In the same way, the total share of industry in GNP is gradually growing each year; 20.3 percent in 1973, 20.5 percent in 1974 and 21.1 percent estimated for 1975.

TABLE 37  
INDUSTRIAL PRODUCTION

|                              | (metric tons) |           |            |            |
|------------------------------|---------------|-----------|------------|------------|
|                              | 1973          | 1974      | 1975       | %<br>75/74 |
| <b>A. Capital Goods</b>      |               |           |            |            |
| Pig Iron                     | 984.339       | 1.206.119 | 1.191.136  | - 1,2      |
| Steel Ingots                 | 1.163.127     | 1.336.733 | 1.448.339  | + 8,3      |
| Rolled Products              | 1.024.727     | 1.197.628 | 1.117.704  | - 6,8      |
| Sheets                       | 274.362       | 273.381   | 181.298    | -33,7      |
| Coke                         | 939.859       | 1.241.135 | 1.241.434  | -          |
| Cement                       | 8.947.680     | 8.975.662 | 10.692.268 | +19,1      |
| Glass and Bottles            | 83.515        | 70.771    | 71.630     | + 1,2      |
| Paper and Cardboard          | 178.134       | 202.893   | 222.196    | + 9,5      |
| Newsprint                    | 83.361        | 96.030    | 87.392     | - 9,0      |
| Artificial Fertilizer        | 546.264       | 698.585   | 917.135    | +31,3      |
| Electricity (million Kw/Hrs) | 12.298        | 13.478    | 15.631     | +16,0      |
| Window glass                 | 88.883        | 77.857    | 80.811     | + 3,8      |
| <b>B. Consumption Goods</b>  |               |           |            |            |
| Sugar                        | 873.229       | 757.760   | 664.676    | -12,3      |
| Tea                          | 1.085         | -         | -          | -          |
| Cigarettes                   | 46.419        | 53.119    | 57.301     | + 7,9      |
| Packed tobacco               | 3.023         | 3.107     | 3.213      | + 3,4      |
| Alcohol                      | 9.727         | 9.894     | 8.219      | -16,9      |
| Beer                         | 57.715        | 42.384    | 48.328     | +14,0      |
| Raki                         | 12.059        | 14.789    | 16.652     | +12,6      |
| Wine                         | 16.505        | 11.659    | 11.659     | -          |
| Other Liquors                | 7.874         | 8.502     | 8.394      | - 1,3      |
| Cotton Fabrics               | 218.780       | 209.947   | 214.395    | + 2,1      |
| Woolen Fabrics               | 4.468         | 5.525     | 6.575      | +19,0      |
| <b>C. Mineral</b>            |               |           |            |            |
| Iron Ore                     | 2.119.888     | 2.243.493 | 2.246.757  | + 0,1      |
| Chrome (ungraded product)    | 234.281       | 244.532   | 256.891    | + 5,1      |
| Copper                       | 25.727        | 29.085    | 24.933     | -          |
| Boron                        | 524.973       | 596.404   | 646.104    | + 8,3      |
| Coal (ungraded product)      | 7.841.257     | 8.505.907 | 8.100.557  | - 4,7      |
| Lignite (ungraded product)   | 7.536.873     | 7.666.257 | 8.432.905  | +10,0      |
| Crude Petroleum              | 3.504.427     | 3.311.906 | 3.095.486  | - 6,5      |
| Benzine                      | 1.875.241     | 1.940.507 | 2.090.404  | + 7,7      |
| Kerosene                     | 582.393       | 515.901   | 411.571    | -20,2      |
| Motorine                     | 3.033.083     | 2.932.032 | 3.176.163  | + 8,3      |
| Fuel Oil                     | 5.537.240     | 5.323.670 | 5.344.034  | + 0,3      |
| Asphalt                      | 230.356       | 721.063   | 307.962    | -57,3      |

TABLE 38

INDUSTRIAL INVESTMENT  
(Distribution Between Private and Public Sector)

|                                                     | <u>Private</u> | <u>Public</u> | <u>Total</u> |
|-----------------------------------------------------|----------------|---------------|--------------|
| Consumer goods                                      | 36.26          | 16.69         | 28.74        |
| Intermediate goods                                  | 46.09          | 77.92         | 58.32        |
| Investment goods                                    | 17.65          | 5.39          | 12.94        |
| Total Industrial Investment<br>(1973 - 1974 - 1975) | 100.0          | 100.0         | 100.0        |

Main Manufacturing Industries

122. - Paper Industry

Paper manufacturing did not exist in Turkey until 1936. In 1973 the production capacity of paper factories reached the level of 600.000 tons. Paper production was 177.5 million dollars in 1974; it has been estimated to be 175.7 million dollars in 1975.

- Textile and Clothing Industry

The textile and clothing industry is one of the most advanced industries in Turkey. All kinds of textile products, namely wool, cotton, synthetics etc. are of superior quality which places Turkish textiles among the leading competitors in world markets. Textile production was 2.6 billion dollars in 1974. Production target for 1975 was 2.9 billion dollars.

- Cement Industry

This is also one of the fastest growing industries in Turkey. Total production was 395.600 tons in 1950; it was raised to 8.4 million tons in 1972. The value of cement production in 1974 was 209 million dollars and 245 million dollars in 1975.

- Iron - Steel Industry

There are at present three iron-steel complexes in operation in Turkey. This crucial field of industry has recorded remarkable achievements in the past 20 years. Iron and steel production was at the level of 866 million dollars in 1974. Production estimate for 1975 was 979.7 million dollars and it is expected to be 1099 million dollars in 1976. The third iron-steel complex which was put into operation in 1975 will vastly increase iron-steel production as well as the export in this field which is estimated to be 21.1 million dollars in 1976.

- Chemical Industries

The production of this industrial branch increased from 91.6 million dollars in 1963 to 706.1 million dollars in 1974. This branch generally produces intermediate items which are widely used in other industries. It also covers the manufacturing of chemical fertilizers, which has played an important role in agricultural development.

The Pharmaceutical industry as a sub branch of the chemical industry, is a rather advanced field which not only meets total domestic demand but is also gaining increasing importance in foreign trade. The share of export in total chemical output was 2.29 percent in 1974 and it is expected to be 2.67 percent in 1976.

- Rubber Industry

It is after the establishment of the tire manufacturing industry that the rubber industry has progressed in Turkey. Tire manufacturing has been at the level of 2.053.200 tires in 1974, compared to 135.000 tires in 1963. The production value of this industrial branch was expected to be 181 million dollars in 1975.

- Glasswork and Ceramics Industry

This industrial branch developed from a point of non-existence to a level which exceeded entire domestic demand and secured itself a sound place within export commodities. The production value of glasswork and ceramics was 159.4 million dollars in 1974. The export value in this branch is estimated to be 13.3 million dollars in 1976.

- Metal Products Industry

Metal products industry began to progress particularly after 1963. This branch covers a wide range of production; from investment goods such as steel construction materials to consumer goods such as kitchen utensils. The production value of metal products amounted to 454.4 million dollars in 1974. The plan target for 1976 is 713 million dollars.

- Machinery Industry

This industrial branch, which is one of the most important fields of production in Turkish industry, produces durable goods as well as intermediate goods. The manufacturing of investment goods is also progressing at an average annual growth rate of 13.9 percent.

Power machines like high pressure steam boilers, and other industrial ovens, air condition systems, lathes, printing machines can be cited as examples of the manufactured items in this industrial branch.

The production value of the machinery industry in 1974 was at the level of 556 million dollars.

- Petro-Chemical Industry

In spite of recent growth achieved in this branch of industry, the domestic production does not come up to the level to meet the demand, which is estimated at around 738 million dollars in 1976. Thus, the prospective petro-chemicals' import will amount to 177 million dollars this year.

- Electrical Machinery and Equipment Industry

This branch recorded considerable production increases in the last 20 years both in terms of quantity and in variety of manufactured electrical machinery and equipment. The production value of this field of industry was 303 million dollars in 1974. The plan target for 1976 is 452 million dollars.

- Electronics Industry

The last 15 years witnessed the birth and growth of this industrial branch in Turkey. This rapid growth can be partly attributed to the extension in recent years of radio and TV broadcasting to cover the entire country.

The distribution of different production groups in the electronics industry as follows:

| <u>Production Group</u> | <u>Share within total output (%)</u> |
|-------------------------|--------------------------------------|
| Communication Equipment | 12.7                                 |
| Industrial Equipment    | 3.1                                  |
| Consumer Equipment      | 81.6                                 |
| Circuit Elements        | 2.6                                  |

The production value of electronics in 1975 was at the level of 174 million dollars.

- Automotive Industry

This industry is deemed important in Turkey as it is in many countries, because beyond the production of automotive vehicles it prepares ground for the emergence and development of numerous auxiliary industries.

The first automotive vehicle manufactured in Turkey was the tractor. This was followed by truck and bus assembling industries. Finally in 1967 automobile and other vehicles were manufactured in Turkey, most of the parts being produced domestically. The number of automotive vehicles manufactured in recent years is shown below:

| Automotive Vehicles | Numbers of Production |        |        |        |        |        |
|---------------------|-----------------------|--------|--------|--------|--------|--------|
|                     | 1970                  | 1971   | 1972   | 1973   | 1974   | 1975   |
| Tractors            | 7.921                 | 15.789 | 23.138 | 24.794 | 25.790 | 34.281 |
| Trucks              | 6.054                 | 5.003  | 8.711  | 11.721 | 10.354 | 13.721 |
| Light weight trucks | 4.374                 | 5.927  | 6.029  | 8.583  | 11.529 | 18.010 |
| Mini-bus            | 1.101                 | 1.930  | 3.778  | 4.550  | 4.584  | 5.461  |
| Bus                 | 711                   | 606    | 908    | 1.256  | 1.324  | 1.284  |
| Automobile          | 3.660                 | 13.138 | 30.084 | 46.856 | 59.908 | 67.291 |

- Agricultural Machinery Industry

The manufacturing of agricultural machinery other than tractors have gained importance in parallel with the growing domestic demand arising from the population explosion as well as the increasing export opportunities for raw and processed agricultural products.

Some major agricultural machinery manufactured in this branch include ploughs, drill for sawing machines, harvest machines and various equipment and tools.

Construction

123. Construction activity is a critical sector of the economy characterized by pervasive backward and forward linkages in the intersectoral structure.
124. Its development favorably affects the subsectors supplying a variety of construction inputs. Its fluctuations constitute a mirror image of economic slowdowns and upturns.
125. In 1975 construction activity showed a marked increase in comparison with 1974. This development has affected favourably the subsectors supplying inputs to the construction sector.

126. In 1971 construction activity definitely slowed down (See Table 39 ). It started moving again in 1972 and increased significantly in 1973. The quantity of new construction increased by 27.1 percent during 1973, compared with an increase of 13.9 percent in 1972. The value of this new construction however, increased by 53.6 percent in 1973 whereas there was a quantity increase of only 21.1, indicating an increase in the cost of construction. The quantity of complete construction, interestingly, increased by 12.4 percent in 1973 as opposed to an increase of 20 percent in 1972. The smaller discrepancy in the value increase of completed construction is attributable to the fact that most of it was started at an earlier time when costs and prices were comparatively low. The slump in construction activity for 1974 mentioned above is revealed in Table 39 by the decline in the quantity of new and completed construction. Rises in value in 1974 are attributed to the high increase in costs and prices.
127. The rate of increase in the construction area completed in 1975 has attained 17,9 % while the area corresponding to applications for construction permits has increased by 18,8 %.
128. In spite of this increase, the total quantity of construction activity based on construction permits attained in 1975 is still below the level attained in 1973.

TABLE 39

CONSTRUCTION ACTIVITY

(Based on Occupancy Permits)

|                                           | 1970   |        | 1971   |        | 1972   |        | 1973   |        | 1974                            |        | 1975   |        |
|-------------------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|---------------------------------|--------|--------|--------|
|                                           | Amount | Chg. % | Amount | Chg. % | Amount | Chg. % | Amount | Chg. % | Amount                          | Chg. % | Amount | Chg. % |
| A. Total Value (T.L. Mil)                 | 2,999  |        | 3,319  | 10.7   | 4,248  | 28.0   | 5,592  | 31.6   | 7,310                           | 30.7   | 11,630 | 59.1   |
| Houses                                    | 702    | -6.3   | 658    | -6.3   | 821    | 24.8   | 899    | 9.5    | 1,118                           | 24.4   | 1,696  | 51.7   |
| Apartment                                 | 1,672  | 21.4   | 2,029  | 21.4   | 2,641  | 30.2   | 3,608  | 36.6   | 4,768                           | 32.2   | 7,836  | 63.7   |
| Commercial Buildings                      | 350    | 5.7    | 370    | 5.7    | 410    | 10.8   | 571    | 39.3   | 741                             | 29.8   | 1,147  | 54.8   |
| Industrial Buildings                      | 155    | -1.3   | 153    | -1.3   | 101    | -34.0  | 321    | 217.8  | 483                             | 50.5   | 601    | 24.4   |
| Social and Cultural Buildings             | 79     | -17.7  | 65     | -17.7  | 205    | 215.4  | 106    | -48.3  | 122                             | 15.1   | 184    | 50.8   |
| Others                                    | 41     | 7.3    | 44     | 7.3    | 69     | 56.8   | 87     | 26.1   | 60                              | -31.0  | 166    | 176.7  |
| B. Total Quantity (1,000m <sup>2</sup> )  | 8,088  | -0.3   | 8,066  | -0.3   | 9,678  | 20.0   | 10,880 | 12.4   | 9,809                           | -9.9   | 11,569 | 17.9   |
| Houses                                    | 2,373  | -12.0  | 2,065  | -12.0  | 2,478  | 20.0   | 2,300  | -7.2   | 2,014                           | -12.4  | 2,065  | 2.5    |
| Apartment                                 | 4,124  | 11.4   | 4,596  | 11.4   | 5,654  | 23.0   | 6,648  | 17.6   | 5,987                           | -10.0  | 7,334  | 23.5   |
| Commercial Buildings                      | 921    | -8.1   | 839    | -8.1   | 916    | 9.2    | 1,110  | 21.2   | 992                             | -10.6  | 1,223  | 23.3   |
| Industrial Buildings                      | 389    | -23.1  | 299    | -23.1  | 236    | -21.1  | 517    | 119.1  | 647                             | 25.1   | 613    | -5.3   |
| Social and Cultural Buildings             | 163    | -7.4   | 151    | -7.4   | 252    | 66.9   | 154    | -39.9  | 131                             | -14.9  | 170    | 29.8   |
| Others                                    | 108    | -1.9   | 106    | -1.9   | 144    | 35.8   | 151    | 4.9    | 88                              | -41.7  | 164    | 86.4   |
|                                           |        |        |        |        |        |        |        |        | (Based on Construction Permits) |        |        |        |
| A. Total Value (T.L. Mil)                 | 8,112  | -11.6  | 7,171  | -11.6  | 8,690  | 21.1   | 13,352 | 53.6   | 15,828                          | 18.5   | 23,643 | 49.4   |
| Houses                                    | 1,258  | 16.1   | 1,461  | 16.1   | 1,688  | 15.5   | 2,142  | 26.9   | 2,775                           | 29.6   | 4,045  | 45.8   |
| Apartment                                 | 4,725  | -3.8   | 4,547  | -3.8   | 5,480  | 20.5   | 7,524  | 37.3   | 9,142                           | 21.5   | 13,774 | 50.7   |
| Commercial Buildings                      | 837    | -36.2  | 534    | -36.2  | 778    | 45.7   | 998    | 28.3   | 1,429                           | 43.2   | 2,148  | 50.3   |
| Industrial Buildings                      | 505    | -50.0  | 253    | -50.0  | 410    | 62.1   | 2,159  | 426.6  | 1,772                           | -17.9  | 2,025  | 14.3   |
| Social and Cultural Buildings             | 284    | -29.2  | 201    | -29.2  | 149    | -25.9  | 257    | 72.5   | 316                             | 23.0   | 814    | 157.6  |
| Others                                    | 503    | -65.0  | 176    | -65.0  | 185    | 5.1    | 272    | 47.0   | 394                             | 44.9   | 837    | 112.4  |
| B. Total Quantity (1,000 m <sup>2</sup> ) | 19,720 | -14.2  | 16,912 | -14.2  | 19,270 | 13.9   | 24,496 | 27.1   | 19,654                          | -19.8  | 23,348 | 18.8   |
| Houses                                    | 4,384  | 1.2    | 4,437  | 1.2    | 4,994  | 12.6   | 5,431  | 8.8    | 4,438                           | -18.3  | 5,171  | 16.5   |
| Apartment                                 | 10,854 | -13.8  | 9,351  | -13.8  | 10,958 | 17.2   | 13,871 | 26.6   | 10,930                          | -21.2  | 13,025 | 19.2   |
| Commercial Buildings                      | 2,105  | -40.5  | 1,253  | -40.5  | 1,627  | 29.8   | 1,934  | 18.9   | 1,755                           | -9.3   | 2,286  | 30.3   |
| Industrial Buildings                      | 1,191  | -49.0  | 607    | -49.0  | 901    | 48.4   | 2,275  | 152.5  | 1,726                           | -24.1  | 1,709  | -0.9   |
| Social and Cultural Buildings             | 544    | -35.1  | 423    | -35.1  | 279    | -34.0  | 395    | 41.6   | 314                             | -20.5  | 566    | 80.3   |
| Others                                    | 642    | -15.6  | 542    | -15.6  | 512    | -5.5   | 589    | 15.0   | 491                             | -16.6  | 591    | 20.4   |

## CHAPTER V

### MONEY - BANKING - CREDIT

#### General

129. There is a shortage in Turkey of medium- and long-term finance, although this may change in the future, since the government is becoming more aware of the necessity to provide such credits to industry.
130. Since 1970 the Central Bank has played a more active role in regulating the credit supply. Also commercial banks are now being encouraged to channel their resources into those fields that are of the greatest importance to the economy.
131. Bank deposits rose 34 % in 1971, 30 % in 1972, 27.5 % in 1973, 23 % in 1974 and 32.7 % in 1975 (to 131,4 billion TL); in the same years, bank loans rose 16 %, 31 %, 34 %, 28.5% and 44% respectively (to TL. 137.8 billion). During the past two years, the Central Bank has maintained a tight credit policy as an anti-inflationary measure. The discount rate now stands at 9%.
132. The chief sources of local funds are briefly, the big commercial banks such as the İş Bank, the Yapı ve Kredi Bank, the Akbank, Garanti Bank, Ticaret Bank, Ottoman Bank and Turkish Foreign Investment Bank. For investment financing the Industrial Development Bank of Turkey (IDBT) is in a position to provide both foreign-exchange and local-currency assistance. IDBT has a highly efficient research staff and may be of considerable assistance in preparing projects. The smaller Industrial Investment and Credit Bank (IICB) provides both working capital and investment credits. The IDBT and most of the commercial banks mentioned above are also equity holders, (and, in some cases, promoters) in a wide range of industrial and commercial companies and firms engaged in exports.
133. Public "savings-investment" equilibrium faces a growing deficit due to faster rise of expenditures than budget revenues. The Central

134. Bank facilities are extended to finance this deficit, resulting in the monetary Authorities reduced influence on the sectoral distribution of bank credits.
135. Since effective policy instruments to decelerate price increases are not put into force, bank credits are not channeled in sufficient volume to medium and long-term productive investments. The existing disparities between the official and economic interest rates, weakens the role of the interest rate in the way of directing economic activity to productive areas.

Money Supply

136. Bank-notes in circulation went up to TL. 41 billion by the end of 1975 thus increasing the volume of banknotes in circulation by TL. 8,2 billion or by 24,9 %. The rate of increase for 1975 is relatively below the rates for 1973 and 1974 which happen to be 26,3% and 29,7% respectively. The main factors affecting the increase of banknotes in circulation for 1975 are two fold: TL. 3,4 billion as Treasury bills, TL. 4,5 billion as short term advances to the Treasury and TL. 31,6 billion in the form of other Assets. However banknotes in circulation would have risen further if the decline in foreign exchange reserves had not created a decrease in the volume of banknotes equal to TL. 7,3 billion.
137. The money supply increased by 26,7 billion TL. or by 29,6 % during 1975; the rate of increase in money supply was 27,7% in 1974 and 32,4% in 1973.

TABLE 40  
MONEY SUPPLY

(Million TL)

|                                                | 1973<br>Dec. | 1974<br>Dec. | 1975<br>Dec. |
|------------------------------------------------|--------------|--------------|--------------|
| Banknotes and change in Circulation            | 20.700       | 26.151       | 32.297       |
| Deposit Money                                  | 49.828       | 63.894       | 84.412       |
| Money Supply                                   | 70.528       | 90.045       | 116.709      |
| Changes in Banknotes and Change in Circulation |              | 5.451        | 6.146        |
| Deposit Money                                  |              | 14.066       | 20.518       |
| Money Supply                                   |              | 19.517       | 26.664       |
| % Change in Money Supply                       |              | 27.6         | 29.6         |

TABLE 41

FACTORS DETERMINING THE VOLUME OF BANKNOTES ISSUED

(billion T.L.)

|                                         | 1973          | 1974          | 1975           | Changes       |               |
|-----------------------------------------|---------------|---------------|----------------|---------------|---------------|
|                                         | Dec<br>(1)    | Dec<br>(2)    | Dec<br>(3)     | (2-1)         | (3-2)         |
| Volume of Banknotes issued              | <u>25.332</u> | <u>32.860</u> | <u>41.052</u>  | <u>7.528</u>  | <u>8.192</u>  |
| I. Factors increasing banknotes issued  | <u>69.628</u> | <u>87.139</u> | <u>118.263</u> | <u>17.511</u> | <u>31.124</u> |
| 1. Gold and Foreign Exchange            | 28.556        | 22.303        | 14.974         | -6.253        | -7.329        |
| 2. Rediscount and Advances              | <u>19.363</u> | <u>32.754</u> | <u>33.452</u>  | <u>13.391</u> | <u>698</u>    |
| a) Treasury Bills                       | 4.959         | 8.970         | 12.357         | 4.011         | 3.387         |
| b) Commercial Notes                     | 11.829        | 20.568        | 20.874         | 8.739         | 306           |
| -SEE                                    | 849           | 1.097         | 1.458          | 248           | 361           |
| -Private                                | 10.980        | 19.471        | 19.416         | 8.491         | - 55          |
| c) Agricultural                         | 2.575         | 3.215         | 221            | 640           | -2.994        |
| 3. Others Advances                      | 8.524         | 13.062        | 19.212         | 4.538         | 6.150         |
| - Short-term Advances to the Treasury   | 7.844         | 12.484        | 16.988         | 4.640         | 4.504         |
| 4. Other Assets <sup>1/</sup>           | 13.185        | 19.020        | 50.625         | 5.835         | 31.605        |
| II. Factors Decreasing banknotes issued | 44.296        | 54.279        | 77.211         | 9.983         | 22.936        |
| 1. Deposit Counterparts                 | 20.955        | 26.119        | 34.441         | 5.164         | 8.322         |
| a) Official                             | 1.424         | 1.210         | 1.829          | - 214         | 619           |
| b) Banks                                | 18.552        | 23.225        | 31.271         | 4.673         | 8.046         |
| c) Other                                | 979           | 1.684         | 1.340          | 705           | -344          |
| 2. Capital and Other Liabilities        | 23.341        | 28.160        | 42.770         | 4.819         | 14.610        |

<sup>1/</sup> Agricultural and Special Financing is included in "Other Assets".

TABLE 42

VOLUME OF BANKNOTES ISSUED

(Million TL)

|                      | 1973   | Index | Ch.<br>Index | 1974   | Index | Ch.<br>Index | 1975   | Index | Ch.<br>Index |
|----------------------|--------|-------|--------------|--------|-------|--------------|--------|-------|--------------|
|                      | (1)    | (2)   | (3)          | (4)    | (5)   | (6)          | (7)    | (8)   | (9)          |
| End of Previous Year | 20.055 | 100.0 | -            | 25.332 | 100.0 | -            | 32.860 | 100.0 | -            |
| January              | 19.552 | 97.5  | 97.5         | 24.294 | 95.9  | 95.9         | 31.278 | 95.2  | 95.2         |
| February             | 19.305 | 96.3  | 98.7         | 24.335 | 100.2 | 96.1         | 32.564 | 99.1  | 104.1        |
| March                | 20.163 | 100.5 | 104.4        | 25.470 | 104.7 | 100.5        | 31.661 | 96.4  | 97.2         |
| April                | 19.659 | 98.0  | 97.5         | 24.975 | 98.5  | 98.0         | 33.438 | 101.8 | 105.6        |
| May                  | 19.219 | 95.8  | 97.8         | 22.385 | 88.4  | 98.6         | 32.358 | 98.5  | 96.8         |
| June                 | 20.650 | 103.0 | 107.4        | 26.823 | 105.9 | 119.8        | 33.671 | 102.5 | 104.1        |
| July                 | 21.510 | 107.3 | 104.2        | 31.193 | 123.1 | 116.2        | 38.677 | 117.7 | 114.8        |
| August               | 23.042 | 114.9 | 107.1        | 32.766 | 129.3 | 105.0        | 38.798 | 118.1 | 100.3        |
| September            | 24.586 | 122.6 | 106.7        | 33.079 | 130.6 | 101.0        | 40.375 | 122.8 | 114.3        |
| October              | 26.482 | 132.0 | 107.7        | 33.916 | 133.9 | 102.5        | 42.753 | 130.1 | 105.8        |
| November             | 25.586 | 127.6 | 96.6         | 32.663 | 128.8 | 96.2         | 40.847 | 124.3 | 95.5         |
| December             | 25.332 | 126.3 | 99.0         | 32.860 | 129.7 | 100.6        | 41.052 | 124.9 | 100.5        |

Source : Central Bank

TABLE 43

MONEY SUPPLY

(Million TL)

|                             | 1973          | Index        | Ch.<br>Index | 1974          | Index        | Ch.<br>Index | 1975          | Index        | Ch.<br>Index |
|-----------------------------|---------------|--------------|--------------|---------------|--------------|--------------|---------------|--------------|--------------|
|                             | (1)           | (2)          | (3)          | (4)           | (5)          | (6)          | (7)           | (8)          | (9)          |
| <u>End of Previous Year</u> | <u>53.253</u> | <u>100.0</u> | <u>-</u>     | <u>70.528</u> | <u>100.0</u> | <u>-</u>     | <u>90.045</u> | <u>100.0</u> | <u>-</u>     |
| January                     | 52.608        | 98.8         | 98.8         | 69.883        | 99.1         | 99.1         | 86.198        | 95.7         | 95.7         |
| February                    | 53.468        | 100.4        | 101.6        | 71.063        | 100.8        | 101.7        | 89.896        | 99.8         | 104.3        |
| March                       | 54.657        | 102.6        | 102.2        | 71.956        | 102.0        | 101.3        | 89.154        | 99.0         | 99.2         |
| April                       | 54.875        | 103.0        | 100.4        | 71.782        | 101.8        | 99.8         | 89.909        | 99.8         | 100.8        |
| May                         | 54.372        | 102.1        | 99.1         | 72.567        | 102.9        | 101.1        | 89.963        | 99.9         | 100.1        |
| June                        | 55.482        | 104.2        | 102.0        | 73.426        | 104.1        | 101.2        | 91.882        | 102.0        | 102.1        |
| July                        | 57.792        | 108.5        | 104.2        | 76.142        | 108.0        | 103.7        | 99.208        | 110.2        | 108.0        |
| August                      | 60.705        | 114.0        | 105.0        | 79.190        | 112.3        | 104.0        | 102.382       | 113.7        | 103.2        |
| September                   | 62.519        | 117.4        | 103.0        | 79.383        | 112.5        | 100.2        | 108.788       | 120.8        | 106.3        |
| October                     | 66.853        | 125.5        | 106.9        | 84.122        | 119.3        | 106.0        | 110.789       | 123.0        | 101.8        |
| November                    | 67.564        | 126.9        | 101.1        | 84.689        | 120.1        | 100.7        | 110.645       | 122.9        | 99.9         |
| December                    | 70.528        | 132.4        | 104.4        | 90.045        | 127.7        | 106.3        | 116.709       | 129.6        | 105.5        |

Source : Central Bank

TABLE 44

BANK DEPOSITS

(Million T.L.)

|                             | 1973          |              | 1974          |              | 1975          |              | Chain Index |
|-----------------------------|---------------|--------------|---------------|--------------|---------------|--------------|-------------|
|                             | Index         | Chain Index  | Index         | Chain Index  | Index         | Chain Index  |             |
| <u>End of Previous Year</u> | <u>62.994</u> | <u>100.0</u> | <u>80.392</u> | <u>100.0</u> | <u>99.068</u> | <u>100.0</u> | -           |
| January                     | 61.642        | 97.9         | 78.963        | 98.2         | 94.661        | 95.5         | 95.5        |
| February                    | 62.378        | 99.0         | 80.007        | 99.5         | 97.384        | 98.3         | 102.9       |
| March                       | 64.235        | 102.0        | 81.740        | 101.7        | 99.462        | 100.4        | 102.1       |
| April                       | 65.549        | 104.1        | 82.108        | 102.1        | 99.922        | 100.9        | 100.5       |
| May                         | 64.739        | 102.8        | 81.200        | 101.0        | 99.862        | 100.8        | 99.9        |
| June                        | 65.140        | 103.4        | 82.292        | 102.4        | 103.519       | 104.5        | 103.7       |
| July                        | 66.980        | 106.3        | 81.007        | 100.8        | 108.595       | 109.6        | 104.9       |
| August                      | 67.751        | 107.6        | 80.067        | 99.6         | 109.573       | 110.6        | 100.9       |
| September                   | 69.353        | 110.1        | 82.329        | 102.4        | 113.660       | 114.7        | 103.7       |
| October                     | 71.963        | 114.2        | 85.183        | 106.0        | 118.572       | 119.7        | 104.3       |
| November                    | 73.561        | 116.8        | 87.188        | 108.5        | 119.420       | 120.5        | 100.7       |
| December                    | 80.392        | 127.6        | 99.068        | 123.2        | 131.427       | 132.7        | 110.1       |

Source : Central Bank.

Bank Deposits

138. Bank Deposits reached TL. 131,4 billion by the end of 1975 creating an increase equal to TL. 32,3 billion or 32,7%, TL. 12,8 billion having arisen from increase in Convertible Turkish Lira Deposits (CLD), the increase in domestic deposits being only 19,5 billion TL.

TABLE 45  
BANK DEPOSITS  
(Billion TL)

|                           | 1973<br>Dec. | Change | 1974<br>Dec. | Change | 1975<br>Dec. | Change |
|---------------------------|--------------|--------|--------------|--------|--------------|--------|
| Commercial Sight Deposits | 16.1         | 4.2    | 22.6         | 6.5    | 31.4         | 8.8    |
| Other Deposits            | 10.6         | 1.6    | 11.8         | 1.2    | 17.7         | 7.1    |
| Sight Saving Deposits     | 33.1         | 8.2    | 39.9         | 6.8    | 52.3         | 12.4   |
| Time Saving Deposits      | 20.6         | 3.4    | 24.7         | 4.1    | 30.0         | 5.3    |
| Total Deposits            | 80.4         | 17.4   | 99.0         | 18.6   | 131.4        | 33.6   |

139. In 1973 and 1974 savings deposits constituted 65,2 % and 66,8 % of total Bank deposits; of this around 38,5 % was in the form of time deposits.

140. In 1975 the ratio of savings deposits dropped to 62,63 % and savings time deposits dropped to 36,5 % as can be seen from the table below:

|                      | 1973   |                    | 1974   |                    | 1975  |                    |
|----------------------|--------|--------------------|--------|--------------------|-------|--------------------|
|                      | Value  | % Com-<br>position | Value  | % Com-<br>position | Value | % Com-<br>position |
| Total Deposits       | 80,392 | 100.00             | 99,068 | 100.000            | 131,4 | 100.00             |
| Sight                | 58,085 | 72.30              | 71,998 | 72.70              | 98,4  | 74.88              |
| Time                 | 22,307 | 27.70              | 27,070 | 27.30              | 33,0  | 25.12              |
| Of Which             |        |                    |        |                    |       |                    |
| Savings deposits (x) | 53,678 | 65.20              | 64,604 | 66.80              | 82,3  | 62.63              |
| Sight                | 33,056 | 40.20              | 39,831 | 41.86              | 52,3  | 39.80              |
| Time                 | 20,622 | 25.00              | 24,773 | 25.04              | 30,0  | 22.83              |

|                              |       |       |       |       |
|------------------------------|-------|-------|-------|-------|
| (x) Percent composition of : |       |       |       |       |
| Saving Deposits              | 100.0 | 100.0 | 100.0 | 100.0 |
| Sight                        | 61.7  | 61.6  | 61.6  | 63.5  |
| Time                         | 38.7  | 38.4  | 38.4  | 36.5  |

The Increasing Role of Convertible Lira Deposits in the Banking System

141. Bank deposits remained steady until May 1975. In response to changes in the regulation of Convertible Lira Deposit account, bank deposits recovered strongly in the second half of 1975. 1/
142. Convertible Lira Deposits showed a remarkable growth after these charges were reinstated in the system:

|      |     | CLD<br>(million ₺) | Change <u>2/</u><br>(million ₺) |
|------|-----|--------------------|---------------------------------|
| 1973 | IV  | 221.7              | -                               |
| 1974 | I   | 205.3              | - 16.4                          |
|      | II  | 171.4              | - 50.3                          |
|      | III | 161.1              | - 60.6                          |
|      | IV  | 144.9              | - 76.8                          |
| 1975 | I   | 131.6              | - 13.3                          |
|      | II  | 433.7              | 288.8                           |
|      | III | 806.7              | 661.8                           |
|      | IV  | 991.1              | 854.2                           |
| 1976 | I   | 1.200              | 200.9                           |

1/ Foreigners and Turks are allowed to deposit foreign exchange in authorized Turkish banks, receive interest and authorize use of these funds for loans, both in Turkish Lira and in foreign exchange.

2/ From the previous year.

143. Only currencies handled by the Central Bank may be deposited and interest of up to 1.75 % point net above that given on the Eurodollar market may be offered.
144. Foreign currency transfers, by letter of credit, cheque or cash may be made abroad, or within Turkey. The money can be taken abroad for touristic purposes.
145. Credits amounting to 75 % of their foreign exchange accounts may be made by banks to persons or corporate bodies residing in Turkey. Such credits may be used for investment in the Turkish public or private sectors. But if credits are given for operating capital requirements they must not exceed 25 % of the account. Interest charged will be in accordance with current Turkish banking regulations.
146. Such deposits can serve two main functions: to increase the inflow of foreign exchange into Turkey, to serve as collateral for medium-term loans to Turkish business and industry and perhaps to forestall a further outflow foreign exchange from the existing "convertible lira" accounts.

Bank Credits: A general view

147. Bank credits increased by TL. 41,9 billion in 1975 raising bank credits to TL. 137,9 billion. The rate of increase is 44%, a much higher rate than in 1973 and 1974 which are respectively equal to 34,1% and 27,5%.
148. Distribution of the absolute changes as shown in the table below indicate significant developments in agricultural and artisan's credits stemming from Central Bank resources. Industrial credits also showed a recovery in 1975. Two specialized banks financing the medium and long-term credit requirements of industry have utilized the TL funds arisen at the beginning of 1975.
149. The most important development in bank lending is seen in the mixed credit outlays, which have increased by TL. 30,4 billion. However, TL. 12,8 billion portion of this increase comes from CLD accounts.
150. The commercial banks provide short-term credit in the form of overdrafts or ordinary loans (term loans, discounting of domestic trade bills) at an effective rate of 16%, made up of an 11.5% basic rate, a 25 % surtax and other charges. The basic rate for export financing was recently raised to 9% (from 6%) and, with other charges, is effectively 10.4%. In addition, to encourage loans to priority industries, the banks may charge lower rates of interest (12%), half of which is paid by the borrower and half by an interest equalization fund set up by the Central Bank. For agricultural credits, the Agricultural Bank of Turkey makes loans at the basic rate of 10.5%.

TABLE 46  
BANK CREDITS

(Billion TL)

|                               | 1973<br>Dec. | Change      | 1974<br>Dec. | Change      | 1975<br>Dec. | Change      |
|-------------------------------|--------------|-------------|--------------|-------------|--------------|-------------|
| <u>Specialized Credits</u>    | <u>23.6</u>  | 6.3         | 35.6         | 12.0        | 47.3         | 11.7        |
| Agricultural Bank<br>(1 Bank) | 14.3         | 4.3         | 24.8         | 10.5        | 33.6         | 8.8         |
| Industrial Bank<br>(2 Banks)  | 3.8          | 1.0         | 4.2          | 0.4         | 5.2          | 1.0         |
| Artisans Credits<br>(1 Bank)  | 2.0          | 0.5         | 2.5          | 0.5         | 3.9          | 1.4         |
| Mortgage(5 Banks)             | 3.6          | 0.4         | 4.0          | 0.4         | 4.6          | 0.4         |
| <u>Mixed Credits</u>          | <u>51.4</u>  | 12.7        | 60.2         | 8.8         | 90.6         | 30.4        |
| <b>TOTAL</b>                  | <b>75.1</b>  | <b>19.1</b> | <b>96.0</b>  | <b>20.9</b> | <b>137.9</b> | <b>48.9</b> |

TABLE 47

BANK CREDITS

|                             | 1973          | Index        | Chain Index | 1974          | Index        | Chain Index | 1975          | Index        | Chain Index |
|-----------------------------|---------------|--------------|-------------|---------------|--------------|-------------|---------------|--------------|-------------|
|                             | (1)           | (2)          | (3)         | (4)           | (5)          | (6)         | (7)           | (8)          | (9)         |
| <u>End of Previous Year</u> | <u>55.993</u> | <u>100.0</u> | -           | <u>75.068</u> | <u>100.0</u> | -           | <u>95.749</u> | <u>100.0</u> | -           |
| January                     | 54.833        | 97.9         | 97.9        | 73.493        | 97.9         | 97.9        | 94.348        | 98.5         | 98.5        |
| February                    | 55.810        | 99.7         | 101.8       | 73.910        | 98.5         | 100.6       | 98.352        | 102.7        | 104.2       |
| March                       | 57.392        | 102.5        | 102.8       | 75.049        | 100.0        | 101.5       | 100.362       | 104.8        | 102.0       |
| April                       | 58.623        | 104.7        | 102.1       | 75.360        | 100.4        | 100.4       | 102.373       | 106.9        | 102.0       |
| May                         | 60.340        | 107.8        | 102.9       | 76.262        | 101.6        | 101.2       | 104.399       | 109.3        | 102.0       |
| June                        | 61.886        | 110.5        | 102.6       | 78.176        | 104.1        | 102.5       | 107.681       | 112.5        | 103.1       |
| July                        | 62.259        | 111.2        | 100.6       | 77.717        | 103.5        | 99.4        | 111.927       | 116.9        | 103.9       |
| August                      | 63.049        | 112.6        | 101.3       | 76.858        | 102.4        | 98.9        | 113.510       | 118.5        | 101.4       |
| September                   | 67.512        | 120.6        | 107.1       | 81.045        | 108.0        | 105.4       | 119.963       | 125.3        | 105.7       |
| October                     | 70.517        | 125.9        | 104.5       | 85.326        | 113.7        | 105.3       | 124.022       | 129.5        | 103.4       |
| November                    | 72.081        | 128.7        | 102.2       | 89.020        | 118.6        | 104.3       | 128.623       | 134.3        | 103.7       |
| December                    | 75.068        | 134.1        | 104.1       | 95.749        | 127.5        | 107.5       | 137.844       | 144.0        | 107.2       |

Source : Central Bank

TABLE 48

VOLUME OF CREDIT

|                                      | 1973<br>Dec. | Change | 1974<br>Dec. | Change | 1975<br>Dec.         | Change |
|--------------------------------------|--------------|--------|--------------|--------|----------------------|--------|
| Bank Credits                         | 75.068       | 23.364 | 95.749       | 20.681 | 137.844              | 42.095 |
| Direct Credit of the<br>Central Bank | 13.767       | 544    | 22.638       | 8.871  | 32.530 <sup>1/</sup> | 9.892  |
| TOTAL                                | 88.835       | 23.908 | 118.387      | 29.552 | 170.374              | 51.987 |

<sup>1/</sup> T.L. 6 billion debts of Soil Products office, T.L. 976 million of Sugar Company and T.L. 2.182 million of the monopolies consolidated under Law Nr. 1902 are not included.

Medium-term Credits

151. Until recently the commercial banks seldom if ever provided medium or long-term credits to enterprises other than those in which they themselves were shareholders. Considering the vital importance of medium term and long term credits to business enterprises, as of March 1, 1973, the Government requires the Banks to set aside 20 % of their resources for medium-term, fixed-interest loans for industrial development. In addition Central Bank's new discounting practices play an increasing role in medium-term bank lending. For medium-term funds, borrowers from either private banks or the Central Bank now pay total charges of about 17.5 % a year, but 8-11.5 % for investment in priority industries and 6 % for shipbuilding and imports of ships. For export credits, a special interest rate of 10.4 % applies. Investments in underdeveloped regions qualify for credit rates one point lower than normal rates.
152. The principal source of medium and long-term lira and foreign exchange finance for fixed asset purchases is the Industrial Development Bank of Turkey (IDBT). The IDBT's foreign-exchange funds derive from the World Bank and other foreign project aid for the private sector. Interest varies, but averages about 12-15 % a year. Lira and foreign-currency loans were charged the same rates. The IDBT, in principle, prepared to lend up to 60 % of the total cost of a project and may invest up to 25 % of the equity. It does not lend working capital, except in very rare instances, and loans are normally for 2-10 years.
153. Industrial Investment and Credit Bank (IICB), owned by four large commercial banks and assisted by government and shareholder-bank loans, is principally concerned with providing working capital credits, although it extends investment credit as well. Its lira loans are normally for periods of two to five years. Another source is a joint venture between Marine Midland and IICB, which grants medium- and long-term loans.
154. Provisional data suggests an improvement in medium-term lending for the industry by banks other than specialized ones, such as the Agricultural Bank, the Tourism Bank, etc. The distribution of these credits by origin is given in Table 49 .
155. The significant increases in CLD accounts have improved the liquidity position of the major banks. As a result of this, the share of medium-term credits have risen for these banks, while the share of the investment banks (Industrial Development Bank, and Industrial Investment Bank) has fallen in the overall distribution of bank credits.

TABLE 49

MEDIUM TERM CREDITS

|                                                      | Dec<br>1973 | %<br>Dist. | Dec.<br>1974 | %<br>Dist. | Diff. | Sept.<br>1975 | %<br>Dist. | Diff. |
|------------------------------------------------------|-------------|------------|--------------|------------|-------|---------------|------------|-------|
| I. Banks Subject to 10%<br>requirement <sup>1/</sup> | 4.634       | 55.2       | 7.565        | 64.0       | 2.931 | 10.500        | 67.3       | 2.935 |
| II. Investment Banks                                 | 3.763       | 44.8       | 4.253        | 36.0       | 490   | 5.100         | 32.7       | 847   |
| TOTAL                                                | 8.397       | 100.0      | 11.818       | 100.0      | 3.421 | 15.600        | 100.0      | 3.752 |
| III. Central Bank Resources                          | 2.792       |            | 3.556        |            | 764   | 1.250         |            | 2.306 |
| Percentage in Total                                  | 33.2        |            | 30.0         |            |       | 8.0           |            |       |

<sup>1/</sup> Banks obliged to allocate 10% of their credit volume to medium-term lending.

Bank Credits by Economic Sectors

156. As indicated in Table 50 on "Bank Credits and their Distribution" a gradual decrease has taken place in the relative importance of credits allocated to production sectors during the last five years. The decrease is more serious in the agricultural sector where the share of credits decreased from 14.4 % in 1971 to 9.6 % in 1975 and to a lesser extent in industry where they decreased from 28.4 % to 26.4 %. The share of total credits allocated to production sectors declined from 46.4 % in 1971 to 39.4 % in 1975.
157. Credits allocated to housing decreased considerably from 12.5% in 1971 to 7.4 % in 1975.
158. On the other hand credits allocated to distribution activities rose sharply from 27.3 % in 1971 to 34.3 % in 1975. There is a sharp increase in credits allocated to exports from 11.7 % to 19.7 %, a limited increase in internal trade from 8.8 % to 9.9 % and a decrease in credits allocated to imports from 6.4% to 4.3 % in same period.
159. An increase has taken place in undistributed credits from 13.9% in 1971 to 18.9 % in 1975. The main change started in 1973.

Central Bank Credits

160. By the end of 1975 Central Bank Credit had increased by 19,5% over the end of 1974. This increase should be considered moderate in light of the 64,3 % increase during 1974. But one has to take into consideration that credit consolidation for State Economic Enterprises amounting to TL. 14.315 million is not included in the table. When the latter is added Central Bank Credits at the end of December 1975 amount to TL.69.071 million and the rate of increase during 1975 rises to 50,3 %.
161. The fact that the Turkish money markets had access to foreign sources in 1975, not available in 1974 should be kept in mind. While the commercial banking system had to rely on the Central Bank for funds during 1974, it has acquired about TL. 12.8 billion during 1975 from credit sources through the reinstated practice of Convertible Lira Accounts.
162. Central Bank Credit has reached TL. 65,8 billion by the end of 1975, the end of year figures were TL. 28,5 billion at the end 1973 and TL. 52,3 billion at the end of 1974.
163. The composition of credit distribution by the Central Bank changed from being primarily directed to private industry and commerce to being in favour of the public sector. This however, does not necessarily mean that the private sector has been deprived of financial resources. As mentioned above the private sector had access to funds outside Central Bank resources.

TABLE 50

BANK CREDITS AND THEIR DISTRIBUTION

( % Share )

|                             | 1971        | 1972        | 1973        | 1974        | 1975<br>Oct. |
|-----------------------------|-------------|-------------|-------------|-------------|--------------|
| Production Sectors          | <u>46.4</u> | <u>45.8</u> | <u>44.0</u> | <u>43.3</u> | <u>39.4</u>  |
| Industry                    | <u>28.4</u> | <u>29.3</u> | <u>28.1</u> | <u>28.2</u> | <u>26.4</u>  |
| Industrial Banks            | 5.5         | 5.0         | 5.0         | 4.4         | 4.2          |
| Other Banks                 | 22.9        | 24.3        | 23.1        | 23.8        | 22.2         |
| Mining                      | <u>0.6</u>  | <u>1.0</u>  | <u>1.0</u>  | <u>1.0</u>  | <u>0.5</u>   |
| Agriculture                 | <u>14.4</u> | <u>12.7</u> | <u>12.3</u> | <u>11.4</u> | <u>9.6</u>   |
| Agricultural Credit         | 4.7         | 4.3         | 3.6         | 3.1         | 2.2          |
| Other producers Coops.      | 9.7         | 8.4         | 8.7         | 8.3         | 7.4          |
| Artisans                    | <u>3.0</u>  | <u>2.8</u>  | <u>2.6</u>  | <u>2.7</u>  | <u>2.9</u>   |
| Housing                     | <u>12.5</u> | <u>11.0</u> | <u>9.5</u>  | <u>7.6</u>  | <u>7.4</u>   |
| Residential Const.          | 3.9         | 3.1         | 2.5         | 2.1         | 1.6          |
| Local Authorities           | 5.5         | 4.7         | 3.9         | 3.6         | 3.5          |
| Natural Disasters           | 1.6         | 1.4         | 1.3         | 1.1         | 0.9          |
| Other                       | 1.5         | 1.8         | 1.8         | 0.8         | 1.4          |
| Public Financial Sector     | <u>0.0</u>  | <u>0.0</u>  | <u>0.1</u>  | <u>0.0</u>  | <u>0.0</u>   |
| Distribution                | <u>27.3</u> | <u>27.9</u> | <u>27.4</u> | <u>33.4</u> | <u>34.3</u>  |
| Exports                     | <u>11.7</u> | <u>10.5</u> | <u>12.1</u> | <u>18.8</u> | <u>19.7</u>  |
| Agricultural Sales Coop.    | 7.6         | 6.1         | 7.9         | 15.5        | 15.5         |
| Other Export Credits        | 4.1         | 4.4         | 4.2         | 3.3         | 4.2          |
| Tourism                     | <u>0.4</u>  | <u>0.3</u>  | <u>0.3</u>  | <u>0.6</u>  | <u>0.4</u>   |
| Imports                     | <u>6.4</u>  | <u>6.7</u>  | <u>5.6</u>  | <u>4.2</u>  | <u>4.3</u>   |
| Internal Trade              | <u>8.8</u>  | <u>10.4</u> | <u>9.4</u>  | <u>9.8</u>  | <u>9.9</u>   |
| Undistributed               | <u>13.8</u> | <u>15.3</u> | <u>19.0</u> | <u>15.7</u> | <u>18.9</u>  |
| Credits less than 25 thous. | 3.2         | 3.0         | 2.5         | 2.2         | 1.8          |
| Mortgage credits            | 0.9         | 0.9         | 0.8         | 0.6         | 0.5          |
| Others                      | 9.7         | 11.4        | 15.7        | 12.9        | 16.6         |
| Total Credits               | 100.0       | 100.0       | 100.0       | 100.0       | 100.0        |

TABLE 51

CENTRAL BANK CREDITS

|                                        | 1973<br>Dec.  | 1974<br>Dec.  | 1975<br>Dec.  |
|----------------------------------------|---------------|---------------|---------------|
| <u>Public Sector</u>                   | <u>14.462</u> | <u>23.894</u> | <u>32.594</u> |
| Treasury                               | 7.844         | 12.484        | 16.761        |
| Monopolies                             | 2.259         | 2.270         | 2.180         |
| Sumerbank                              | 695           | 1.094         | 64            |
| Soil Products Office                   | 2.700         | 6.700         | 6.000         |
| Sugar Industry                         | 729           | 976           | 1.371         |
| Others                                 | 235           | 370           | 168           |
| Special Credit<br>(Budget law art. 78) | -             | -             | 6.050         |
| Agricultural Sales                     |               |               |               |
| Coops.                                 | <u>3.855</u>  | <u>11.155</u> | <u>11.971</u> |
| <u>Private Sector</u>                  | <u>9.569</u>  | <u>10.311</u> | <u>10.191</u> |
| Industry                               | 1.128         | 1.534         | 3.094         |
| Artisans Credits                       | 421           | 341           | 441           |
| Agriculture                            | 2.540         | 3.181         | 790           |
| Exports                                | 1.841         | 1.119         | 2.162         |
| Medium term credit                     | 2.792         | 3.556         | 2.415         |
| Short term credit                      | 847           | 1.198         | 1.289         |
| <u>Total</u>                           | <u>27.886</u> | <u>45.816</u> | <u>54.756</u> |
| Uses from Deposit                      |               |               |               |
| <u>Reserve Requirement</u>             |               |               |               |
| State Economic Enterp.                 | 650           | 6.487         | 11.089        |
| Agricultural Credits                   | 650           | 650           | 4.000         |
| Treasury                               | -             | 5.837         | 7.089         |
| <br>Grand total                        | <br>28.536    | <br>52.303    | <br>65.845    |

TABLE 52

CENTRAL BANK CREDITS

|                             | 1973          | Index        | Chain Index | 1974          | Index        | Chain Index | 1975                 | Index        | Chain Index |
|-----------------------------|---------------|--------------|-------------|---------------|--------------|-------------|----------------------|--------------|-------------|
| <u>End of Previous Year</u> | <u>19.534</u> | <u>100.0</u> | -           | <u>27.886</u> | <u>100.0</u> | -           | <u>45.816</u>        | <u>100.0</u> | -           |
| January                     | 17.768        | 91.0         | 91.0        | 26.611        | 95.4         | 95.4        | 43.335               | 94.6         | 94.6        |
| February                    | 19361         | 99.1         | 109.0       | 26.825        | 96.2         | 100.8       | 44.409               | 96.9         | 102.5       |
| March                       | 18.628        | 95.4         | 96.2        | 28.841        | 103.4        | 107.5       | 45.188               | 98.6         | 101.8       |
| April                       | 18.266        | 93.3         | 98.1        | 28.391        | 101.8        | 98.4        | 47.529               | 103.7        | 103.7       |
| May                         | 17.944        | 92.0         | 98.2        | 29-434        | 105.5        | 103.7       | 48.218               | 105.2        | 101.4       |
| June                        | 21.033        | 107.7        | 117.2       | 31.630        | 113.4        | 107.5       | 48.135               | 105.1        | 99.8        |
| July                        | 21.403        | 109.6        | 101.8       | 36.272        | 130.0        | 114.6       | 54.930               | 119.9        | 114.1       |
| August                      | 20.653        | 105.6        | 96.4        | 35.910        | 128.7        | 99.1        | 54.447               | 119.1        | 119.1       |
| September                   | 22.899        | 117.2        | 111.0       | 35.228        | 126.3        | 98.2        | 47.667               | 104.0        | 87.3        |
| October                     | 24.956        | 127.8        | 109.0       | 40.694        | 145.9        | 115.5       | 49.682               | 108.4        | 104.2       |
| November                    | 25.565        | 130.9        | 102.4       | 41.978        | 150.5        | 103.2       | 50.233               | 109.6        | 101.1       |
| December                    | 27.886        | 142.8        | 109.1       | 45.816        | 164.3        | 109.1       | 54.756 <sup>1/</sup> | 119.5        | 109.0       |

Source : Central Bank

<sup>1/</sup> 14.315 million credit consolidation in 1975 is not included.

TABLE 53

SUMMARY OF CENTRAL BANK STATEMENTS  
(Million TL.)

| ASSETS                                                     | Changes from end of 1972        | Changes from end of 1973        | Position on 26 Dec. 1975        | Changes from end of 1974        |
|------------------------------------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| Net gold and foreign exchange (Convertible)                |                                 |                                 | 14.976                          | - 8.327                         |
| Treasury guaranteed bonds                                  | + 9.948                         | - 5.032                         |                                 |                                 |
| a. Annexed budget administrations                          | + 520                           | -                               | 2.330                           | + 95                            |
| b. Soil Products Office                                    | - 650                           | - 35                            | 10.027                          | + 3.327                         |
| Short term advances to the treasury                        | + 496                           | 4.000                           | 16.988                          | + 4.805                         |
| Commercial bills                                           | + 6.144                         | 4.218                           | 20.874 (1)                      | + 1.478                         |
| Agricultural bills                                         | + 515                           | 8.597                           | 221                             | 2.933                           |
| Other advances                                             | + 2                             | 639                             | 2.056                           | + 1.790                         |
| Bank's Liquidation Fund                                    | - 28                            | 217                             | 168                             | - 40                            |
| Agricultural financing                                     | -                               | 27                              | 4.000                           | + 3.350                         |
| Other assets                                               | - 3.463                         | 4.685                           | 44.698                          | +29.577                         |
| <b>T o t a l</b> .....                                     | <b>+ 13.484</b>                 | <b>+ 17.262</b>                 | <b>116.338</b>                  | <b>+33.122</b>                  |
| <b>LIABILITIES</b>                                         | <b>Changes from end of 1972</b> | <b>Changes from end of 1973</b> | <b>Position on 26 Dec. 1975</b> | <b>Changes from end of 1974</b> |
| Banknotes in circulation                                   | - 5.213                         | 8.210                           | 41.052                          | 7.575                           |
| Deposits                                                   |                                 |                                 |                                 |                                 |
| Official Deposits                                          | - 22                            | - 173                           | 1.829                           | - 646                           |
| Counterparts of bank deposits                              | 2.818                           | - 4.938                         | 31.272                          | - 9.917                         |
| Miscellaneous deposits                                     | - 11                            | - 63                            | 1.313                           | - 339                           |
| Counterparts of international institutions and foreign aid | - 2                             | - 2                             | 27                              | - 1                             |
| Balance of guarantees for imports                          | - 138                           | - 227                           | 1.844                           | - 847                           |
| Other foreign exchange accounts (net)                      | - 4.176                         | - 3.173                         | 31.052                          | - 12.435                        |
| Other liabilities                                          | - 1.506                         | - 1.280                         | 7.949                           | - 2.042                         |
| <b>TOTAL</b>                                               | <b>- 13.484</b>                 | <b>17.262</b>                   | <b>116.338</b>                  | <b>- 33.122</b>                 |

(1) TL. 11.9 billion of Commercial Bills were rediscounted in 1975 through the Agricultural Bank for the financing of the exports of Agricultural Sales Cooperatives.

Stock and Bond Financing

164. The Istanbul stock exchange deals in a limited number of shares and its activities are of little importance for foreign and foreign-owned firms. Despite efforts made by the IDBT, the larger commercial banks and the Union of Chambers of Commerce and Industry, the public equity market in Turkey remains relatively inactive.
165. The bond market has been more active in recent years; this may be indicative of potential financing capability in Turkey. Bond issues generally are guaranteed by a major bank (at a cost of about 1 %): when issued, most are taken up within hours of the issue date. During the last four years TL. 3 billion was raised through fixed-interest bonds, and annual interest rates averaged 15 %. Regulations require that there be a maximum interest rate of 18 %, a par offering price, bank-sponsored issuing, a five-year minimum term and quotation on the stock exchange after issue.
166. 1975 was a year during which more bonds than stock shares were issued in contrast to the previous 2 years, when stocks were higher than bonds. This is mainly due to the fact that issuance of bonds holds more advantage for investing firms. (See Table 51)
167. Bonds issued by the Turkish Industrial Development Bank and by the Real-Estate Bank are not included in these figures.
168. The increase in bonds led to heavy competition in the bond market and investing firms were obliged to add new concessions to the bonds, aside from a high rate of interest.

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A list of bonds and stocks issued in the last six years

(In Mil.TL.)

| <u>Year</u> | <u>Bonds</u> | <u>Stocks</u> | <u>Total</u> |
|-------------|--------------|---------------|--------------|
| 1970        | 387          | 132           | 519          |
| 1971        | 137          | 85            | 222          |
| 1972        | 276          | 180           | 456          |
| 1973        | 639          | 800           | 1,439        |
| 1974        | 619          | 1,900         | 2,385        |
| 1975        | 1,520        | 841           | 2,361        |

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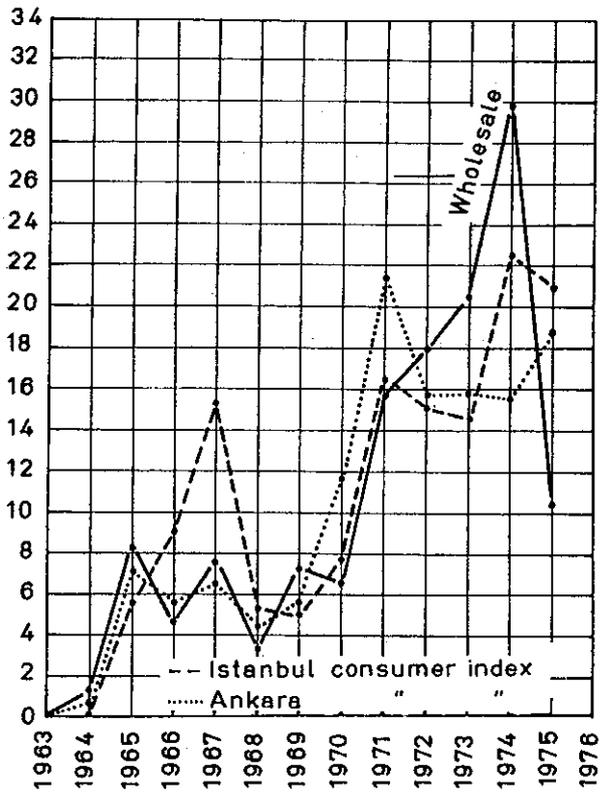
Distribution of bonds by sector (1975)

|                                             | <u>Percent</u> | <u>Number of Bond Issuing Firms</u> |
|---------------------------------------------|----------------|-------------------------------------|
| Holdings                                    | 29.95          | 9                                   |
| Textile                                     | 17.08          | 9                                   |
| Machinery and assembling                    | 17.04          | 7                                   |
| Plastic, glass, porcelain, wood and leather | 16.32          | 6                                   |
| Mining, iron and casting                    | 7.30           | 4                                   |
| Flour, sugar and food                       | 5.28           | 4                                   |
| Cement and products                         | 3.73           | 3                                   |
| Medical and chemical industries             | 3.31           | 3                                   |
| Packing industry                            | 2.03           | 1                                   |
| Manufacturing Industry                      | 0.93           | 2                                   |

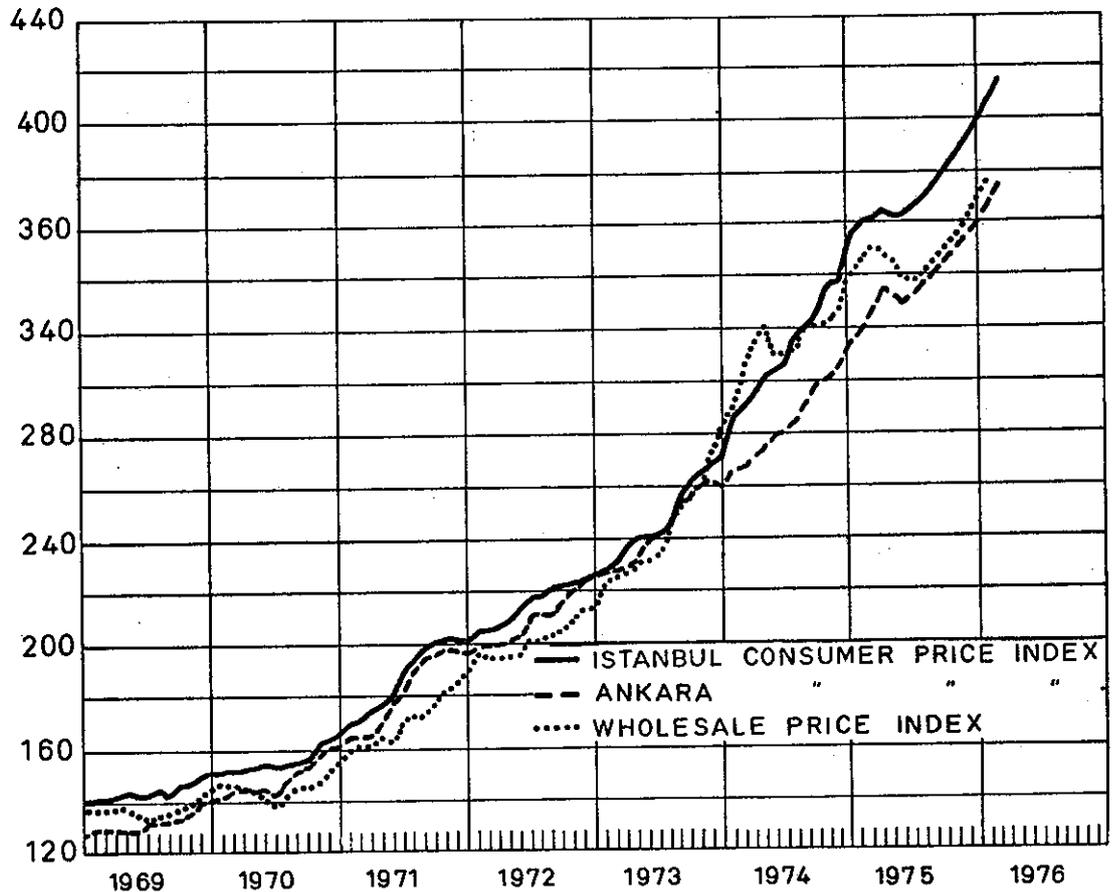
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# PRICE INDICES

% (AVERAGE ANNUAL CHANGES)



# WHOLESALE AND CONSUMER PRICE INDICES



CHAPTER VI

PRICES

169. There has been a marked slowdown in wholesale prices at the end of 1975 both in comparison with 1974 as well as with early expectations in 1976.

TABLE 54

YEARLY % CHANGES IN WHOLESALE PRICES  
AND  
ISTANBUL WAGE EARNERS' COST OF LIVING

Wholesale Price Index

| Years | General | Food | Industrial<br>Raw Materials | Istanbul Wage Earners<br>Cost of Living Index |
|-------|---------|------|-----------------------------|-----------------------------------------------|
| 1955  | 7.1     | 4.4  | 14.2                        | 9.7                                           |
| 1956  | 16.8    | 18.4 | 14.2                        | 11.3                                          |
| 1957  | 18.7    | 20.5 | 13.0                        | 8.4                                           |
| 1958  | 15.1    | 7.3  | 32.6                        | 12.8                                          |
| 1959  | 19.5    | 18.8 | 22.0                        | 23.1                                          |
| 1960  | 5.2     | 7.3  | 1.5                         | 6.6                                           |
| 1961  | 2.9     | 6.6  | - 3.7                       | 4.2                                           |
| 1962  | 5.6     | 8.7  | -                           | 4.5                                           |
| 1963  | 4.3     | 4.3  | 3.8                         | 10.0                                          |
| 1964  | 1.2     | 0.2  | 2.7                         | 2.0                                           |
| 1965  | 8.1     | 10.1 | 4.9                         | 5.7                                           |
| 1966  | 4.8     | 5.4  | 4.1                         | 4.4                                           |
| 1967  | 7.6     | 6.6  | 9.0                         | 6.1                                           |
| 1968  | 3.2     | 2.0  | 5.3                         | 4.5                                           |
| 1969  | 7.2     | 8.1  | 5.9                         | 4.9                                           |
| 1970  | 6.7     | 3.2  | 12.5                        | 9.6                                           |
| 1971  | 15.9    | 14.2 | 18.5                        | 17.8                                          |
| 1972  | 18.0    | 15.2 | 22.1                        | 14.2                                          |
| 1973  | 20.5    | 21.5 | 19.0                        | 13.0                                          |
| 1974  | 29.9    | 35.5 | 21.8                        | 22.1                                          |
| 1975  | 10.1    | 17.2 | - 1.2                       | 22.2                                          |

TABLE 55

WHOLESALE PRICE INDEX

Ministry of Commerce

(1963 = 100)

| <u>Months</u>  | <u>1973</u> | <u>1974</u> | <u>1975</u> | <u>1974/73</u><br><u>% Change</u> | <u>1975/74</u><br><u>% Change</u> |
|----------------|-------------|-------------|-------------|-----------------------------------|-----------------------------------|
| January        | 213,4       | 281,0       | 339,1       | 31,7                              | 20,7                              |
| February       | 223,8       | 289,7       | 346,7       | 29,5                              | 19,7                              |
| March          | 225,6       | 303,1       | 350,2       | 34,4                              | 15,5                              |
| April          | 227,6       | 311,8       | 350,7       | 37,0                              | 12,5                              |
| May            | 230,7       | 320,7       | 346,1       | 39,0                              | 7,9                               |
| June           | 231,6       | 310,4       | 339,5       | 34,0                              | 9,4                               |
| July           | 235,5       | 310,8       | 336,8       | 32,0                              | 8,4                               |
| August         | 240,9       | 312,3       | 338,7       | 29,6                              | 8,4                               |
| September      | 251,6       | 321,5       | 340,3       | 27,8                              | 5,8                               |
| October        | 258,3       | 320,3       | 345,1       | 24,0                              | 7,7                               |
| November       | 262,0       | 321,8       | 347,6       | 22,8                              | 8,0                               |
| December       | 274,4       | 326,7       | 360,7       | 19,0                              | 10,4                              |
| Annual Average | 240,1       | 311,8       | 343,2       | 29,9                              | 10,1                              |

170. In the case of the index prepared by the Ministry of Commerce the annual average rate of increase was only 10,1% while it attained 29,9% in 1974.

TABLE 56

WHOLESALE PRICE INDEX

(1963 = 100)

|                 | <u>General</u><br><u>Index</u> | <u>% Change</u> | <u>Food and</u><br><u>Feed</u> | <u>% Change</u> | <u>Ind.Raw</u><br><u>Materials</u> | <u>% Change</u> |
|-----------------|--------------------------------|-----------------|--------------------------------|-----------------|------------------------------------|-----------------|
| Annual Averages |                                |                 |                                |                 |                                    |                 |
| 1973            | 240.1                          | 20.5            | 225.3                          | 21.5            | 264.7                              | 19.0            |
| 1974            | 311.8                          | 29.9            | 305.4                          | 35.5            | 322.5                              | 21.8            |
| 1975            | 343.2                          | 10.1            | 357.9                          | 17.2            | 318.6                              | -1.2            |

171. The Ministry of Commerce has made a "new wholesale price index" based on 1,000 commodities in contrast to the "old" one which was based on 95 commodities. The base year is still 1963, thus comparison and reconciliation is possible. Comparative summary data are presented below.
172. The difference in the details of the new and old indices are irreconcilable.

Index sub-groups:

| <u>N e w</u>                                  | <u>O l d</u>                                      |
|-----------------------------------------------|---------------------------------------------------|
| -- Agricultural products                      | -- Food stuff and Fodder                          |
| -- Industrial products<br>(Broken down to 15) | a) Vegetables                                     |
| -- Coal                                       | b) Animal products and fodder                     |
| -- Ores                                       | -- Industrial raw materials<br>(Broken down to 7) |
| -- Gas (city)                                 |                                                   |
| -- Electricity                                |                                                   |

TABLE 57  
WHOLESALE PRICE INDICES  
(Monthly)

|               | O L D        |                 | N E W        |                 |
|---------------|--------------|-----------------|--------------|-----------------|
|               | <u>Index</u> | <u>% Change</u> | <u>Index</u> | <u>% Change</u> |
| <u>1974 :</u> |              |                 |              |                 |
| January       | 281.0        | 2.4             | 252.6        | --              |
| February      | 289.7        | 3.1             | 257.0        | 1.7             |
| March         | 303.1        | 4.6             | 281.5        | 9.5             |
| April         | 311.8        | 2.9             | 292.1        | 3.8             |
| May           | 320.7        | 2.9             | 299.3        | 2.5             |
| June          | 310.4        | - 3.2           | 288.7        | - 3.5           |
| July          | 310.8        | 0.1             | 293.9        | 1.8             |
| August        | 312.3        | 0.5             | 295.8        | 0.6             |
| September     | 321.5        | 2.9             | 303.3        | 2.5             |
| October       | 320.3        | - 0.4           | 303.6        | 0.1             |
| November      | 321.8        | 0.5             | 302.9        | - 0.2           |
| December      | 326.7        | 1.5             | 305.6        | 0.9             |
| <u>1975 :</u> |              |                 |              |                 |
| January       | 339.1        | 3.8             | 310.8        | 1.7             |
| February      | 346.7        | 2.2             | 321.0        | 3.3             |
| March         | 350.2        | 1.0             | 324.1        | 1.0             |
| April         | 350.7        | 0.1             | 323.5        | - 0.2           |
| May           | 346.1        | - 1.3           | 322.3        | - 0.4           |
| June          | 339.5        | - 1.9           | 318.5        | - 1.2           |
| July          | 336.8        | - 0.8           | 317.6        | - 0.3           |
| August        | 338.7        | 0.6             | 319.4        | 0.6             |
| September     | 340.3        | 0.5             | 321.3        | 0.6             |
| October       | 345.1        | 1.4             | 322.7        | 0.4             |
| November      | 347.6        | 0.7             | 326.0        | 1.0             |
| December      | 360.7        | 3.8             | 336.5        | 3.2             |

173. Another wholesale price index is published by the Istanbul Chamber of Commerce. According to it the annual average rate of increase in 1975 has amounted to 14,9 %, while it was equal to 29,4 % in 1974.

TABLE 58

WHOLESALE PRICE INDEX

Istanbul Chamber of Commerce  
(1963 = 100)

| <u>Months</u>  | <u>1973</u> | <u>1974</u> | <u>1975</u> | <u>1974/73<br/>% Change</u> | <u>1975/74<br/>% Change</u> |
|----------------|-------------|-------------|-------------|-----------------------------|-----------------------------|
| January        | 205,0       | 261,7       | 320,6       | 27,7                        | 22,5                        |
| February       | 206,8       | 268,3       | 330,8       | 29,7                        | 23,3                        |
| March          | 209,9       | 281,9       | 334,9       | 34,3                        | 18,8                        |
| April          | 214,3       | 287,4       | 339,0       | 34,1                        | 18,0                        |
| May            | 218,9       | 294,0       | 3341,6      | 34,3                        | 16,2                        |
| June           | 219,0       | 293,1       | 334,4       | 33,8                        | 14,1                        |
| July           | 223,3       | 294,9       | 328,0       | 32,1                        | 11,2                        |
| August         | 229,9       | 296,0       | 332,2       | 28,7                        | 12,2                        |
| September      | 238,1       | 300,2       | 331,6       | 26,1                        | 10,5                        |
| October        | 242,1       | 300,7       | 334,3       | 24,2                        | 11,2                        |
| November       | 245,4       | 306,3       | 338,9       | 24,8                        | 10,6                        |
| December       | 248,3       | 310,1       | 344,0       | 24,9                        | 10,9                        |
| Annual Average | 225,1       | 291,2       | 334,2       | 29,4                        | 14,8                        |

TABLE 59  
WHOLESALES PRICE INDICES  
 (Annual Averages) (1963=100)

|      | O L D        |                 | N E W        |                 |
|------|--------------|-----------------|--------------|-----------------|
|      | <u>Index</u> | <u>% Change</u> | <u>Index</u> | <u>% Change</u> |
| 1963 | 100.0        | --              | 100.0        | --              |
| 1964 | 101.2        | 1.2             | 100.5        | 0.5             |
| 1965 | 109.4        | 8.1             | 106.5        | 6.0             |
| 1966 | 114.7        | 4.8             | 110.8        | 4.0             |
| 1967 | 123.4        | 7.6             | 117.2        | 5.8             |
| 1968 | 127.3        | 3.2             | 119.7        | 2.1             |
| 1969 | 136.5        | 7.2             | 125.5        | 4.9             |
| 1970 | 145.7        | 6.7             | 135.8        | 8.2             |
| 1971 | 168.9        | 15.9            | 161.5        | 18.9            |
| 1972 | 199.3        | 18.8            | 184.3        | 14.1            |
| 1973 | 240.1        | 20.5            | 216.6        | 17.5            |
| 1974 | 311.8        | 29.9            | 290.3        | 34.0            |
| 1975 | 343.2        | 10.1            | 321.4        | 10.7            |

TABLE 60  
ISTANBUL WAGE EARNERS COST OF LIVING INDEX

Istanbul Chamber of Commerce  
 (1963 = 100)

| <u>Months</u> | <u>1973</u> | <u>1974</u> | <u>1975</u> | <u>1974/73</u><br><u>% Change</u> | <u>1975/74</u><br><u>% Change</u> |
|---------------|-------------|-------------|-------------|-----------------------------------|-----------------------------------|
| January       | 200,8       | 236,0       | 297,7       | 17,5                              | 26,1                              |
| February      | 202,0       | 240,0       | 308,8       | 18,8                              | 28,7                              |
| March         | 203,9       | 251,0       | 314,5       | 23,1                              | 25,3                              |
| April         | 205,0       | 261,4       | 324,5       | 27,5                              | 23,1                              |
| May           | 209,6       | 263,4       | 324,2       | 25,7                              | 24,1                              |
| June          | 213,8       | 265,7       | 326,0       | 24,3                              | 22,7                              |
| July          | 217,0       | 271,7       | 325,2       | 25,2                              | 19,7                              |
| August        | 218,7       | 272,0       | 329,2       | 24,4                              | 21,0                              |
| September     | 224,7       | 278,2       | 331,9       | 23,8                              | 19,3                              |
| October       | 228,5       | 284,5       | 340,2       | 24,5                              | 19,6                              |
| November      | 232,3       | 290,4       | 345,7       | 25,0                              | 19,0                              |
| December      | 233,5       | 293,9       | 347,7       | 25,9                              | 18,3                              |

TABLE 61  
ISTANBUL COST OF LIVING INDEX  
 Ministry of Commerce  
 (1963 = 100)

| <u>Months</u> | <u>1973</u> | <u>1974</u> | <u>1975</u> | <u>1974/73</u><br><u>% Change</u> | <u>1975/74</u><br><u>% Change</u> |
|---------------|-------------|-------------|-------------|-----------------------------------|-----------------------------------|
| January       | 226,5       | 271,1       | 337,6       | 19,7                              | 24,5                              |
| February      | 227,6       | 270,9       | 352,7       | 19,0                              | 30,2                              |
| March         | 228,0       | 286,0       | 360,0       | 25,4                              | 25,9                              |
| April         | 230,3       | 290,4       | 361,4       | 26,1                              | 24,5                              |
| May           | 234,2       | 295,3       | 364,1       | 26,1                              | 23,3                              |
| June          | 240,7       | 300,2       | 363,5       | 24,7                              | 21,1                              |
| July          | 241,4       | 303,9       | 363,9       | 25,9                              | 19,7                              |
| August        | 244,1       | 306,4       | 365,1       | 25,5                              | 19,2                              |
| September     | 255,2       | 314,1       | 369,8       | 23,1                              | 17,7                              |
| October       | 261,5       | 320,5       | 378,6       | 22,6                              | 18,1                              |
| November      | 264,4       | 327,4       | 383,7       | 23,8                              | 17,2                              |
| December      | 268,9       | 334,6       | 389,0       | 24,4                              | 16,3                              |

174. Cost of living indexes for Istanbul and Ankara show rates of increase by the end of 1975 (Dec.1974 to Dec 1975) considerably below those attained at the end of 1974 (Dec. 1973 to Dec 1974).
175. Yearly average increases in 1975 are higher for Ankara and lower for Istanbul in comparison to average increases in 1974.
176. Consumer goods price indexes prepared for 8 cities show that prices continue to increase fast; prices increased faster during 1975 in 5 cities and slower in 3 as can be seen in the table below.

TABLE 62  
CONSUMER PRICE INDEXES YEARLY AVERAGE INCREASES

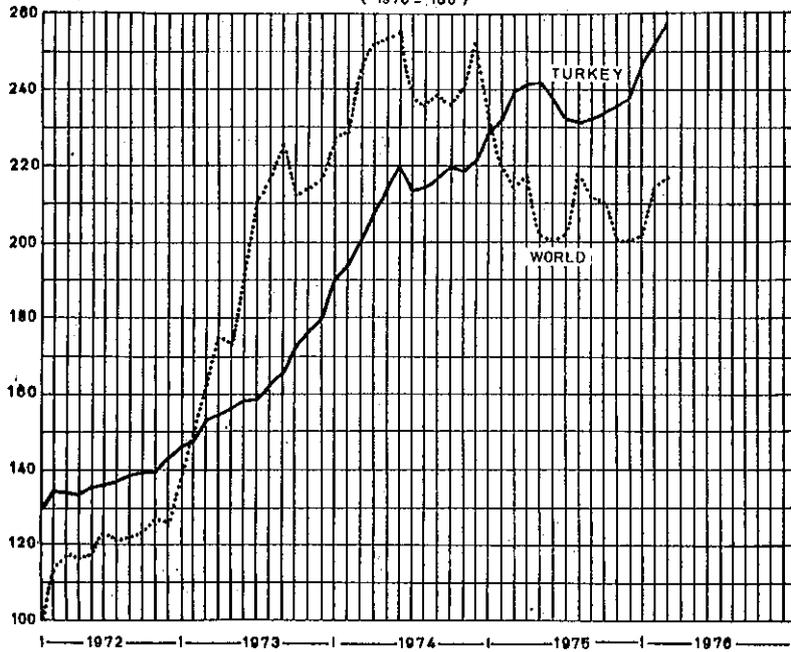
| <u>Province</u> | <u>1970</u> | <u>1971</u> | <u>1972</u> | <u>1973</u> | <u>1974</u> | <u>1975</u> |
|-----------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Ankara          | 8.1         | 16.3        | 12.9        | 16.6        | 18.7        | 20.1        |
| Istanbul        | 6.8         | 15.7        | 11.8        | 15.4        | 15.8        | 19.2        |
| Izmir           | 7.8         | 19.7        | 14.8        | 16.7        | 17.5        | 20.9        |
| Samsun          | 7.3         | 15.9        | 17.2        | 16.2        | 22.6        | 20.9        |
| Eskişehir       | 7.4         | 14.7        | 13.0        | 15.0        | 16.9        | 21.3        |
| Antalya         | 8.7         | 15.1        | 15.0        | 17.5        | 22.0        | 21.4        |
| Diyarbakır      | 8.2         | 16.3        | 17.1        | 15.7        | 18.9        | 19.3        |
| Ordu            | 10.5        | 16.5        | 11.3        | 13.8        | 22.5        | 17.6        |

177. The history of prices has always been a rising one and a rather fast rising one in Turkey where inflation is chronic and structural. Under present conditions, inflation is expected to continue and further discrepancy between the level of domestic and foreign prices (especially those markets where Turkey trades) will aggravate Turkey's balance of payments difficulties, if drastic economic policy measures are not adopted.
178. Consumer Prices in Turkey have consistently increased at rates much higher than world average, EEC and rest of Europe. In fact consumer prices increased by 19,2% in Turkey while they increased much less in the countries of our main customers. (5,9% in Federal Germany, 11,7% in France, 17% in Italy; United Kingdom has a higher price increase equal to 24,2%, the same is true in comparison with our competitors (13,8% in Greece, 15,2% in Portugal, 16,9% in Spain).

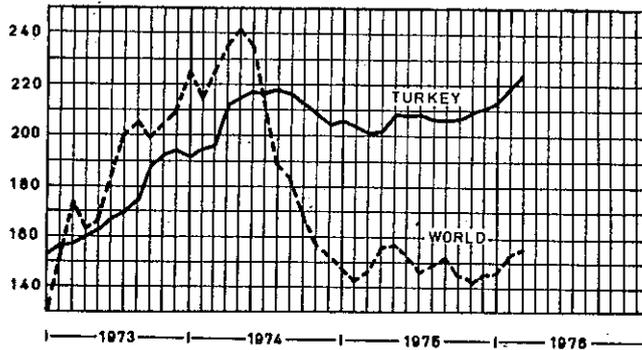
Wholesale Prices in Turkey and abroad

179. World Wholesale prices increased sharply between November 1972 and May 1974 decreased to November 1975 and started increasing since then. Wholesale prices in Turkey on the other hand showed a continuous increase without much sensitivity to world prices. On December 1974 both indexes had increased by 130 % in relation

### WORLD AND TURKEY'S WHOLESALE PRICE INDICES ( 1970 = 100 )



### WORLD AND TURKEY'S INDUSTRIAL WHOLESALE PRICE INDICES ( 1970 = 100 )



### WORLD AND TURKEY'S FOODSTUFF WHOLESALE PRICE INDICES ( 1970 = 100 )

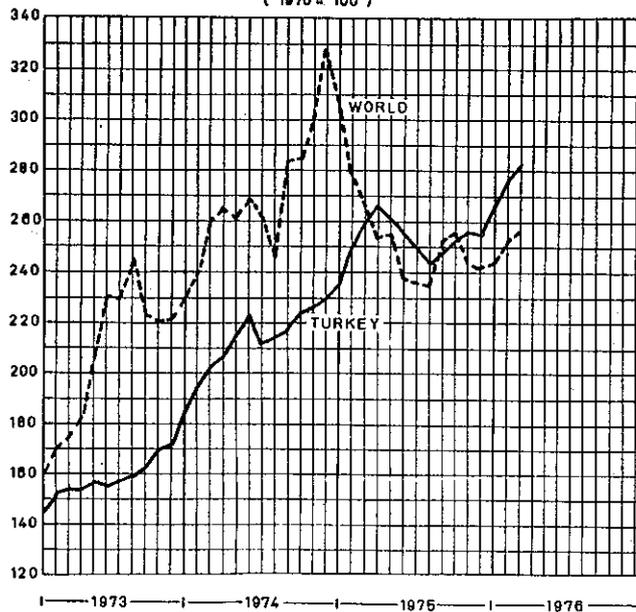


TABLE 63  
COST OF LIVING INDEXES (1963 = 100)

| Annual Averages     |               | Food     |       | Light and Fuel |                | Clothing |          | Other    |       |          |
|---------------------|---------------|----------|-------|----------------|----------------|----------|----------|----------|-------|----------|
|                     | General Index | % Change | Food  | % Change       | Light and Fuel | % Change | Clothing | % Change | Other | % Change |
| <b>I. ANKARA</b>    |               |          |       |                |                |          |          |          |       |          |
| 1973                | 241.2         | 15.8     | 228.2 | 15.7           | 279.7          | 14.7     | 260.8    | 12.2     | 260.9 | 20.8     |
| 1974                | 278.4         | 15.4     | 260.4 | 14.1           | 315.5          | 12.8     | 304.7    | 16.8     | 316.5 | 21.3     |
| 1975                | 331.4         | 19.0     | 313.3 | 20.3           | 331.7          | 5.2      | 363.6    | 19.3     | 380.5 | 20.2     |
| <b>II. ISTANBUL</b> |               |          |       |                |                |          |          |          |       |          |
| 1973                | 243.6         | 14.0     | 243.2 | 14.7           | 267.7          | 10.4     | 238.5    | 19.8     | 244.8 | 6.8      |
| 1974                | 301.8         | 23.9     | 297.4 | 22.3           | 338.9          | 26.6     | 308.9    | 29.5     | 307.5 | 25.6     |
| 1975                | 365.8         | 21.2     | 378.0 | 27.1           | 374.2          | 10.4     | 323.3    | 4.7      | 352.0 | 14.5     |

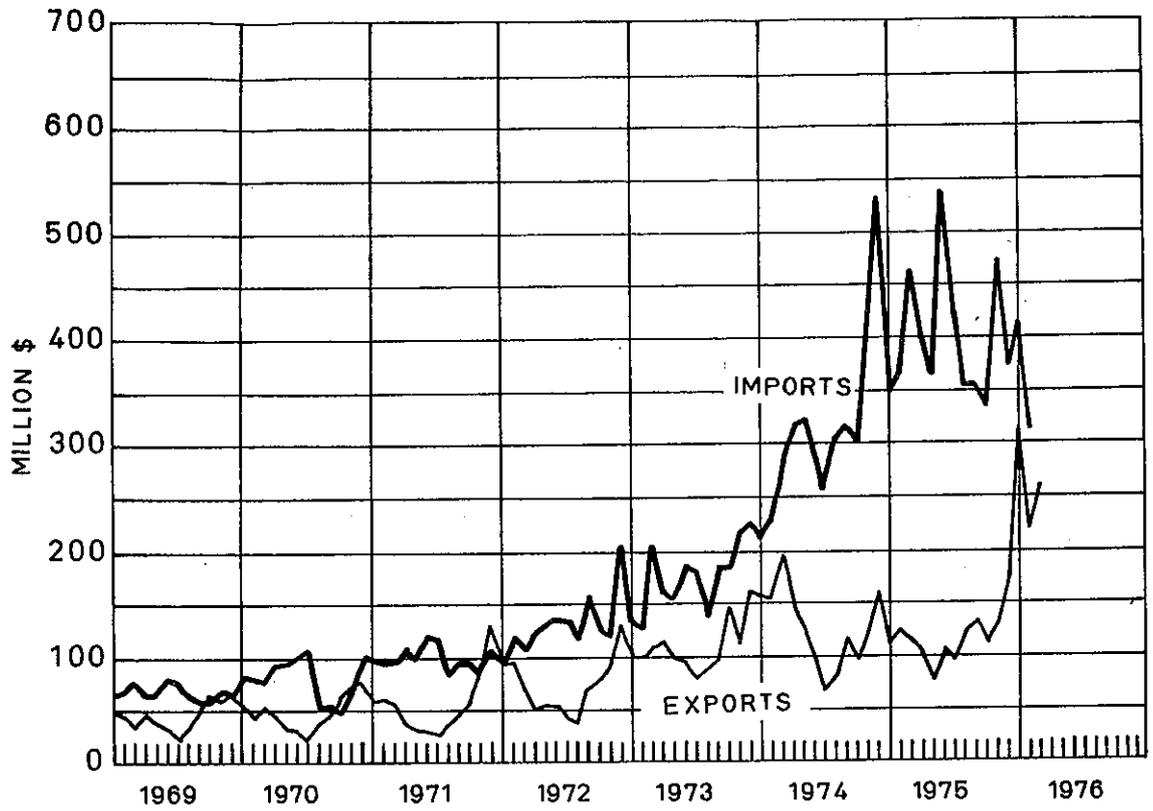
to 1970. The gap which emerged at the first half of 1975 between Turkish wholesale prices and World Prices remained the same up to now (March 1976) with prices increasing at fairly comparable rates in Turkey and abroad.

180. In the case of Industrial Raw Materials Turkish wholesale prices have shown a quasi complete insensitivity especially during the large decrease in world prices which started in May 1974 and continued up to February 1975. During the 15 months since then the gap remained the same. As of March 1976 Turkish wholesale price index for industrial raw materials is 40 % higher than the world's in relation to the base year which is 1970.
181. World Wholesale foodstuff prices were above Turkey's during 1973 and 1974, but the abrupt decrease in world prices which started in November 1974 was very partially reflected in Turkish foodstuff prices, because of internal inflationary pressures as well as because imports of foodstuff are limited to a few items which are not grown in Turkey or are in short supply provisionally.
182. In any case during 1975 there was no serious discrepancy between the wholesale foodstuff indexes for the world and for Turkey. In both cases prices have increased by 150 % between 1970 and 1975.

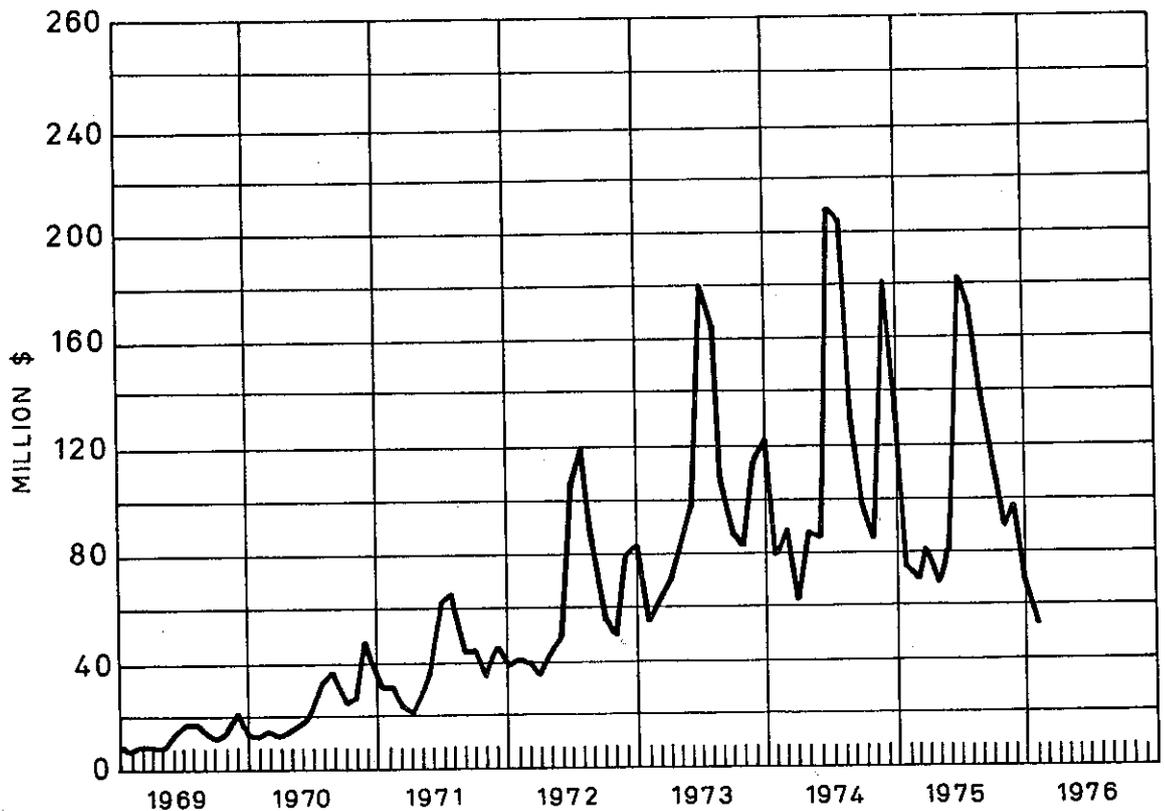
TABLE 64  
CHANGES IN CONSUMER PRICES

|                             | <u>1972</u> | <u>1973</u> | <u>1974</u> | <u>1975</u> | <u>Sept. 1975</u> |
|-----------------------------|-------------|-------------|-------------|-------------|-------------------|
| World                       | 5,9         | 9,5         | 15,1        | --          | 12,6              |
| Industrial Countries        | 4,5         | 7,5         | 12,6        | 10,7        | 9,8               |
| France                      | 6,0         | 7,4         | 13,6        | 11,7        | 10,7              |
| Germany                     | 5,5         | 7,0         | 7,0         | 5,9         | 6,1               |
| Italy                       | 5,7         | 10,8        | 19,1        | 17,0        | 13,0              |
| United Kingdom              | 7,1         | 9,2         | 15,9        | 24,2        | 27,7              |
| European Economic Community |             | 8,1         | 12,7        | 13,3        |                   |
| Other Europe                | 9,5         | 13,5        | 18,7        |             | 17,3              |
| Greece                      | 4,3         | 15,4        | 27,5        | 13,8        | 13,9              |
| Portugal                    | 10,8        | 12,9        | 25,1        | 15,2        | 10,6              |
| Spain                       | 8,3         | 11,4        | 15,6        | 16,9        | 17,4              |
| Turkey                      | 11,8        | 15,4        | 15,8        | 19,2        | 18,2              |
| Less Developed Areas        | 12,2        | 20,2        | 29,3        |             | 27,6              |
| Oil Exporting Countries     | 4,6         | 11,0        | 16,4        |             | 15,0              |
| Other Western Hemisphere    | 22,0        | 31,2        | 38,2        |             | 63,1              |
| Other Middle East           | 6,0         | 11,7        | 20,2        |             | 17,8              |

### FOREIGN TRADE



### WORKERS' REMITTANCES



CHAPTER VII

FOREIGN ECONOMIC RELATIONS

General

183. Turkey trades with all countries on an equal basis, except for the "clearing account" countries (including the Warsaw Pact countries and Egypt), which account for less than 10% of Turkey's exports and only 5% of its imports. The tendency is for trade with "clearing account" countries to drop as hard-currency export possibilities emerge (e.g. as trade with the EEC increases).

184. Major trading partners in 1975 were as follows (as % of Total):

| <u>Countries</u>  | <u>Imports (\$)</u> | <u>%</u> |
|-------------------|---------------------|----------|
| West Germany      | 1.057.712.444       | 22.32    |
| Iraq              | 504.171.454         | 10.64    |
| U.S.A.            | 425.749.540         | 8.98     |
| Italy             | 357.939.747         | 7.55     |
| United Kingdom    | 344.264.501         | 7.27     |
| Switzerland       | 281.329.325         | 5.94     |
| France            | 278.639.850         | 5.88     |
| Japan             | 211.352.959         | 4.46     |
| Holland           | 138.876.977         | 2.93     |
| Belgium-Luxemburg | 129.247.484         | 2.73     |
| EEC               | 1.962.416.502       | 41.41    |

| <u>Countries</u> | <u>Exports (\$)</u> | <u>%</u> |
|------------------|---------------------|----------|
| West Germany     | 304.933.608         | 21.76    |
| U.S.A.           | 147.118.888         | 10.50    |
| Switzerland      | 95.780.496          | 6.84     |
| Italy            | 82.119.915          | 5.86     |
| U.S.S.R          | 73.641.419          | 5.26     |
| United Kingdom   | 70.077.876          | 5.00     |
| Lebanon          | 66.460.096          | 4.74     |
| France           | 61.935.230          | 4.42     |
| Holland          | 50.829.964          | 3.63     |
| Iraq             | 45.200.998          | 3.23     |
| EEC              | 499.818.717         | 35.67    |

185. Turkey and the EEC signed an agreement on Nov. 23, 1970 providing for Turkey's associate membership, theoretically leading to full membership in 22 years. In the agreement, the EEC grants quota and tariff freedom for virtually all of Turkey's industrial products, and it generously reduces tariff quotas for a variety of agricultural products. At the end of the 22 years, all Turkish exports will enter the EEC free of restriction. Turkey has undertaken to reduce progressively tariffs on EEC imports to nil over 12 years (55% of EEC imports, basis of 1967 exchanges) and 22 years (remaining 45 %). The agreement came into force on Jan. 1, 1973.
186. Under a temporary agreement signed in July 1971, the above commercial clauses of the agreement proper went into effect from Sept. 1, 1971 and duties on EEC imports into Turkey were reduced by 10 % (12-year list) and 5 % (22 year list). These initial reductions are being extended to the new EEC members (the UK, Ireland and Denmark) gradually over the period of November 1973-January 1977. The three new members treat Turkish imports on the same basis as the Six. The EEC agreement also recognizes equality for Turkish workers in EEC countries, the need for harmonization of Turkish economic and agricultural policies with those of the EEC and provides for the grant of \$ 195 million in development credits in the first five-and-a-half years of "association".
187. Turkey is maintaining its membership, along with Iran and Pakistan, in the Regional Cooperation for Development organization (RCD). In its nine years of existence, however, RCD has brought few positive results in the form of joint ventures, largely because of the similarity of the economies of the three countries. Hopes for its development into a "common market" that might ultimately embrace all the Arab countries are diminishing. Nonetheless, the member countries have agreed in principle on the setting up of some 60 major industrial projects that would serve the three markets.
188. Turkey is a potentially important base for external trade to the EEC and the RCD countries. The country provides great scope for the development of exports of labor-intensive manufactures and for processed foodstuffs. But aside from traditional commodities (e.g. cotton, tobacco, dried fruits), there is a serious lack of export know-how. However, most exports are subject to license, the authorities being especially concerned

with selling prices and foreign currency proceeds. Perishable, and a variety of other commodities, may be exported on an "on consignment" basis, but the exporter must provide a bank guarantee of repatriation of the proceeds within a fixed period from date of shipment.

189. The Turkish import program for 1976 provided for about \$ 5 billion in imports : \$ 1.75 billion for investment goods, \$ 3 billion for raw materials and \$ 250 million for consumer goods.
190. All imports are subject to licenses, but these are now issued more freely than in the past. It is usual for an item to be removed from the permitted imports lists once domestic production is adequate in terms of quantity and quality. Imports of several goods that were previously banned have been authorized from time to time, on a limited scale, to counter inflation.
191. Imports against specific foreign project aid allocations, of foreign capital in kind, and other "auto-financed" imports are subject to special procedures and licenses. Imports from the "clearing account" countries are governed by bilaterally agreed upon annual lists that include items that are also importable for hard-currency payment.
192. Routine or "programmed" imports from all other countries are the subject of four separate annual lists: "Free List I" covers a wide range of industrial raw and auxiliary materials, chemicals, mechanical and vehicle spare parts, etc. Licenses may be applied for at any time by any registered importer, and there is no restriction as to quantities or values, but the Ministry of Commerce may refuse a license or reduce the quantity or value with or without explanation. "Free List II" comprises most capital goods, various raw materials and semifinished products, as well as a number of consumer goods. Applications may be made as for List I, but the issue of the licenses is governed by a given ministry and depends upon the situation as regards local production and stocks. At present, licenses for capital goods are issued with relative ease. In 1976 about \$ 2.9 billion was allocated for imports of goods on Free Lists I and II (vs \$ 2.25 billion in 1975). Free Lists I and II account for about 60% of all imports.
193. The third list, the "Global Quota" list, provides fixed amount allocations for specific goods as well as assembly plants and the imports of various public-sector departments. Allocations

are released in two equal amounts, and licenses (for a maximum of 50% of each allocation) have to be applied for during January and July. Currently, global quota licenses are not necessarily issued pro rata for allocation; rather, allocations set aside for specific industries are generally issued on a points system that takes into account the applicant's production capacity, previous output, labor force and invested capital.

194. The fourth list, the EEC Consolidated Free List, includes almost the same items as List I ; these goods are free of quantitative restrictions.
195. Imports may be paid for by letter of credit, cash against documents or cash against goods (30 days from withdrawal of the goods from customs). Medium or long-term credits are not acceptable for capital equipment except in special cases. All import license applications must be backed by a cash guarantee of 10-50% (depending upon the category of goods) of the license value requested.
196. Used machinery may not be imported without specific authorization from the Ministry of Commerce.
197. Tariffs and other charges on imports are high, and average about 50 % on the c.i.f. value of imports (the markup would be even higher if allowance were made for reduced tariffs under the incentive program). In addition to customs duty, the following charges are levied: municipal tax (15% of duty), wharf dues (5 % of c.i.f. value plus duty and municipal tax), and production tax. on c.i.f. value, plus duty, municipal tax and wharf dues. There is also an important license stamp duty of 10% of c.i.f. value, and numerous fiscal stamp and other petty expenses.
198. Relief from duty and/or the payment of duty in installments is often authorized in the case of priority (foreign and local) industrial projects.
199. Tariffs on EEC imports began to be reduced as of September 1971.
200. A periodically revised system of "tax rebate" is designed to remove the import duties and the internal taxes and charges element from the export prices of manufactured and processed goods.

201. Eligible exports are classified in six different lists; additions may be negotiated after a product study has been made by the Ministry of Commerce. "Tax-rebate rates range between 10% and 40% for exporters whose annual sales (all commodities) exceed \$ 1.4 million annually, from nil to 30% for those with smaller turnovers. These percentages are applied in addition to other incentives.

202. There is as yet no export insurance system.

203. Credit facilities at reduced rates of interest are available to exporters. The basic rate is 9%, plus other charges. For medium-term exports credits, industrial borrowers pay 10.4 % (9.4% if they are located in underdeveloped regions).

Foreign Trade

204. Turkey has been facing a severe balance of payments deficits due to declining export earnings and exploding import payments.

205. A summary table showing the development of the foreign economic relations of the last three years is given below:

TABLE 65  
FOREIGN ECONOMIC RELATIONS (\$)

|                                         | <u>1973</u> | <u>1974</u> | <u>1975</u> | <u>% Change</u><br><u>74/73 75/74</u> |      |
|-----------------------------------------|-------------|-------------|-------------|---------------------------------------|------|
| I. Foreign Trade                        |             |             |             |                                       |      |
| A) Imports                              |             |             |             |                                       |      |
| Total Imports                           | 2.086.215   | 3.777.559   | 4.738.558   | 81.1                                  | 25.4 |
| 1. Imports                              | 2.036.284   | 3.719.715   | 4.640.398   | 82.7                                  | 24.8 |
| 2. Imports with<br>waiver               | 49.931      | 57.844      | 98.160      | 15.8                                  | 69.0 |
| B) Exports                              |             |             |             |                                       |      |
| Total Exports                           | 1.317.083   | 1.532.182   | 1.401.075   | 16.3                                  | 8.6  |
| 1. Agricultural                         | 831.968     | 851.866     | 792.630     | 2.4                                   | 7.0  |
| 2. Minerals                             | 41.713      | 78.991      | 105.567     | 89.4                                  | 32.9 |
| 3. Industrial                           | 443.402     | 601.325     | 502.878     | 35.7                                  | 16.3 |
| C) Trade Deficit                        | 769.132     | 2.245.377   | 3.337.483   | 191.9                                 | 48.6 |
| II. Workers                             |             |             |             |                                       |      |
| 1. Workers'<br>Remittances              | 1.183.255   | 1.426.307   | 1.309.4     | 20.5                                  | 8.2  |
| 2. Number of<br>workers going<br>abroad | 135.820     | 20.211      | 4.419       |                                       |      |

206. Imports increased by only 25.4% in 1975 as compared to 81.1% in 1974. A considerable increase has taken place in the imports with waiver. They have increased by 69% in 1975 as compared to 15.8% in 1974.
207. Exports on the other hand decreased by \$ 131.107 or by 8.6% in 1975. Most of the decrease took place in industrial products which went down by \$ 98.447 or by 16.3% and in agriculture which decreased by \$ 59.236 or by 7% in 1975.
208. Workers' remittances decreased by 8.2% or by \$ 116.900.

TABLE 66  
COMPARATIVE FOREIGN TRADE VALUES

(million \$)

|     |                    | 1 9 7 4 |       |        |         | 1 9 7 5 |       |        |         |
|-----|--------------------|---------|-------|--------|---------|---------|-------|--------|---------|
|     |                    | Imp.s   | Exp.s | Dif.   | Exp/Imp | Imp.s   | Exp.s | Dif.   | Exp/Imp |
|     | Total              | 3.783   | 1.532 | -2.251 | 40.5    | 4.738   | 1.401 | -3.337 | 29.6    |
| I   | Agricultural Goods | 307     | 851   | + 544  | 276.8   | 202     | 792   | + 590  | 391.5   |
| II  | Minerals           | 748     | 78    | - 669  | 10.5    | 795     | 105   | - 689  | 13.3    |
| III | Manufactured Goods | 2.727   | 601   | -2.125 | 22.0    | 3.740   | 502   | -3.237 | 13.4    |

209. Total exports were able to finance 40.5% of total exports in 1974 and only 29.6% in 1975.
210. Export/Import ratio of agricultural goods was 2.768 in 1974 and went up to 3.915 in 1975.
211. Export/Import ratio of minerals increased from 0.105 in 1974 to 0.133 in 1975
212. Export/Import ratio of manufactured goods decreased from 0.22 in 1974 to 0.134 in 1975.

Exports

213. Turkey's commodity exports are commonly divided into three categories: agricultural products, manufactured goods, and minerals. The aim of the 3rd Five-Year Plan is to increase all exports; however the emphasis is on increasing the share of manufactured goods in total exports.
214. The table below shows the percentage of total export earnings that each category has secured. It shows a significant change of structure away from agricultural goods:

(In terms of earnings)

|              | <u>1963</u>  | <u>1973</u>  | <u>1974</u>  | <u>1975</u>  |
|--------------|--------------|--------------|--------------|--------------|
| Agricultural | 87.6         | 72.2         | 61.4         | 56.6         |
| Manufactures | 7.8          | 22.1         | 30.2         | 35.8         |
| Minerals     | 4.6          | 5.7          | 8.4          | 7.6          |
|              | <u>100.0</u> | <u>100.0</u> | <u>100.0</u> | <u>100.0</u> |

215. (Table ) gives a detailed breakdown of exports. It is true that manufactured exports are tending to replace exports of agricultural goods at a fairly rapid rate.
216. However a closer look reveals that with only a few exceptions Turkey's major exports are still very much agricultural-based, or in the category of agro-business products.
217. Export proceeds in 1975 have decreased by 131 million dollars. This decrease is the result of a decrease amounting to 233 million dollars in certain export goods and an increase of 117 million dollars in the export of certain other goods.
218. List of goods the export proceeds of which have shown a decrease.

|               |    |              |
|---------------|----|--------------|
| Hazelnuts     | 21 | (\$ Million) |
| Tobacco       | 21 |              |
| Raw cotton    | 10 |              |
| Beef          | 11 |              |
| Goats         | 10 |              |
| Oilcake       | 11 |              |
| Petroleum     | 48 |              |
| Cotton yarn   | 26 |              |
| Blister coper | 16 |              |

TABLE 67  
TURKEY'S MAJOR EXPORTS

(Thousand Tons, \$ Mil.)

| Commodity                                  | 1963  |               | 1973  |               | 1974  |                | 1975        |              |
|--------------------------------------------|-------|---------------|-------|---------------|-------|----------------|-------------|--------------|
|                                            | Quant | Value %       | Quant | Value %       | Quant | Value %        | Quant       | Value %      |
| <b>Agricultural Products</b>               | --    | 322.5 87.6    | --    | 950.8 72.2    | --    | 941.0 61.4     | 890.2 792.6 | 56.6         |
| a. Cotton, Lint and Linters                | 146   | 79.5 21.6     | 369   | 305.8 23.2    | 183   | 244.0 15.9     | 266.6 230.3 | 16.4         |
| b. Tobacco                                 | 45    | 66.8 18.1     | 108   | 132.9 10.1    | 112   | 204.5 13.3     | 65.6 183.2  | 13.0         |
| c. Nuts                                    | 49    | 60.1 16.3     | 116   | 148.6 11.3    | 124   | 184.1 12.0     | 102.4 168.0 | 11.9         |
| Hazelnuts                                  | (42)  | (54.0) (14.7) | (94)  | (121.7) (9.2) | (114) | (173.2) (11.3) | 92.5 154.0  | 10.9         |
| Other nuts                                 | (7)   | (6.1) (1.6)   | (22)  | (26.9) (2.0)  | (10)  | (10.9) (0.7)   | 9.9 14.0    | 1.0          |
| d. Dried Fruits                            | 94    | 23.0 6.2      | 127   | 78.6 6.0      | 92    | 76.8 5.0       | 102.1 67.9  | 4.8          |
| Raisins                                    | (66)  | (16.6) (4.5)  | (90)  | (58.2) (4.4)  | (62)  | (53.9) (3.5)   | 72.4 45.5   | 3.2          |
| Figs                                       | (27)  | (5.9) (1.6)   | (33)  | (16.1) (1.2)  | (25)  | (17.2) (1.1)   | 27.0 19.0   | 1.3          |
| Other                                      | (1)   | (0.5) (0.1)   | (4)   | (4.3) (0.4)   | (5)   | (5.6) (0.4)    | 2.7 3.4     | 0.2          |
| e. Fresh Fruit and Vegetables              | 35    | 3.8 1.0       | 143   | 29.4 2.2      | 151   | 31.9 2.1       | 158.2 39.8  | 2.8          |
| Citrus                                     | (25)  | (2.6) (0.7)   | (113) | (25.5) (1.9)  | (110) | (26.4) (1.7)   | 105.0 28.4  | 2.0          |
| Other Fruit                                | (8)   | (0.9) (0.2)   | (11)  | (2.0) (0.2)   | (7)   | (1.9) (0.1)    | 14.4 5.4    | 0.4          |
| Vegetables                                 | (2)   | (0.3) (0.1)   | (19)  | (1.9) (0.1)   | (33)  | (3.5) (0.2)    | 38.8 6.0    | 0.4          |
| f. Cereals                                 | 71    | 4.5 1.2       | 323   | 25.8 2.0      | 12    | 2.7 0.2        | --          | 0.05         |
| g. Mohair and Wool                         | 13    | 17.4 4.8      | 3     | 10.7 0.8      | 1     | 4.6 0.3        | --          | 4.7          |
| h. Livestock and Products                  | --    | 26.4 7.2      | --    | 54.5 4.1      | --    | 76.0 5.0       | --          | 41.0         |
| i. Olive Oil                               | 14    | 12.8 3.5      | 44    | 47.8 3.6      | 11    | 15.1 1.0       | 9.3 17.7    | 3.0          |
| j. Other Agr.                              | --    | 28.2 7.7      | --    | 116.7 8.9     | --    | 101.4 6.6      | --          | 1.3          |
| <b>Manufactured and Processed Products</b> | --    | 28.8 7.8      | --    | 290.7 22.1    | --    | 463.0 30.2     | --          | 502.8 35.8   |
| a. Lumber and Products                     | --    | 1.6 0.4       | --    | 10.6 0.8      | --    | 13.6 0.9       | --          | 9.0 0.6      |
| b. Food Products                           | --    | 12.9 3.5      | --    | 30.6 2.3      | --    | 42.1 2.7       | --          | 87.0 6.2     |
| c. Yarn, Textiles and Clothing             | --    | 3.0 0.8       | --    | 109.4 8.3     | --    | 151.5 9.9      | --          | 127.5 9.1    |
| d. Chemicals and Pharmaceuticals           | --    | 1.2 0.3       | --    | 4.2 0.3       | --    | 10.4 0.7       | --          | --           |
| e. Metals and Metal Manufactures           | --    | 0.4 0.1       | --    | 32.1 2.4      | --    | 52.5 3.4       | --          | 36.4 2.6     |
| f. Other Processed Manufactures            | --    | 9.7 2.7       | --    | 103.8 7.9     | --    | 192.8 12.6     | --          | 210.1 15.0   |
| <b>Minerals</b>                            | --    | 16.8 4.6      | --    | 75.6 5.7      | --    | 128.2 8.4      | --          | 106.4 7.6    |
| a. Copper                                  | 10    | 5.9 1.6       | 3     | 5.0 0.4       | 13    | 21.6 1.4       | 5.8 6.5     | 0.5          |
| b. Borates                                 | 92    | 2.7 0.8       | 355   | 11.8 0.9      | 664   | 27.9 1.8       | 391.2 28.1  | 2.0          |
| c. Chrome                                  | 213   | 4.5 1.2       | 405   | 13.2 1.0      | 646   | 23.0 1.5       | 648.5 51.6  | 3.6          |
| d. Lead-Zinc                               | 12    | 0.1 0.1       | 35    | 8.2 0.6       | 96    | 9.7 0.6        | 51.5 5.5    | 0.4          |
| e. Magnesites                              | 10    | 0.1 --        | 81    | 5.8 0.4       | 93    | 8.7 0.6        | 78.3 11.9   | 0.8          |
| f. Other Minerals                          | --    | 3.1 0.9       | --    | 31.6 2.4      | --    | 37.2 2.4       | --          | --           |
| <b>Total Export Earnings</b>               | --    | 368.1 100.0   | --    | 1317.1 100.0  | --    | 1532.2 100.0   | --          | 1401.0 100.0 |

TABLE 68

EXPORTS

|                                | 1973      | % Share | 1974      | % Share | 1975      | % Share | (1000 \$)           |
|--------------------------------|-----------|---------|-----------|---------|-----------|---------|---------------------|
| OECD COUNTRIES                 |           |         |           |         |           |         | (75/74)<br>% Change |
| EEC (The Six)                  | 493.464   | 37.5    | 619.923   | 40.5    | 530.093   | 37.8    | - 14.5              |
| EEC (The Three)                | 118.066   | 9.0     | 97.347    | 6.4     | 85.046    | 6.1     | - 12.6              |
| EEC (The Nine)                 | 611.530   | 46.4    | 717.270   | 46.8    | 615.139   | 43.9    | - 14.2              |
| U.S.A.                         | 130.809   | 9.9     | 144.196   | 9.4     | 147.118   | 10.5    | + 2.0               |
| JAPAN                          | 16.574    | 1.3     | 18.109    | 1.2     | 28.665    | 2.0     | + 58.3              |
| OTHER COUNTRIES                | 190.036   | 14.4    | 201.650   | 13.2    | 194.129   | 13.9    | - 3.7               |
| OECD TOTAL                     | 948.949   | 72.0    | 1,081.225 | 70.6    | 985.051   | 70.3    | - 8.9               |
| <u>BILATERAL AGREEMENTS</u>    |           |         |           |         |           |         |                     |
| U.S.S.R.                       | 50.389    | 3.8     | 77.462    | 5.1     | 73.641    | 5.3     | - 4.9               |
| OTHERS                         | 2.458     | 2       | 6.301     | 4       | 6.440     | 5       | + 2.2               |
| TOTAL                          | 52.847    | 4.0     | 83.763    | 5.5     | 80.081    | 5.7     | - 4.4               |
| <u>FREE CURRENCY</u>           |           |         |           |         |           |         |                     |
| EASTERN EUROPE                 | 51.104    | 3.9     | 67.874    | 4.4     | 48.697    | 3.5     | - 28.3              |
| RCD COUNTRIES                  | 17.480    | 1.3     | 17.340    | 1.1     | 38.165    | 2.7     | +120.1              |
| OTHERS                         | 79.504    | 6.0     | 100.471   | 6.6     | 101.245   | 7.2     | + 0.8               |
| TOTAL                          | 148.088   | 11.2    | 185.685   | 12.1    | 188.107   | 13.4    | + 0.8               |
| OTHER COUNTRIES                | 167.190   | 12.7    | 181.513   | 11.8    | 147.833   | 10.6    | - 19.6              |
| TOTAL                          | 315.278   | 23.9    | 367.198   | 24.0    | 335.940   | 24.0    | - 8.5               |
| GRAND TOTAL                    | 1,317.074 | 100.0   | 1,532.186 | 100.0   | 1,401.072 | 100.0   | - 8.6               |
| <u>GROUPS</u>                  |           |         |           |         |           |         |                     |
| ARAB COUNTRIES                 | 161.906   | 12.3    | 207.765   | 13.6    | 197.533   | 14.1    | - 4.9               |
| ADVANCED COUNTRIES OUTSIDE EEC | 314.239   | 23.9    | 348.160   | 22.7    | 355.907   | 25.4    | + 2.2               |
| SOCIALIST COUNTRIES            | 153.748   | 11.7    | 189.235   | 12.4    | 131.489   | 9.4     | - 30.5              |
| EASTERN COUNTRIES              | 101.493   | 7.7     | 145.336   | 9.5     | 122.338   | 8.7     | - 15.8              |
| EPU                            | 794.230   | 60.3    | 908.835   | 59.3    | 802.710   | 57.3    | - 11.7              |
| EFTA                           | 269.977   | 20.5    | 246.636   | 16.1    | 250.785   | 17.9    | + 1.7               |
| <u>CURRENCY AREAS</u>          |           |         |           |         |           |         |                     |
| DOLLAR                         | 134.935   | 10.2    | 155.827   | 10.2    | 150.776   | 10.8    | - 3.2               |
| STERLING                       | 135.987   | 10.3    | 118.872   | 7.8     | 127.586   | 9.1     | + 7.3               |
| FRENCH FRANCS                  | 77.957    | 5.9     | 72.456    | 4.7     | 66.259    | 4.7     | - 8.6               |

219. List of goods the export proceeds of which have shown an increase.

|                          |    |              |
|--------------------------|----|--------------|
| Mohair                   | 6  | (\$ million) |
| Lentils                  | 9  |              |
| Cement                   | 16 |              |
| Chromium                 | 28 |              |
| Heavy petroleum products | 13 |              |

1976 Exports

220. The State Planning Organisation's merchandise export targets for the year 1976 are disclosed in the following table.

1976 EXPORT TARGET (\$ Mil.)

|                                         | <u>1976 Target</u> |
|-----------------------------------------|--------------------|
| <u>Agriculture and Animal Husbandry</u> | 1,235.0            |
| 1. Agriculture                          | 1,165.0            |
| a. Cereals and Legumes                  | 45.0               |
| b. Fruits and Vegetables                | 320.0              |
| c. Industrial plants                    | 800.0              |
| 2. Forestry products                    | 55.0               |
| 3. Animal husbandry and fishery prod.s  | 15.0               |
| <u>Mining and Quarrying</u>             | 150.0              |
| <u>Industry</u>                         | 715.0              |
| 1. Tobacco and beverages                | 2.0                |
| 2. Food products                        | 150.0              |
| 3. Textiles                             | 175.0              |
| 4. Forestry products                    | 15.0               |
| 5. Paper and printed materials          | 1.5                |
| 6. Leather and leather goods            | 95.0               |
| 7. Rubber-plastic products              | 8.0                |
| 8. Chemicals                            | 50.0               |
| 9. Petroleum products                   | 50.0               |
| 10. Glass, ceramic, bricks, tiles       | 20.0               |
| 11. Cement                              | 25.0               |
| 12. Iron and steel products             | 25.0               |
| 13. Non-ferrous metals                  | 40.0               |
| 14. Metal goods                         | 5.0                |
| 15. Machinery                           | 15.0               |
| 16. Electrical equipment                | 1.5                |
| 17. Vehicles                            | 10.0               |
| 18. Other industries products           | 27.0               |
| TOTAL                                   | 2,100.0            |

221. Exports by countries have not shown marked changes. The OECD total kept the same proportion while some changes took place in its composition. There is a decrease in the proportion of exports made to the six EEC countries from 40,5 in 1974 to 37,8% in 1975, while exports to the U.S.A. increased from 9,4 % in 1974 to 10,5 in 1975.

Tax Rebate on Exports

222. Turkey has been making a series of efforts to increase her commodity exports and to change the composition of her exports from mainly agricultural to more industrial goods in order to secure a steady source of foreign exchange revenue. These attempts are by no means new; the concentration of effort, however, can be said to have begun with the planned period. Among measures to encourage Turkey's newly emerging industrial exports is the tax rebate system.

223. Turkey made the choice of speedy industrial development as the major goal of her economic development, early during the Republic. This was emphasized and taken up within an over-all development plan in the sixties. It follows that the development of national industry depends on the development of demand for its products. However, domestic demand will not be sufficient to sustain an orderly development of industrial production in the long run. It is, therefore, necessary to seek external markets for domestic products.

224. An interesting observation to note is the gradual change in the commodity structure of exports as illustrated in the table below.

TABLE 69  
EXPORTS BY SECTOR OF PRODUCTION (Percent)

|      | <u>Agriculture</u><br>Share % | <u>Manufacturing Industry</u><br>Share % |
|------|-------------------------------|------------------------------------------|
| 1964 | 77.8                          | 18.5                                     |
| 1965 | 77.8                          | 17.7                                     |
| 1966 | 79.2                          | 16.1                                     |
| 1967 | 81.6                          | 14.4                                     |
| 1968 | 81.5                          | 13.3                                     |
| 1969 | 75.0                          | 18.5                                     |
| 1970 | 75.2                          | 17.6                                     |
| 1971 | 72.7                          | 21.5                                     |
| 1972 | 68.6                          | 27.4                                     |
| 1973 | 63.2                          | 33.7                                     |
| 1974 | 55.6                          | 33.2                                     |
| 1975 | 56.6                          | 35.9                                     |

225. In 1964, 77.8 percent of Turkey's export earnings were from agricultural exports as opposed to 18.5 percent from industrial exports. By 1975 these percentages were modified to 56.6 percent for agricultural and 35.9 percent for industrial exports.

#### Seasonal Variations in Exports

226. Turkey's exports are characterized by significant seasonal variations as shown in graph Nr. . It may be noted that export earnings by the end of February 1976 reached \$ 576.2 mil. 122.4 % above the last year's level of \$ 236.6 m during the same period. The short trend in export earnings is viewed as an omen of increased earnings in 1976. Cotton, tobacco and citrus exports are said to have been high during the first two months of this year. Considering the backlog of some more cotton stocks and the drought in Morocco which had a sizeable share of the European citrus market, exports may continue to be high in March. April through August is traditionally a low season for Turkish exports with increase setting in after that.
227. The following graph gives monthly exports of agricultural versus total exports. The parallel trend is proof of Turkey's dependence on earnings from agricultural commodities.

#### Imports

228. Imports have increased from 3,78 billion dollars in 1974 to 4,74 billion dollars in 1975 approximately by 1 billion dollars or by 25,4 %.
229. This increase was partly due to the rising demand of domestic production and investment for intermediate goods and investment goods, in addition to the continuing effects of the significant increases in the international price level.

The table below shows Turkey's major Imports by commodity for the last four years.

TABLE 70

TURKEY'S MAJOR IMPORTS BY COMMODITY (\$ Million, %)

| Commodity                           | 1963   |       | 1973    |        | 1974    |       | 1975   |       |
|-------------------------------------|--------|-------|---------|--------|---------|-------|--------|-------|
|                                     | Value  | %     | Value   | %      | Value   | %     | Value  | %     |
| Coffee and Tea                      | 2.7    | 0.4   | 12.2    | 0.6    | 21.4    | 0.6   | 19.2   | 0.4   |
| Cereals                             | 60.0   | 8.7   | 26.6    | 1.3    | 254.5   | 6.7   | 142.2  | 3.0   |
| Animal and Veg. Fats, Oil and Waxes | 30.5   | 4.4   | 3.9     | 0.2    | 16.9    | 0.4   | 124.1  | 2.2   |
| Mineral Fuels                       | 66.2   | 9.6   | 221.6   | 10.6   | 762.4   | 20.2  | 811.4  | 17.1  |
| Inorganic Chemicals                 | 9.7    | 1.4   | 45.4    | 2.2    | 65.4    | 1.7   | 145.8  | 3.0   |
| Organic Chemicals                   | 15.3   | 2.2   | 102.0   | 4.9    | 167.9   | 4.4   | 218.7  | 4.6   |
| Pharmaceuticals                     | 3.4    | 0.5   | 1.6     | 0.1    | 2.7     | 0.1   | -      | -     |
| Fertilizers                         | 5.6    | 0.8   | 131.5   | 6.3    | 101.3   | 2.7   | 48.3   | 1.0   |
| Paints and Dyes                     | 8.6    | 1.3   | 29.2    | 1.4    | 43.5    | 1.1   | 54.5   | 0.1   |
| Rubber and Its Products (Of which)  | 27.6   | 4.0   | 29.7    | 1.4    | 55.3    | 1.5   | 62.0   | 1.3   |
| Tyres and Tubes                     | (19.4) | (2.8) | ( 4.8)  | ( 0.2) | ( 9.9)  | (0.3) | 14.2   | 0.3   |
| Paper                               | 10.3   | 1.5   | 22.6    | 1.1    | 38.2    | 1.0   | 41.1   | 0.8   |
| Synthetic Fibres                    | 177.2  | 2.5   | 20.4    | 1.0    | 29.5    | 0.8   | 36.9   | 0.7   |
| Wool                                | 21.8   | 3.2   | 12.7    | 0.6    | 17.3    | 0.5   | 23.8   | 0.5   |
| Iron and Steel and Their Products   | 64.6   | 9.4   | 247.5   | 11.9   | 531.0   | 14.1  | 679.7  | 14.3  |
| Aluminium and Aluminium Products    | 4.5    | 0.7   | 28.9    | 1.4    | 50.6    | 1.3   | 45.6   | 0.9   |
| Machinery (Of Which)                | 146.1  | 21.2  | 506.6   | 241.3  | 644.3   | 17.1  | 998.8  | 21.1  |
| Internal Combustion Engines         | (17.1) | (2.5) | (65.0)  | ( 3.1) | (77.0)  | (2.0) | 117.8  | 2.5   |
| Pumps                               | ( 4.8) | (0.7) | (15.8)  | ( 0.7) | (37.9)  | (1.0) | 60.1   | 1.3   |
| Excavating and Cons. Machinery      | (13.1) | (1.9) | (30.0)  | ( 1.4) | (39.1)  | (1.0) | 99.3   | 2.1   |
| Agr. Machinery                      | ( 3.6) | (0.5) | (10.4)  | ( 0.5) | (10.2)  | (0.3) | -      | -     |
| Electrical Machinery                | 42.7   | 6.2   | 146.1   | 7.0    | 183.6   | 4.9   | 278.3  | 5.8   |
| Railway Rolling Stock and Parts     | 7.2    | 1.0   | 5.3     | 0.2    | 5.1     | 0.1   | -      | -     |
| Motor Vehicles (Of Which)           | 68.8   | 10.0  | 173.7   | 8.3    | 204.6   | 5.4   | 360.2  | 7.6   |
| Tractors                            | ( 4.3) | (0.6) | (21.0)  | ( 1.0) | (16.1)  | (0.4) | 82.3   | 1.7   |
| Automobiles                         | ( 2.3) | (0.3) | (18.4)  | ( 0.9) | (25.9)  | (0.7) | 25.4   | 0.5   |
| Trucks and Buses                    | (35.6) | (5.2) | (12.7)  | ( 0.6) | (12.4)  | (0.3) | -      | -     |
| Assembly and Spare Parts            | (26.0) | (3.8) | (121.6) | ( 5.8) | (150.2) | (4.0) | -      | -     |
| Vessels                             | 0.1    | ..    | 4.0     | 0.2    | 63.8    | 1.7   | 23.6   | 0.25  |
| Other Imports                       | 74.7   | 10.8  | 314.7   | 15.1   | 518.3   | 13.7  | -      | -     |
| TOTAL IMPORTS                       | 687.6  | 100.0 | 2086.3  | 100.0  | 3777.6  | 100.0 | 4738.5 | 100.0 |

TABLE 71

IMPORTS BY USE/TYPE  
( \$ Million, %)

|                           | 1 9 7 3      |              | 1 9 7 4      |              | 1 9 7 5      |              |
|---------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
|                           | <u>Value</u> | <u>%</u>     | <u>Value</u> | <u>%</u>     | <u>Value</u> | <u>%</u>     |
| <u>Investment Goods</u>   | <u>1,003</u> | <u>48.1</u>  | <u>1,289</u> | <u>34.1</u>  | <u>1,961</u> | <u>41.4</u>  |
| - Construction Materials  | 116          | 5.6          | 197          | 5.2          | 291          | 6.2          |
| - Machinery and Equipment | 887          | 42.5         | 1,092        | 28.9         | 1,670        | 35.2         |
| <u>Raw Materials</u>      | <u>993</u>   | <u>47.6</u>  | <u>2,331</u> | <u>61.7</u>  | <u>2,574</u> | <u>54.3</u>  |
| <u>Consumption Goods</u>  | <u>90</u>    | <u>4.3</u>   | <u>157</u>   | <u>4.2</u>   | <u>203</u>   | <u>4.3</u>   |
| <u>General Total</u>      | <u>2,086</u> | <u>100.0</u> | <u>3,778</u> | <u>100.0</u> | <u>4,738</u> | <u>100.0</u> |

TABLE 72

IMPORTS BY SOURCE OF FINANCING  
( \$ Million, %)

|                              | 1 9 7 3      |              | 1 9 7 4      |              | 1 9 7 5      |             |
|------------------------------|--------------|--------------|--------------|--------------|--------------|-------------|
|                              | <u>Value</u> | <u>%</u>     | <u>Value</u> | <u>%</u>     | <u>Value</u> | <u>%</u>    |
| <u>Program Imports</u>       | <u>1,705</u> | <u>81.7</u>  | <u>3,443</u> | <u>91.1</u>  | <u>4,243</u> | <u>89.6</u> |
| - Liberalization List        | 1,149        | 55.1         | 2,524        | 66.8         | 2,919        | 62.3        |
| - Quota List                 | 478          | 22.9         | 697          | 18.4         | 1,163        | 24.3        |
| - Bilateral Agreements       | 78           | 3.7          | 222          | 5.9          | 161          | 3.4         |
| <u>Self-Financed Imports</u> | <u>381</u>   | <u>18.3</u>  | <u>335</u>   | <u>8.9</u>   | <u>495</u>   | <u>10.4</u> |
| - NATO Infrastructure        | 21           | 1.0          | 24           | 0.6          | 37           | 0.8         |
| - Private Foreign Capital    | 15           | 0.7          | 16           | 0.4          | 143          | 3.0         |
| - Project Credit-Related     | 295          | 14.1         | 236          | 6.3          | 219          | 4.6         |
| - Imports with Waiver (*)    | 50           | 2.4          | 58           | 1.5          | 98           | 2.0         |
| - Others                     |              |              | 1            |              | 1            |             |
| <u>General Total</u>         | <u>2,086</u> | <u>100.0</u> | <u>3,778</u> | <u>100.0</u> | <u>4,738</u> |             |

(\*) Imports without official allocation of foreign exchange; mainly by workers' returning from abroad.

230. There has been a major change in the composition of imports by use. Investment goods import went up to 41,4 % of total imports in 1975 from 34,1 % in 1974. Increases have taken place in both categories in construction materials as well as in machinery and equipment. Imports of raw materials on the other hand went down to 54,3 % in 1975 from 61,7 % in 1974, while consumption goods imports were keeping their relative importance at 4,2 - 4,3 %.
231. There was no major change in the composition of imports by source of financing. There was a relative increase in the importance of the third list or quota list from 18,4 % of total imports in 1974 to 24,3 % in 1975 and a corresponding decrease in the liberalization list, as well as bilateral agreements, and in self financed imports.

The Import Program for 1976

232. Comparison of content of Import Programs for the years 1974 and 1975 on the one hand and actual imports for the years 1974 and 1975 on the other, shows a relative increase in the liberalized lists mainly due to a 5 % increase in the EEC liberalized quota.
233. While the EEC quota has been increased, in line with the clauses of the agreement it has been subjected to increased control by virtue of a shift of major import categories from Liberalized List I (which is virtually free of pre-controls and permissions) to Liberalized List II (which is subject to permission by related ministries). With this adjustment, the Ministry of Industry was granted increased control which might be used to reduce liberalized imports in case the balance of payments situation of Turkey is endangered. This gives Turkey more autonomy over her own affairs without hurting her relations with the EEC.
234. In the table below comparison of the 1976 import program is based on the previous import program, instead of the realized amounts. In fact imports increased by 25,4 % in 1975. If we are to project this rate to the 1976 import program we arrive at an import target 1 billion dollars above the program target for 1976 which happens to be only 5 billion instead of 6 billion \$. When the 1976 figures are viewed in light of the actual increase in 1975, 5 billion dollars seem inadequate, if all conditions of the past year hold for 1976. The programmed increase for 1976 is in fact around 3 %, hardly enough to weather possible price increases-let alone to meet quantity increases. The projected figure for 1976 imports, as calculated in the first part of this report, is 5,5 billion dollars.

L TABLE 73  
COMPARISON OF THE 1976 AND 1975 IMPORT PROGRAM (\$ Mil)

|                                  | <u>1975</u>  | <u>1976</u>  | <u>Program<br/>% Change<br/>76/75</u> | <u>Actual Imports<br/>% Change<br/>75/74</u> |
|----------------------------------|--------------|--------------|---------------------------------------|----------------------------------------------|
| <u>Programmed Imports:</u>       | <u>3,575</u> | <u>4,450</u> | <u>24.7</u>                           | <u>23.2</u>                                  |
| Liberalized lists                | 2,250        | 2,900        | 28.8                                  | 15.6                                         |
| Quota list                       | 1,225        | 1,450        | 18.4                                  | 66.9                                         |
| Bilateral Agreement<br>Countries | 100          | 100          | --                                    | - 27.5                                       |
| <u>Non-Programmed Imports:</u>   | <u>425</u>   | <u>550</u>   | <u>29.5</u>                           | <u>47.8</u>                                  |
| NATO infrastructure              | 20           | 25           | 25.0                                  | 54.2                                         |
| Private foreign capital          | 30           | 125          | 316.7                                 | 794.0                                        |
| Project credit imports           | 300          | 300          | --                                    | - 7.2                                        |
| Imports with waiver              | 75           | 100          | 33.3                                  | 69.0                                         |
| <u>TOTAL</u>                     | <u>4,000</u> | <u>5,000</u> | <u>25.0</u>                           | <u>25.4</u>                                  |

TABLE 74  
COMPOSITION OF IMPORTS BY USE (\$ Mil. and Percent)

|                    | <u>1975<br/>Program</u> | <u>1976<br/>Program</u> | <u>Program<br/>% Change<br/>76/75</u> | <u>Actual<br/>% Change<br/>75/74</u> |
|--------------------|-------------------------|-------------------------|---------------------------------------|--------------------------------------|
| Investment goods   | 1,350                   | 1,750                   | 29.6                                  | 52.1                                 |
| Intermediate goods | 2,300                   | 3,000                   | 30.4                                  | 10.4                                 |
| Consumer goods     | 350                     | 250                     | -28.6                                 | 29.3                                 |
| <u>TOTAL</u>       | <u>4,000</u>            | <u>5,000</u>            | <u>25.0</u>                           | <u>25.4</u>                          |

TABLE 75  
IMPORTS BY ORIGIN

| OECD Countries              | (1000 \$) |           |           |       | % Share | % Change (75/74) |
|-----------------------------|-----------|-----------|-----------|-------|---------|------------------|
|                             | 1973      | 1974      | 1975      | 1976  |         |                  |
| EEC (The Six)               | 910.943   | 1,419.433 | 1,962.418 | 41.4  | ± 38,3  |                  |
| EEC (The Three)             | 231.397   | 288.742   | 375.801   | 7.9   | ± 30,2  |                  |
| ECC (The nine)              | 1,142.340 | 1,708.175 | 2,338.219 | 49.3  | ± 36,9  |                  |
| U.S.A.                      | 185.442   | 350.359   | 425.750   | 9.0   | ± 21,5  |                  |
| JAPAN                       | 59.095    | 199.199   | 211.951   | 4.5   | ± 6,1   |                  |
| OTHER COUNTRIES             | 238.089   | 425.793   | 526.086   | 11.1  | ± 23,6  |                  |
| OECD TOTAL                  | 1,624.966 | 2,683.526 | 3,501.406 | 73.9  | ± 30,5  |                  |
| <u>BILATERAL AGREEMENTS</u> |           |           |           |       |         |                  |
| U.S.S.R.                    | 126.058   | 95.027    | 73.655    | 1.6   | - 22,5  |                  |
| OTHER                       | 672       | 8,909     | 1,085     |       | - 87,9  |                  |
| TOTAL                       | 126.730   | 103.936   | 74.738    | 1.6   | - 21,9  |                  |
| <u>FREE CURRENCY</u>        |           |           |           |       |         |                  |
| EASTERN                     | 48.387    | 162.490   | 170.454   | 3.6   | ± 4,9   |                  |
| RCD                         | 15.015    | 42.989    | 29.871    | 6     | - 30,1  |                  |
| OTHER                       | 146.590   | 642.936   | 790.688   | 16.7  | ± 23,0  |                  |
| TOTAL                       | 209.992   | 848.415   | 991.013   | 20.9  | ± 16,8  |                  |
| OTHERS                      | 124.529   | 141.687   | 171.400   | 3.6   | ± 21,0  |                  |
| TOTAL                       | 334.521   | 990.102   | 1,162.413 | 24.5  | ± 17,4  |                  |
| GRAND TOTAL                 | 2,086.217 | 3,777.564 | 4,738.557 | 100.0 | ± 25,4  |                  |
| <u>GROUPS</u>               |           |           |           |       |         |                  |
| ARAB                        | 207.475   | 692.654   | 814.710   | 17.2  | ± 17,6  |                  |
| ADVANCED COUNTRIES          | 483.733   | 982.318   | 1,180.130 | 24.9  | ± 20,1  |                  |
| SOCIALIST COUNTRIES         | 195.842   | 285.583   | 284.317   | 6.0   | - 0,4   |                  |
| EASTERN EUROPE              | 174.445   | 257.517   | 244.109   | 5.2   | - 5,2   |                  |
| EPU                         | 1,345.663 | 2,064.765 | 2,777.824 | 58.6  | ± 34,5  |                  |
| EFTA                        | 415.675   | 606.535   | 781.266   | 16.5  | ± 28,8  |                  |
| <u>CURRENCY AREAS</u>       |           |           |           |       |         |                  |
| DOLLAR AREA                 | 208.873   | 404.483   | 494.082   | 10.4  | ± 22,2  |                  |
| STERLING AREA               | 257.544   | 357.348   | 510.446   | 10.8  | ± 42,8  |                  |
| FRENCH FRANC AREA           | 136.098   | 267.198   | 334.289   | 7.1   | ± 25,1  |                  |

235. Imports of investment goods are programmed to increase by 29,6% during 1976, whereas they increased by 52,1 % during 1975. The programmed increase in raw materials over the 1975 program is 30.4 % in contrast to the actual annual increase of 10,4 %. Imports of consumption goods which increased by 29,3 % in 1975 are programmed to decrease by 28,6 % in relation to the 1975 program.
236. A comparison of programmed figures for 1976 with actual figures for 1975 shows the need for an increase both in the total as well as in the investment figures. In fact the most serious discrepancy is in the programmed figure for investment goods, which represents a decrease of 10,8 % in relation to the realized figure for 1975. The rate of increase between 1974 and 1975 in the realized figures has been 52,1 %.
237. The programmed figures for raw material imports for 1976 represent an increase of 16,6 % in comparison with realized imports in 1975. The actual rate of increase of such imports between 1974 and 1975 has been of the magnitude of 10,4 %.
238. Consumer goods imports which increased by 29,3 % in 1975, have been programmed to increase by 23,2 % in relation to the actual imports of consumer goods of 1975.

Imports by Country of Origin

239. There has been an increase of 3 points in the imports from OECD countries. The increase has taken place in the imports from The Six the share of which increased from 37,6 % to 41,4 % of total imports.

The Share of the Public Sector in Imports

240. It is estimated that a round 50 % of total imports are made by the Public Sector. There is a rising trend in the role of the Public Sector which increased its share from 35 % to 45 % between 1961 - 1974. The Public Sector play a more limited role in exports as can be observed from the table below.

TABLE 76  
SHARE OF THE PUBLIC SECTOR IN FOREIGN TRADE

| <u>Years</u> | <u>Imports</u> | <u>Exports</u> | (as % of total) |
|--------------|----------------|----------------|-----------------|
| 1961         | 39.11          | 12.45          |                 |
| 1962         | 38.39          | 10.61          |                 |
| 1963         | 34.38          | 7.04           |                 |
| 1964         | 35.52          | 10.88          |                 |
| 1965         | 31.39          | 13.37          |                 |
| 1966         | 36.03          | 12.82          |                 |
| 1967         | 26.16          | 11.87          |                 |
| 1968         | 28.45          | 11.39          |                 |
| 1969         | 36.29          | 15.86          |                 |
| 1970         | 39.63          | 11.88          |                 |
| 1971         | 42.82          | 11.02          |                 |
| 1972         | 43.43          | 15.46          |                 |
| 1973         | 43.26          | 14.80          |                 |
| 1974         | 45.57          | 13.28          |                 |

Workers' Remittances

241. Workers' Remittances decreased by 125,8 million dollars or by 8,1 % in comparison with 1974. The number of workers sent abroad during 1975 dropped to 4,419.
242. There was also an absolute drop in the average remittance per worker abroad. Already there had been a definite decrease in the rate of increase of average remittances which had attained a maximum rate in 1971. There was a gradual decrease in the rate of increase of average remittances since then and an absolute decrease in 1975.

TABLE 77

WORKERS' REMITTANCES

|                                              | <u>1966</u> | <u>1969</u> | <u>1972</u> | <u>1974</u> | <u>1975</u> |
|----------------------------------------------|-------------|-------------|-------------|-------------|-------------|
| January                                      | 9.0         | 8.6         | 38.4        | 122.0       | 143.9       |
| February                                     | 6.1         | 6.7         | 41.7        | 78.9        | 73.2        |
| March                                        | 8.1         | 8.1         | 40.1        | 88.7        | 69.1        |
| April                                        | 5.1         | 7.6         | 34.5        | 61.2        | 80.9        |
| May                                          | 4.8         | 7.8         | 45.0        | 107.8       | 68.3        |
| June                                         | 10.5        | 10.4        | 51.0        | 106.7       | 81.9        |
| July                                         | 10.5        | 16.9        | 109.0       | 209.1       | 183.1       |
| August                                       | 16.6        | 16.4        | 119.1       | 204.8       | 171.7       |
| September                                    | 7.3         | 12.3        | 75.6        | 135.8       | 139.4       |
| October                                      | 8.7         | 10.6        | 55.9        | 95.0        | 111.8       |
| November                                     | 11.5        | 13.9        | 49.6        | 84.4        | 89.7        |
| December                                     | 17.1        | 21.3        | 80.1        | 131.8       | 96.5        |
| <hr/>                                        |             |             |             |             |             |
| Total workers' remittances                   | 115.3       | 140.6       | 740.1       | 1426.2      | 1310.4      |
| <hr/>                                        |             |             |             |             |             |
| Cumulative number of workers abroad          | 152106      | 308232      | 611478      | 681122      | 685541      |
| <hr/>                                        |             |             |             |             |             |
| Average Remittance                           | 758.2       | 456.2       | 1210.7      | 2094.1      | 1911.5      |
| <hr/>                                        |             |             |             |             |             |
| Rate of Change of total workers' remittances | 165.2       | 31.0        | 57.0        | 24.1        | -8.1        |
| <hr/>                                        |             |             |             |             |             |
| Rate of change of average remittance         | 36.1        | -7.8        | 36.6        | 18.0        | -8.7        |

Balance of Payments

243. Table 78 summarily presents the balance of payments data for 1975 and projected aggregates for 1976. As shown in the table, the trend of decline in foreign exchange earnings and the upward trend in foreign exchange payments which started during the second half of 1974 and yielded large deficits in trade and current account of 1975. The continuation of an unfavourable trend is viewed as a certainty during the current year 1976. Uncertainties in economic relations with multi-national foreign groups like the EEC, Consortium for Aid to Turkey, and international organizations, seem to reveal that the easiest way to find the much needed foreign finance which Turkey needs in 1976 will be through individual negotiations with each source.
244. Since Turkey is not expected to realize any essential change in the structure of her economy during the year, her opportunities for obtaining foreign finance should be viewed in light of a larger perspective.

TABLE 78  
BALANCE OF PAYMENTS (1975-1976) (\$ Mil.)

|                                                | 1975<br>Estimate | 1976<br>Program | % Change<br>1976/75 |
|------------------------------------------------|------------------|-----------------|---------------------|
| <b>I. CURRENT ACCOUNTS</b>                     |                  |                 |                     |
| <b>A. Foreign trade</b>                        |                  |                 |                     |
| a. Exports (FOB)                               | 1,401            | 2,100           | 49.9                |
| b. Imports (CIF)                               | -4,739           | -5,000          | 5.5                 |
| Foreign trade balance                          | -3,338           | -2,900          | -13.1               |
| <b>B. Invisible transactions</b>               |                  |                 |                     |
| 1. External debt interest                      | - 135            | - 125           | - 7.4               |
| 2. Tourism and travel (net)                    | 50               | 90              | 80.0                |
| 3. Workers' remittances                        | 1,397            | 1,300           | --                  |
| 4. Profit transfers                            | - 70             | - 70            | --                  |
| 5. Payments for services                       | - 20             | - 20            | --                  |
| 6. Other invisibles                            | - 250            | - 300           | 20.0                |
| Invisible Transactions Balance                 | 1,375            | 1,475           | 7.3                 |
| <b>C. Infrastructural and Off-shore (NATO)</b> |                  |                 |                     |
|                                                | 25               | 25              | --                  |
| Current Account Balance                        | -1,938           | -1,400          | -27.8               |
| <b>II. CAPITAL TRANSACTIONS</b>                |                  |                 |                     |
| 1. External debt repayment                     | - 160            | - 135           | -16.2               |
| 2. Private foreign capital                     | 125              | 150             | 20.0                |
| 3. Project credit                              | 225              | 325             | 44.4                |
| 4. Imports with waiver                         | 100              | 100             | --                  |
| 5. Program credit                              | 10               | 10              | --                  |
| Capital transaction balance                    | 300              | 450             | +50.0               |
| OVERALL BALANCE                                | -1,638           | - 950           | 42.0                |
| III. RESERVE MOVEMENTS (-decrease)             | + 443            | --              | --                  |
| IV. SPECIAL DRAWING RIGHTS                     | 250              | 300             | 20.0                |
| V. SHORT-TERM CAPITAL MOVEMENTS                | 938              | 650             | -30.7               |
| VI. NET ERRORS AND OMISSIONS                   | 7                | --              | --                  |

245. As indicated in Table 79 the overall financing requirements for 1975 and 1976 show a continuity when viewed from a longer perspective covering the last quarter of a century.
246. In fact total financing needs calculated as current account deficit plus repayment of foreign debts as percent of the main debit.
247. Financing requirements expressed as percent of imports plus repayment of foreign debts (the two main factors requiring foreign exchange) are estimated at 43 % in 1975 and 42 % in 1976. These rates are not above the 5 year average for the period 1960-1964 which is 43.2 %, and are very close to the 10 year period covering 1955-1965 which happens to be 41 %.
248. Turkey had four years of unusual favorable balance of payment in 1971-1974 due to a large extent to circumstances external to Turkey: economic growth in the west and its impact on Turkish exports together with favorable shifts in Turkey's terms of trade, increased demand for Turkish workers and improved wages in Europe.

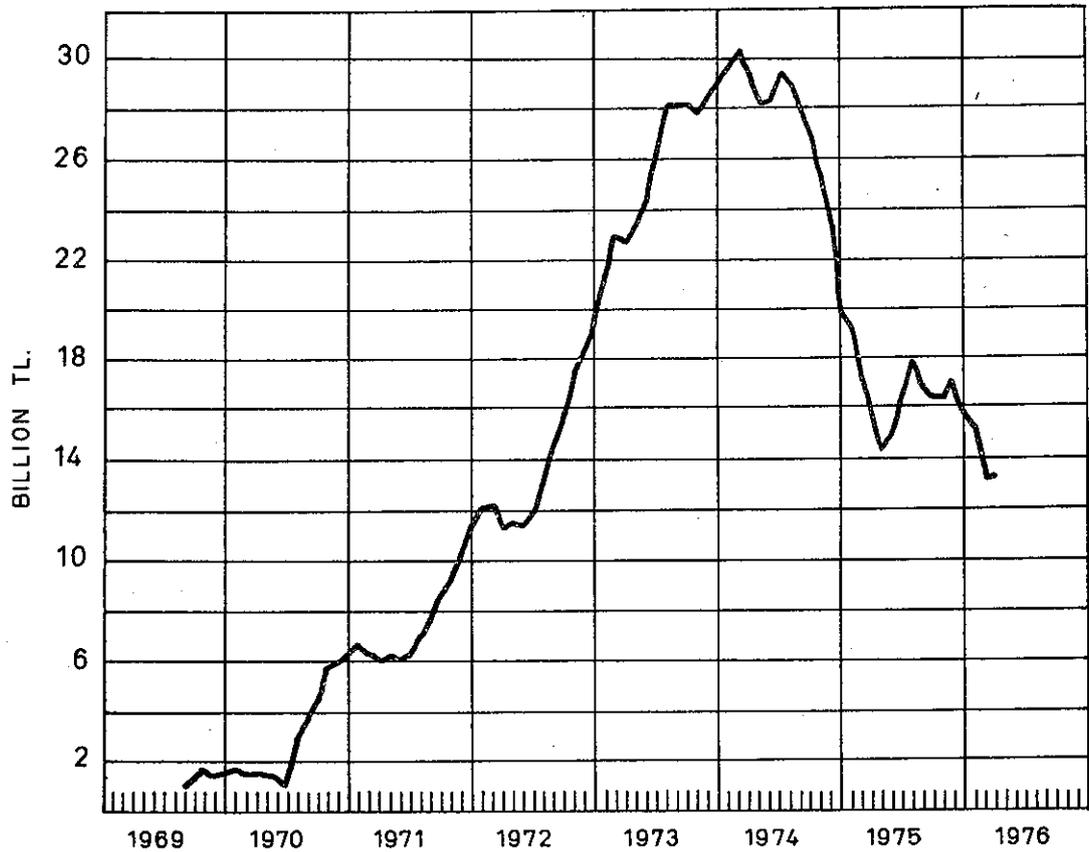
TABLE 79  
BALANCE OF PAYMENTS OF TURKEY  
(1950-1976)  
(Five Year Averages, Million \$)

|                        | 1950/<br>1954 | 1955/<br>1959 | 1960/<br>1964 | 1965/<br>1969 | 1970/<br>1974 | 1975  | 1976  |
|------------------------|---------------|---------------|---------------|---------------|---------------|-------|-------|
| Imports                | -451          | -407          | -565          | -708          | -1909         | -4850 | -5500 |
| Exports                | 334           | 313           | 366           | 505           | 1001          | 1400  | 1850  |
| Balance of Trade       | -117          | -105          | -199          | -203          | - 908         | -3450 | -3650 |
| Current Accounts       | -137          | -103          | -189          | -156          | - 105         | -2000 | -2200 |
| Repayment of Debt      |               |               |               |               |               |       |       |
| Total Financing        | - 30          | - 90          | - 97          | - 97          | - 153         | - 150 | - 160 |
| requirements           |               |               |               |               |               |       |       |
| Financing requirements | 34.7          | 38.8          | 43.2          | 31.4          | 12.5          | 43    | 41.7  |
| as percent of Imports† |               |               |               |               |               |       |       |
| Repayment of debts.    |               |               |               |               |               |       |       |

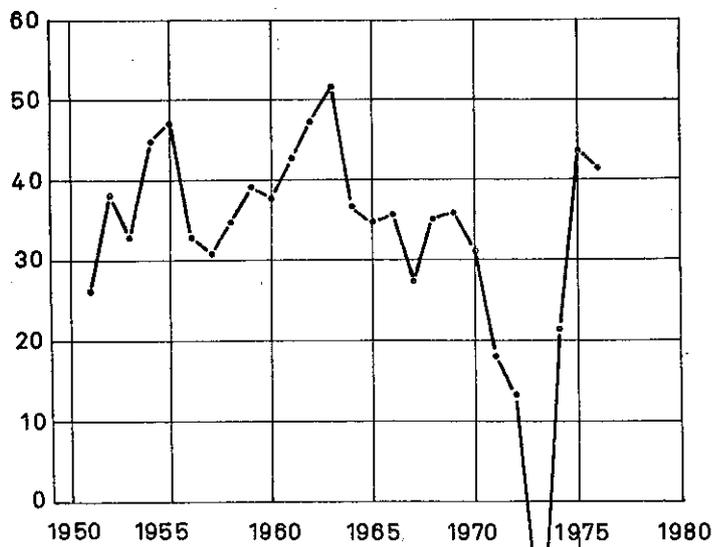
Problems Related to the Integration of Turkey to EEC

249. The developing relations of Turkey with EEC are going through a difficult phase during the last two years. One of the reasons for the present state is the "additional protocol" itself. The conditions regulating the transition phase, which Turkey had accepted, have eroded in a very short time. Looking back from 1964 to 1975, the limited concessions granted to Turkey have diminished and their relative importance in time are lost.

### GOLD AND FOREIGN EXCHANGE RESERVES



### NEED FOR FINANCING OF THE BALANCE OF PAYMENTS



\* Current Account + Repayment of debt

Imports + Repayment of debt

250. Commercial concessions allow Turkey to export her industrial products to EEC with zero customs duties. However, the textile products which constitute the greatest portion of Turkey's industrial export potential, have been left out of the general clauses. The import duties and quotas for textile products are very restrictive and unfavourable. The actual exports confirm this fact.
251. Although the concessions given by Turkey to the EEC regarding industrial products enter into force automatically, the preferential clauses for agricultural commodities have been left for periodic reviews to be repeated every two years.
252. Another important aspect for Turkey in the additional protocol is the free circulation of labor in the EEC area. A social ceiling for the employment of foreign workers is being applied even if economic conditions require such employment.

TABLE 80

RECENT DEVELOPMENTS IN FOREIGN EXCHANGE RESERVES

253. Foreign exchange reserves increased by 125.2 % in 1971, by 89.8 % in 1972 and by 60.4 % in 1973. In 1974 they decreased by 22.8 % and in 1975 by 29.6 %.

Convertible Foreign Exchange Reserves

| Years              | Million TL. | Million \$ | % Change of \$ |
|--------------------|-------------|------------|----------------|
| 1970               | 4.141.5     | 278.9      | -              |
| 1971               | 8.703.8     | 621.7      | 125.2          |
| 1972               | 16.521.4    | 1.180.1    | 89.8           |
| 1973               | 26.507.6    | 1.893.4    | 60.4           |
| 1974               | 20.253.3    | 1.462.3    | -22.8          |
| 1975 <sup>1/</sup> | 15.438.0    | 1.029.2    | -29.6          |
| I                  | 16.271.6    | 1.173.3    | -19.8          |
| II                 | 12.915.0    | 1.019.2    | -30.3          |
| III                | 16.750.1    | 1.135.6    | -22.3          |
| IV                 | 15.438.0    | 1.029.2    | -29.6          |

<sup>1/</sup> The 1975 figures are included foreign exchange reserves held by banks

### EEC-TURKEY TRADE

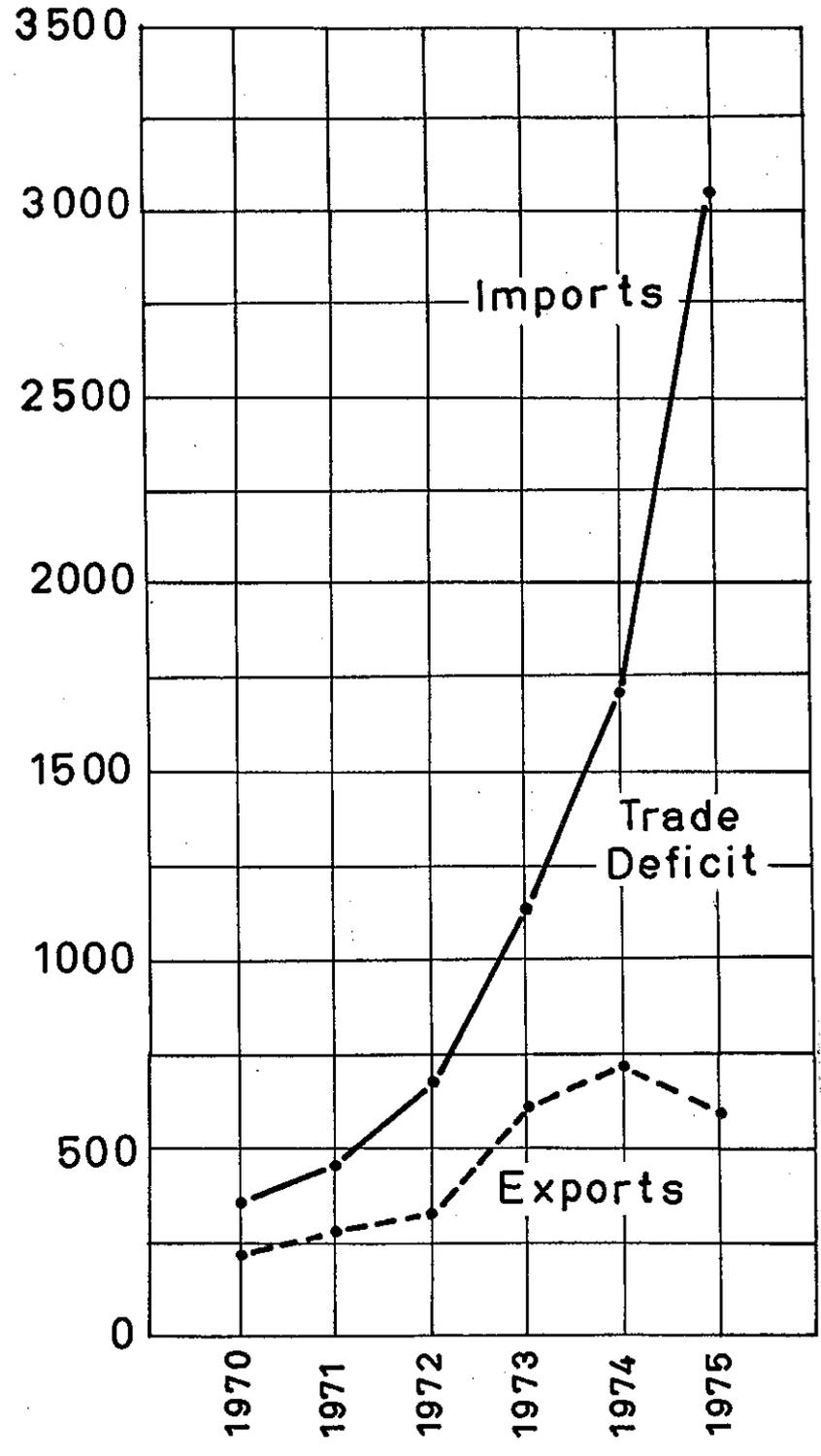




TABLE 82

TURKEY'S TRADE WITH EEC

(1000. \$)

|                      | I M P O R T S    |                  |               | E X P O R T S  |                |               |
|----------------------|------------------|------------------|---------------|----------------|----------------|---------------|
|                      | 1974             | 1975             | Change (%)    | 1974           | 1975           | Change (%)    |
| <u>EEC (The 6)</u>   | <u>1.419.433</u> | <u>1.962.418</u> | <u>- 38,3</u> | <u>619.923</u> | <u>530.093</u> | <u>- 14,5</u> |
| - West Germany       | 680.931          | 1.057.713        | - 55,3        | 342.988        | 304.934        | - 11,1        |
| - Belgium-Luxembourg | 106.651          | 129.247          | - 21,2        | 67.565         | 30.274         | - 55,2        |
| - France             | 244.868          | 278.641          | - 13,8        | 66.602         | 61.934         | - 7,0         |
| - Holland            | 116.200          | 138.877          | - 19,5        | 52.437         | 50.829         | - 3,1         |
| - Italy              | 270.783          | 357.940          | - 32,2        | 90.331         | 82.122         | - 9,1         |
| <u>EEC (The 3)</u>   | <u>288.742</u>   | <u>375.801</u>   | <u>- 30,2</u> | <u>93.347</u>  | <u>85.046</u>  | <u>- 12,6</u> |
| - Denmark            | 20.676           | 29.027           | - 40,4        | 12.760         | 12.084         | - 5,3         |
| - United Kingdom     | 266.914          | 344.264          | - 29,0        | 81.603         | 70.076         | - 14,1        |
| - Ireland            | 1.152            | 2.510            | - 117,9       | 2.984          | 2.886          | - 3,3         |
| <u>EEC (The 9)</u>   | <u>1.708.175</u> | <u>2.338.219</u> | <u>36,9</u>   | <u>717.270</u> | <u>615.139</u> | <u>- 14,2</u> |
| TOTAL                | 3.777.559        | 4.738.558        | 25,4          | 1.532.182      | 1.401.122      | - 8,6         |

TABLE 83

TURKEY'S TRADE WITH EEC

|                                            | As % of<br>total imports |             | As % of<br>total exports |             | Exports/Imports |             |
|--------------------------------------------|--------------------------|-------------|--------------------------|-------------|-----------------|-------------|
|                                            | 1974                     | 1975        | 1974                     | 1975        | 1974            | 1975        |
| <u>EEC (The 6)</u>                         | <u>37,6</u>              | <u>41,4</u> | <u>40,5</u>              | <u>37,8</u> | <u>43,7</u>     | <u>27,0</u> |
| - West Germany                             | 18,0                     | 22,3        | 22,4                     | 21,8        | 50,3            | 28,8        |
| - Belgium-Luxembourg                       | 2,8                      | 2,7         | 4,4                      | 2,2         | 63,3            | 23,4        |
| - France                                   | 6,5                      | 5,9         | 4,4                      | 4,4         | 27,2            | 22,2        |
| - Holland                                  | 3,1                      | 2,9         | 3,4                      | 3,6         | 45,1            | 36,6        |
| - Italy                                    | 7,2                      | 7,6         | 5,9                      | 5,8         | 33,3            | 22,9        |
| <u>EEC (The 3)</u>                         | <u>7,6</u>               | <u>7,9</u>  | <u>6,3</u>               | <u>6,1</u>  | <u>33,7</u>     | <u>22,6</u> |
| - Denmark                                  | 0,5                      | 0,6         | 0,8                      | 0,9         | 61,7            | 41,6        |
| - United Kingdom                           | 7,1                      | 7,2         | 5,3                      | 5,0         | 30,6            | 20,4        |
| - Ireland                                  | -                        | 0,1         | 0,2                      | 0,2         | 259,0           | 115,0       |
| <u>EEC (The 9)</u>                         | <u>45,2</u>              | <u>49,3</u> | <u>46,8</u>              | <u>43,9</u> | <u>42,0</u>     | <u>26,3</u> |
| Ratio of Total Exports to<br>Total Imports |                          |             |                          |             | <u>40,6</u>     | <u>29,6</u> |

Changes in the Rates of Foreign Exchange

254. Following the devaluation of the Turkish Currency on August 10, 1970 there have been a number of adjustments adding up to a 83,5% increase in Turkish Lira price of the Swiss Franc, and 56,5 % of the German Mark with the remaining main currencies averaging an increase of 31 %. There has been a decrease in the Turkish Lira price of the Sterling at the rate of 16,8% and of the Lirette of 20,5%.
255. The foreign exchange rates most relevant to Turkish exports are listed in Table 84 .
256. More detailed exchange rates are given on a separate table.

TABLE 84

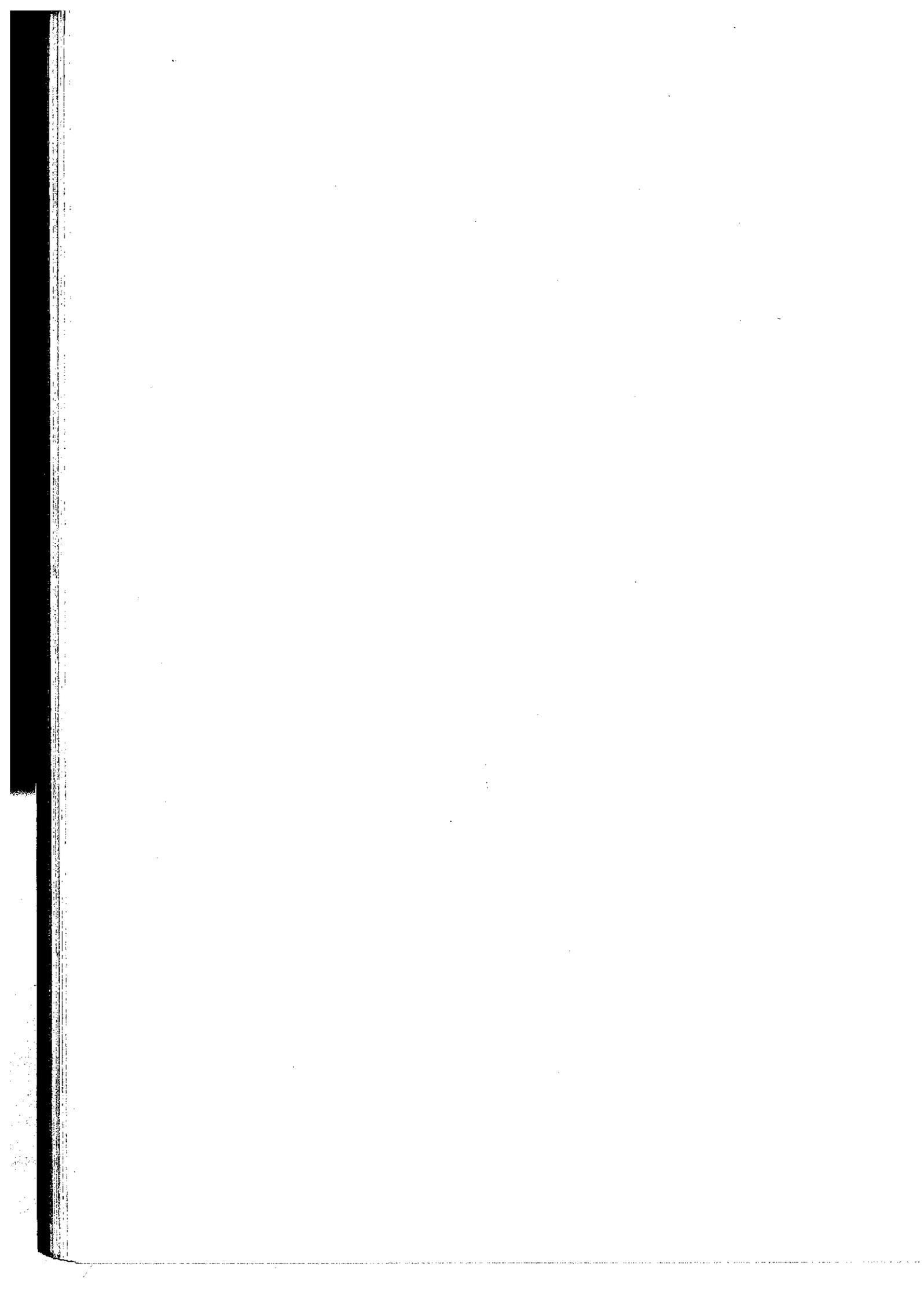
CHANGES IN THE PRICE OF FOREIGN EXCHANGE

( 1970-1976 )

|                     | Share in Turkish Exports (1975) | 10 Aug. 1970 | 2 April 1976 | % CHANGE |
|---------------------|---------------------------------|--------------|--------------|----------|
| USA Dollar          | 10.50                           | 14.85        | 16.00        | + 7.7    |
| German Mark         | 21.76                           | 4.09         | 6.40         | + 56.5   |
| English Pound       | 5.00                            | 35.94        | 29.90        | - 16.8   |
| Franch Franc        | 4.42                            | 2.69         | 3.35         | + 24.5   |
| Swiss Franc         | 6.84                            | 3.46         | 6.35         | + 83.5   |
| Austrian Schilling  | 1.76                            | 0.58         | 0.88         | + 51.7   |
| Belgium Franc       | 2.16                            | 0.30         | 0.41         | + 36.7   |
| Duch Guilder        | 3.63                            | 4.13         | 5.96         | + 44.3   |
| Norwegian Crone     | 0.34                            | 2.09         | 2.91         | + 39.2   |
| Danish Crone        | 0.96                            | 2,00         | 2.64         | + 32,0   |
| Swedish Crone       | 2.35                            | 2,89         | 3.65         | + 26.3   |
| Italian Lirettes    | 5.96                            | 2.39         | 1.90         | - 20.5   |
| Canadian Dollar     | 0.23                            | 13.95        | 16.25        | + 16.5   |
| All Other Countries | 34.29                           |              |              |          |

TABLE 85  
CHANGES IN FOREIGN EXCHANGE

| DATE            | U.S.<br>\$ | German<br>D.M. | English<br>£ | French<br>FR. | Swiss<br>FR. | Austrian<br>Shill. | Belgium<br>FR | Holland<br>Guld. | Norway<br>Crone | Denmark<br>Crone | Sweden.<br>Crone | Ical.<br>100<br>Lire. | Canad.<br>\$ |
|-----------------|------------|----------------|--------------|---------------|--------------|--------------------|---------------|------------------|-----------------|------------------|------------------|-----------------------|--------------|
| AUGUST 10, 1970 | 14.85      | 4.09           | 35.94        | 2.69          | 3.46         | 0.58               | 0.30          | 4.13             | 2.09            | 2.00             | 2.89             | 2.39                  | 13.95        |
| 1971 :          |            |                |              |               |              |                    |               |                  |                 |                  |                  |                       |              |
| May 11          | --         | --             | --           | --            | 3.64         | 0.61               | --            | --               | --              | --               | --               | --                    | --           |
| May 13          | --         | 4.22           | --           | --            | --           | --                 | --            | 4.20             | --              | --               | --               | --                    | --           |
| September 6     | --         | 4.31           | --           | --            | --           | --                 | --            | --               | --              | --               | --               | --                    | --           |
| December 23     | 14.00      | 4.34           | 36.48        | 2.74          | 3.65         | 0.60               | 0.31          | 4.31             | 2.11            | 2.01             | 2.91             | 2.41                  | 13.98        |
| 1972 :          |            |                |              |               |              |                    |               |                  |                 |                  |                  |                       |              |
| July 4          | --         | 34.29          | --           | --            | --           | --                 | --            | --               | --              | --               | --               | --                    | --           |
| November 21     | --         | 32.90          | --           | --            | --           | --                 | --            | --               | --              | --               | --               | --                    | --           |
| 1973 :          |            |                |              |               |              |                    |               |                  |                 |                  |                  |                       |              |
| February 16     | --         | 4.83           | 34.08        | 3.04          | 4.17         | 0.67               | 0.35          | 4.79             | 2.34            | 2.23             | 3.07             | 2.46                  | 14.10        |
| March 22        | --         | 5.00           | --           | --            | 4.34         | --                 | --            | --               | --              | --               | --               | --                    | --           |
| May 18          | --         | --             | 35.28        | --            | --           | --                 | --            | --               | --              | --               | --               | 2.37                  | --           |
| May 30          | --         | 5.25           | --           | --            | --           | --                 | --            | --               | --              | --               | --               | --                    | --           |
| June 4          | --         | --             | --           | --            | --           | 0.72               | --            | --               | --              | --               | --               | --                    | --           |
| September 18    | --         | --             | 33.60        | --            | --           | --                 | --            | --               | --              | --               | --               | --                    | --           |
| November 18     | --         | --             | --           | --            | --           | --                 | --            | --               | 2.46            | --               | --               | --                    | --           |
| November 29     | --         | --             | 32.30        | --            | --           | --                 | --            | --               | --              | --               | --               | 2.28                  | --           |
| 1974 :          |            |                |              |               |              |                    |               |                  |                 |                  |                  |                       |              |
| January 1       | 14.00      | 5.25           | 32.30        | 3.04          | 4.34         | 0.72               | 0.35          | 5.03             | 2.46            | 2.23             | 3.07             | 2.28                  | 14.10        |
| January 24      | --         | --             | --           | 2.80          | --           | --                 | --            | --               | --              | --               | --               | --                    | --           |
| February 6      | --         | --             | --           | --            | --           | --                 | --            | --               | --              | --               | --               | 2.14                  | --           |
| May 14          | 13.50      | --             | --           | --            | --           | --                 | --            | --               | --              | --               | --               | --                    | --           |
| September 20    | 13.85      | --             | --           | 2.88          | 4.60         | 0.74               | --            | --               | --              | --               | --               | --                    | --           |
| September 30    | --         | --             | --           | --            | --           | --                 | --            | --               | --              | --               | --               | --                    | --           |
| October 4       | --         | --             | 31.81        | 2.90          | 4.77         | --                 | 0.36          | 5.17             | 2.47            | 2.29             | 3.11             | 2.09                  | --           |
| October 27      | --         | 5.65           | --           | 2.98          | 5.21         | 0.79               | 0.37          | 5.40             | 2.59            | 2.40             | 3.25             | 2.04                  | 13.85        |
| 1975 :          |            |                |              |               |              |                    |               |                  |                 |                  |                  |                       |              |
| January 13      | --         | 5.77           | 32.45        | 3.13          | 5.38         | 0.81               | 0.39          | 5.56             | 2.67            | 2.44             | 3.40             | 2.12                  | --           |
| January 30      | --         | 5.95           | 33.00        | 3.28          | 5.60         | 0.84               | 0.40          | 5.77             | 2.79            | 2.53             | 3.48             | 2.16                  | --           |
| March 6         | --         | --             | --           | 3.26          | --           | --                 | --            | --               | --              | --               | --               | --                    | --           |
| April 17        | 14.00      | --             | --           | --            | --           | --                 | --            | --               | --              | --               | --               | --                    | --           |
| May 13          | --         | --             | --           | 3.41          | --           | --                 | --            | --               | --              | --               | 3.52             | 2.21                  | --           |
| June 21         | --         | --             | 32.32        | 3.48          | --           | --                 | --            | --               | 2.85            | 2.57             | --               | --                    | --           |
| July 4          | --         | --             | 32.05        | --            | --           | --                 | --            | --               | --              | --               | --               | --                    | --           |
| July 8          | 14.25      | --             | --           | --            | --           | --                 | --            | --               | --              | --               | --               | --                    | --           |
| August 14       | 14.50      | --             | --           | --            | --           | --                 | --            | --               | --              | --               | --               | --                    | --           |
| August 28       | 14.75      | --             | --           | --            | --           | --                 | --            | --               | --              | --               | --               | --                    | --           |
| September 20    | --         | --             | --           | --            | --           | --                 | --            | --               | 2.65            | 2.45             | 3.35             | --                    | --           |
| October 28      | 15.00      | --             | --           | --            | --           | --                 | --            | --               | --              | --               | --               | --                    | --           |
| October 31      | 15.00      | 5.95           | 32.05        | 3.48          | 5.60         | 0.84               | 0.40          | 5.77             | 2.65            | 2.45             | 3.35             | 2.21                  | 13.85        |
| 1976 :          |            |                |              |               |              |                    |               |                  |                 |                  |                  |                       |              |
| January 31      | 15.00      | 5.95           | 31.05        | 3.48          | 5.60         | 0.84               | 0.40          | 5.77             | --              | --               | 3.35             | 2.21                  | 13.85        |
| March 16        | 15.50      | 6.15           | 30.00        | 3.40          | 6.12         | --                 | --            | --               | 2.75            | --               | 3.48             | 1.90                  | 15.50        |
| April 2         | 16.00      | 6.40           | 29.90        | 3.35          | 6.35         | 0.88               | 0.41          | 5.96             | 2.91            | 2.64             | 3.65             | --                    | 16.25        |



## CHAPTER VIII

### TOURISM

257. Turkey will not depend on tourism revenues as one of its main sources of income. The importance of tourism in planning has been centered on its role as a potentially high earner of the foreign exchange necessary to implement Turkey's industrialization policy. Therefore the tourism sector should be viewed relative to overall planning policy and to the balance of payments situation.
258. One of the peculiarities of tourism is that the "net foreign exchange earnings" are very high. To produce a manufactured export good it is necessary to import a proportion of the inputs: but in tourism, this proportion is low. In fact, as a result of the highly developed state of the Turkish construction industry, it could be lower than in other countries.
259. Foreign capital in tourism poses less of a threat to national sovereignty than in any other area. The foreign firm provides capital, know-how, advertisement, customers, service and management. There is no input into another industry involved nor is the output of an industry necessarily dependent on the touristic venture. The expansion of the market, i.e., the bringing in of foreign exchange earnings, is in the best interests of the profit-making firm, and of Turkey.
260. Tourism can be an important impetus to improving the distribution of income among provinces. Employment opportunities, sales of local handicrafts, new ideas and horizons are among the advantages.
261. The three five-year plans all treat tourism as a separate sector. The First Plan provided very few guidelines for the development of tourism: The need to have sufficient credit through the Tourism Bank, access roads, local authority, training and promotional measures was stated. In the Second Plan nothing was added other than the wish that a distinction be made between public and private sectors, some kind of price policy should be established and physical planning be introduced. The Third Plan however goes into more detail. Briefly, emphasis is placed on mass tourism. The private sector is the leading sector while the public sector is supposed to stick to pilot activities. Cooperation with foreign capital by both private and public sectors is foreseen.
262. The Ministries of Reconstruction and Resettlement and of Tourism are called upon to cooperate in making and implementing physical plans. The entire banking system will be encouraged to help meet the credit needs of the tourism sector.
263. Although tourism got off to a slow start, by 1973 the number of tourists and total earnings from tourism were above plan targets. (See Table 86 )

264. Although tourism got off to a slow start, by 1973 the number of tourists and total earnings from tourism were above plan targets.

TABLE 86  
INDICATORS OF PLAN PERFORMANCE

|      | <u>Total Foreign Arrivals</u> |                       | <u>Total Earnings<br/>\$ Million</u> |               |
|------|-------------------------------|-----------------------|--------------------------------------|---------------|
|      | <u>Plan/<br/>Program</u>      | <u>Actual</u>         | <u>Plan/<br/>Program</u>             | <u>Actual</u> |
| 1962 | --                            | 198,228 <sup>1/</sup> | --                                   | 8.3           |
| 1967 | 415,000                       | 574,055               | 48.0                                 | 13.2          |
| 1972 | 1,435,000                     | 953,409               | 135.0                                | 103.7         |
| 1973 | 1,243,000                     | 1,341,527             | 105.0                                | 171.5         |
| 1974 | 1,217,000                     | 1,110,296             | 187.6                                | 193.7         |
| 1975 | 1,440,000                     | 1,257,000             | 264.0                                | 210.0         |
| 1976 | 1,540,000                     |                       | 260.0                                |               |

<sup>1/</sup> Day excursions not included.

265. Net Income from tourism has increased by 10 % in 1975 while gross income has increased by 3.7 % and expenditures on tourism increased only by 1.9 %

| <u>Net income from Tourism</u> | <u>1974</u> | <u>1975</u> |
|--------------------------------|-------------|-------------|
| Income from Tourism            |             |             |
| Tourists                       | 178.9       | 192.2       |
| Others                         | 14.8        | 8.7         |
| Total                          | 193.7       | 200.9       |
| Expenditures on Tourism        |             |             |
| Tourists                       | 92.7        | 97.4        |
| Others                         | 59.3        | 57.6        |
| Total                          | 152.0       | 155.0       |
| Net balance                    | 41.7        | 45.9        |

(million dollars)

TABLE 87

RECEIPTS FROM FOREIGN TRAVEL AND NUMBER OF FOREIGN ARRIVALS

| Year       | Travel Receipts (\$ Thous.) |       | % of Export Earnings | (\$ Thous. From Tourists | Number of Foreign Arrivals |                                     | Receipts per Traveller (\$) |         |
|------------|-----------------------------|-------|----------------------|--------------------------|----------------------------|-------------------------------------|-----------------------------|---------|
|            | Total                       | Total |                      |                          | Total                      | Of Which Tourists and Excursionists | Total                       | Tourist |
| 1964       | 8,318                       | 2.0   | 6,987                | 229,347                  | 168,054                    | 36                                  | 42                          |         |
| 1965       | 13,758                      | 3.0   | 12,196               | 361,758                  | 295,031                    | 38                                  | 41                          |         |
| 1966       | 12,133                      | 2.5   | 10,657               | 440,534                  | 375,368                    | 28                                  | 28                          |         |
| 1967       | 13,220                      | 2.5   | 11,763               | 574,055                  | 513,079                    | 23                                  | 23                          |         |
| 1968       | 24,083                      | 4.9   | 21,806               | 602,996                  | 542,089                    | 40                                  | 40                          |         |
| 1969       | 36,573                      | 6.8   | 34,112               | 694,229                  | 626,398                    | 53                                  | 54                          |         |
| 1970       | 51,596                      | 8.8   | 46,503               | 724,784                  | 652,647                    | 71                                  | 71                          |         |
| 1971       | 62,858                      | 9.3   | 59,832               | 926,019                  | 840,535                    | 68                                  | 71                          |         |
| 1972       | 103,745                     | 11.7  | 99,477               | 953,409                  | 920,852                    | 109                                 | 108                         |         |
| 1973       | 171,479                     | 13.0  | 166,168              | 1,338,206                | 1,320,697                  | 128                                 | 126                         |         |
| 1974       | 193,684                     | 12.6  | 178,864              | 1,110,298                | 1,095,770                  | 176                                 | 163                         |         |
| 1975       | 200,900                     | 15.0  | 192,200              | 1,257,000                | 1,240,000                  | 167                                 | 156                         |         |
| 1976 Prog. | 260,000                     | 14.4  | 235,000              | 1,540,000                | 1,520,000                  | 169                                 | 155                         |         |



## CHAPTER IX

### FOREIGN INVESTMENTS

265. Almost all foreign investment other than the oil industry comes under Law 6224 - The (1954) Law for the Encouragement of Foreign Capital Investments. However, not all the "controls" on new investment and expansion are stated in the law, which in itself is extremely liberal and carries a right to unlimited transfer of profits abroad. Another law governing foreign investment, the 1962 Decree 17 for the Protection of the Value of Turkish Currency, concerns sales companies and other low-priority investments. Firms established under Decree 17 are not permitted to remit funds, except in certain industries, such as hotels and banks.
267. The law's liberal base has permitted the application of different investment criteria, with the result that foreign investments - even in the same field of activity - do not necessarily compete on an equal footing.
268. Since 1967, when the State Planning Organization (SPO) took over advisory responsibility for all foreign investment negotiations, the government has become increasingly selective in its attitude toward foreign investment, and each investor must negotiate his project on a case-by-case basis.
269. Investments under Law 6224 may be in the form of foreign exchange, machinery, patents and trademarks, services or reinvested profits (but not solely in intellectual property rights). There is no specific limitation on the size of a foreign investment, but investments of less than \$ 3 million are not likely to be considered, unless perhaps in a highly specialized product or an export-oriented operation. Investment projects should be in or allied to any field of economic development that is mentioned in the current five-year plan and/or annual development programs.
270. The third five-year plan specifies that acceptance of foreign investments rests on their export potential, the training of Turkish executives (permanent management by foreign executives is no longer accepted) and the introduction of new technology (unless production is entirely for export). Foreign investors should be aware that the government does not want foreign companies to hold dominant market positions and will encourage domestic firms to invest in sectors where foreign companies have a de facto monopoly (e.g. tires, pharmaceuticals, margarine).
271. Criteria sought in allowing foreign capital to be invested in Turkey are summarized below:
  - a). Investment in industrial and services sectors which were given

priority in the development plans,

- b). Import of advanced technology not otherwise available in Turkey,
  - c). Large enough capacity to either secure import substitution or export earnings,
  - d). Better utilization of domestic raw materials by virtue of more advanced technology,
  - e). Investment in new and/or insufficiently producing consumption goods industries,
  - f). Facilitate development of side industries,
  - g). Lead to the improvement of processing domestic raw materials,
  - h). Have competitive ability, in international and EEC markets,
  - i). Capacity, location and value-added of the investment to be in line with areas and regions encouraged by the plan and programs,
  - j). Preferably to form partnership with domestic capital.
272. The alternate route for investing in Turkey is Article 35 of Decree 17, of Aug.11,1962, which provides for capital investment in foreign currency but allows neither the remittance of profits and capital except in special cases, such as banks and hotels, nor the borrowing of working capital from Turkish Banks. Under this law, the Ministry of Finance will approve only investments that will promote economic development.
273. Oil and mining investments come under special regulations. Under the mining law (revised in 1973), exploration permits are issued for two years (maximum area 2 000 hectares, no limit on the number of permits per individual), operating permits for 10-15 years and operating concessions for 40-99 years. In mining, the state royalty amounts to 1 - 5 % of f.o.b. sales prices for exports, and of the average sales price for domestic sales.
274. A petroleum law passed in 1954 was last amended in 1973. Licences for exploration and drilling are issued for three years, with the privilege of renewal for a period of two years, if there is no discovery. If oil is found, exploration licences may be renewed for three years.
275. Except for state monopolies, foreign investment may be in any field, and even some of the monopoly fields have recently opened up to manufacturers that export. Investments in certain areas are more welcomed than in others. These fields include; cultivation and processing of silk ; electronics and telecommunications; forestry and paper products; hydroelectric and power projects; iron and

steel ; machinery and metal products : petrochemicals : ship-building ; man-made fibers, automobiles (particularly engines) and agricultural machinery. Conversely, investment in mining is not likely to prove acceptable, investment in pharmaceuticals is restricted to production of raw materials. Experience has shown that the government will allow only enough ventures in each industry to supply local needs at competitive prices.

276. In all major assembly industries, imports of parts and components are permitted only when local-content requirements are met. The government sets the amount of foreign exchange to be saved by local content substitution and this determines the maximum value of parts to be imported. The foreign exchange saving is fixed as a percentage of the c.i.f. cost of importing the assembled article. As an example, the invoice value of imported parts for trucks may not exceed 40 % of the c.i.f. cost.

277. The following foreign-exchange savings percentages are applied to these industries for the years 1976-1978.

|                                                  | 1976 | 1977   | 1978   |
|--------------------------------------------------|------|--------|--------|
| Agricultural tractors                            | % 60 | % 67.5 | % 75   |
| A. Trucks and pick-ups                           | % 60 | % 65   | % 75   |
| B. Minibuses                                     | % 65 | % 67.5 | % 75   |
| C. Land vehicles                                 | % 52 | % 55   | % 60   |
| D. Trailer tandems                               | % 50 | % 52.5 | % 57.5 |
| A. Intercity buses                               | % 77 | % 78   | % 80   |
| B. Urban buses                                   | % 68 | % 70   | % 75   |
| C. Small buses                                   | % 67 | % 70   | % 75   |
| Cars                                             | % 70 | % 80   | % 90   |
| Harvesters                                       | % 50 | % 55   | % 60   |
| Television sets                                  | % 65 | % 80   | % 90   |
| Radios                                           | % 75 | % 80   | % 90   |
| Record player                                    | % 80 | % 85   | % 90   |
| Tape recorder                                    | % 70 | % 75   | % 80   |
| Calculating machines                             | % 55 | % 70   | % 80   |
| Automatic telephone exchanges<br>up to 200       | % 60 | % 75   | % 85   |
| Automatic telephone exchanges<br>bigger than 200 | % 55 | % 75   | % 85   |
| Semi automatics                                  | % 80 | % 85   | % 90   |
| Telephone sets                                   | % 60 | % 80   | % 95   |

TABLE 88  
FOREIGN INVESTMENT UNDER DECREE NO.17 (Art. 17)<sup>x</sup>

| <u>Sectors</u>                           | <u>Activity Results of These Firms Between 1960-70</u> |                        |                     |                              |                                 |
|------------------------------------------|--------------------------------------------------------|------------------------|---------------------|------------------------------|---------------------------------|
|                                          | <u>Number of Firms</u>                                 |                        |                     |                              |                                 |
|                                          | <u>TOTAL</u>                                           | <u>Profit-<br/>ing</u> | <u>Los-<br/>ing</u> | <u>Retaining<br/>Profits</u> | <u>Transferring<br/>Profits</u> |
| Construction-Contracting                 | 6                                                      | 2                      | 4                   | 1                            | 2                               |
| Mining                                   | 7                                                      | 4                      | 3                   | 2                            | --                              |
| Insurance                                | 18                                                     | 14                     | 4                   | 2                            | 6                               |
| Banking                                  | 7                                                      | 5                      | 2                   | --                           | 5                               |
| Shipping agency                          | 11                                                     | 7                      | --                  | 4                            | 3                               |
| Tobacco purchasing                       | 8                                                      | 3                      | 2                   | 1                            | --                              |
| Printed matter (import,<br>distribution) | 2                                                      | 2                      | --                  | 2                            | --                              |
| Export-Import repre-<br>sentation        | 5                                                      | 2                      | --                  | 2                            | --                              |
| Pharmaceuticals-Chemicals                | 11                                                     | 10                     | 1                   | 7                            | 4                               |
| Electricity-Gas                          | 4                                                      | 4                      | --                  | 1                            | 3                               |
| Representation-Distri-<br>bution         | 9                                                      | 9                      | --                  | 4                            | 5                               |
| Representation-Import                    | 6                                                      | 4                      | 2                   | 3                            | 3                               |
| Food and fodder                          | 3                                                      | 2                      | 1                   | 1                            | 1                               |
|                                          | 97                                                     | 68                     | 19                  | 30                           | 32                              |

(x) These are firms not covered by the Foreign Investment Encouragement Law (6224) or by the Petroleum Law of the early fifties. The decree is meant to cover mainly commercial activities. An interesting detail is the fact that some foreign firms operating in Turkey under Law 6224, pursue additional activities under decree no.17. (For example: Turkish Hoechst, Pfizer, Atlas Copco, Singer, Turkish Philips and G.A. Baker).

Source : T.G. Uras, Research on foreign capital investments in Turkey

TABLE 89  
FOREIGN CAPITAL (Shares in the Manufacturing Industry)

|                                                                           | <u>Within Gross Sales</u> | <u>Within employment</u> |
|---------------------------------------------------------------------------|---------------------------|--------------------------|
| 1. Total Manufacturing Industry                                           | 11.7                      | 6.30                     |
| 2. Total Manufacturing Industry,<br>excluding public sector               | 18.57                     | 9.74                     |
| 3. Only in Activities Open to<br>Foreign Capital                          | 16.42                     | 7.97                     |
| 4. Only in Activities Open to Foreign<br>Capital, excluding Public Sector | 26.84                     | 11.12                    |

Source : T.G. Uras, Research on foreign capital investments in Turkey

278. Foreign Capital plays an important role in the manufacturing industry. It constitutes 11,7% of gross sales of manufacturing industry. With the public sector excluded and in relation to activities open to foreign capital, it represents around 27% of gross sales.
279. Most of the 111 firms under Law 6224 are concentrated in chemicals, metal goods, and electronics. More than half of the firms are from West Germany, U.S.A. and Switzerland as can be seen from table below.

TABLE 90

FIRMS UNDER LAW 6224 BY COUNTRY OF ORIGIN (As of Dec. 31, 1974)

| Country<br>of<br>Origin | No. of<br>Firms | Authorized Foreign Capital |                               |
|-------------------------|-----------------|----------------------------|-------------------------------|
|                         |                 | (TL Millions)              | % of Total<br>Foreign Capital |
| West Germany            | 23              | 299.9                      | 15.28                         |
| U.S.A.                  | 20              | 336.1                      | 17.12                         |
| Austria                 | 7               | 32.9                       | 1.67                          |
| Belgium                 | 5               | 76.9                       | 3.91                          |
| Denmark                 | 5               | 83.6                       | 4.26                          |
| France                  | 8               | 215.4                      | 10.97                         |
| Holland                 | 5               | 102.7                      | 5.23                          |
| United Kingdom          | 5               | 46.5                       | 2.37                          |
| Sweden                  | 1               | 0.05                       | 0.02                          |
| Switzerland             | 16              | 294.7                      | 15.02                         |
| Italy                   | 6               | 193.2                      | 9.84                          |
| Japan                   | 1               | 80.0                       | 4.07                          |
| Canada                  | 1               | 29.8                       | 1.52                          |
| Kuwait                  | 1               | 64.8                       | 3.30                          |
| Venezuela               | 1               | 4.5                        | 0.22                          |
| Mixed                   | 6               | 100.9                      | 5.14                          |
| TOTAL                   | 111             | 1962.3                     | 100.0                         |

TABLE 91

SECTORAL DISTRIBUTION OF FIRMS UNDER LAW 6224 (as of December 31, 1974)

| Sector                                | No. of Firms | Capitalization       |                      |                    |
|---------------------------------------|--------------|----------------------|----------------------|--------------------|
|                                       |              | Total Capital (TL)   | Foreign Capital TL.  | Portion % of Total |
| <b>I. MANUFACTURING INDUSTRY</b>      |              |                      |                      |                    |
| Food, Liquor, Tobacco                 | 8            | 211,479,281          | 136,522,081          | 64.50              |
| Textiles                              | 3            | 29,048,000           | 21,451,000           | 73.84              |
| Paper                                 | 1            | 84,932,397           | 48,717,223           | 57.36              |
| Rubber                                | 1            | 378,000,000          | 222,480,000          | 58.80              |
| Plastic Processing                    | 1            | 9,867,000            | 3,841,277            | 38.93              |
| Chemicals                             | 26           | 559,812,975          | 299,152,205          | 53.40              |
| Glass                                 | 1            | 230,000,000          | 46,000,000           | 20.00              |
| Motor Vehicles                        | 8            | 713,500,000          | 272,565,000          | 38.20              |
| Metal Goods                           | 11           | 368,685,000          | 85,519,770           | 23.19              |
| Machinery Manufacturing               | 6            | 228,031,000          | 88,770,900           | 38.92              |
| Agricultural Implements               | 4            | 463,200,000          | 179,508,540          | 38.70              |
| Electrical Appliances and Electronics | 14           | 455,067,368          | 261,083,179          | 57.30              |
| Cement                                | 3            | 150,000,000          | 45,092,000           | 30.06              |
| Packing and wrapping                  | 1            | 2,100,000            | 1,050,000            | 50.00              |
| Construction Materials                | 1            | 12,000,000           | 57,480               | 0.48               |
| <b>T O T A L</b> .....                | <b>92</b>    | <b>3,895,723,021</b> | <b>1,711,810,655</b> | <b>43.94</b>       |
| <b>II. AGRICULTURE</b>                | <b>1</b>     | <b>2,000,000</b>     | <b>1,020,000</b>     | <b>51.00</b>       |
| <b>III. MINING</b>                    | <b>2</b>     | <b>25,070,000</b>    | <b>24,030,650</b>    | <b>95.85</b>       |
| <b>IV. SERVICES</b>                   |              |                      |                      |                    |
| Tourism                               | 8            | 311,460,675          | 186,070,000          | 59.70              |
| Banking                               | 2            | 203,375,000          | 24,834,800           | 12.21              |
| Research and Engineering              | 4            | 20,500,000           | 7,825,000            | 38.17              |
| Transportation                        | 1            | 4,500,000            | 2,250,000            | 50.00              |
| Supermarketing                        | 1            | 9,000,000            | 4,550,000            | 55.55              |
| <b>T O T A L</b> .....                | <b>16</b>    | <b>584,835,675</b>   | <b>225,529,800</b>   | <b>41.00</b>       |
| <b>GRAND TOTAL</b> .....              | <b>111</b>   | <b>4,471,628,696</b> | <b>1,962,391,105</b> | <b>43.88</b>       |

TABLE 92

SHARE OF FIRMS WITH FOREIGN PARTNERSHIP IN MANUFACTURING INDUSTRY (1973 Percent)

| MANUFACTURING INDUSTRY                      | Gross Revenue | Employment |
|---------------------------------------------|---------------|------------|
| Food Industry                               | 5.16          | 2.39       |
| Beverage Industry                           | 8.71          | 17.21      |
| Textile Industry                            | 1.05          | 0.51       |
| Non-leather Goods and Clothing Industry     | 1.25          | 2.48       |
| Paper and Paper Products Industry           | 3.52          | 0.96       |
| Chemical Industry                           | 46.05         | 24.43      |
| Pharmaceuticals Industry                    | 29.67         | 10.06      |
| Rubber and Tyre Industry                    | 58.53         | 26.55      |
| Plastic Goods Industry                      | 13.42         | 4.71       |
| Glass Industry                              | 13.67         | 4.94       |
| Stone and Earthenware Industry              | 36.97         | 18.88      |
| Metal Goods Industry                        | 13.04         | 5.89       |
| Non-electrical Machinery and Equipment Ind. | 17.86         | 7.39       |
| Electrical Machinery and Equipment          | 40.21         | 31.14      |
| Motor Vehicles                              | 44.21         | 18.34      |

Source : T.G. Uras, Research on foreign capital investments in Turkey

TABLE 93

FIRMS UNDER DECREE NO. 17

| <u>CONSTRUCTION - CONTRACTING</u>                                                              | <u>Date of License</u> |
|------------------------------------------------------------------------------------------------|------------------------|
| Chicago Bridge Ltd.Mersin Branch-Center, London                                                | 1960                   |
| Braitwaite and Co. Engineers Ltd.-Turkish Branch                                               | 1967                   |
| S.A. Hersent-Paris-Ankara Branch                                                               | 1958                   |
| Halliburton Oil Well Cementing Company-Turkish Branch                                          | 1957                   |
| Solel Boneh Ltd.-Israel (Haifa)                                                                | 1955                   |
| Reynolds Construction Co. USA-Wilmington                                                       | 1960                   |
| <u>MINING</u>                                                                                  |                        |
| Türk Maadin A.Ş. (Ottoman-German Mining Co.)                                                   | 1918                   |
| Fethiye Maden T.A.Ş.-Oriental Mining Co. London                                                | 1928                   |
| Wilhelm Grillo Maden Ticareti Ltd.Şti.-Germany                                                 | 1960                   |
| Maden Export Ltd.Şti. Sigmund Jeselsohn-Switzerland                                            | 1953                   |
| Borax Consolidated Ltd. London                                                                 | 1927                   |
| Bursa Toros Kromları (Mining Export Philip Broth-Switzerland)                                  | 1962                   |
| Magnesit Maden Sanayii Ltd.Şti. (Magnesite Mining)                                             | 1961                   |
| <u>INSURANCE</u>                                                                               |                        |
| Vitsan - The London Insurance - London                                                         | 1928                   |
| Vitsan - The British Ock Insurance Co.-London                                                  | 1928                   |
| Milli Reasurans T.A.Ş.-Comp,Suisse De Reassurance-Zurich                                       | 1929                   |
| Guardian Assurance Co.Ltd.-Tahsin Gök,-London                                                  | 1961                   |
| Atlantik Sigorta A.Ş. - Afia, New York                                                         | 1964                   |
| Assicurazigni Generali - Trieste                                                               | 1927                   |
| Nordstern Umumi Sigorta A.Ş. Koln                                                              | 1928                   |
| Bankers and Traders Insurance Co.Ltd.-Sydney                                                   | 1964                   |
| Mag Magdeburger Insurance Company-Germany                                                      |                        |
| La Baloise Nakliyat Sigorta Şirketi-Switzerland                                                |                        |
| Aachener-Munchener Feerverver Sicherungsgesellschaft-F. Germany                                | 1918                   |
| Mann Heimer Versicherungsgesellschaft-F. Germany                                               |                        |
| Riunione Adriatica Di Sigurta - Trieste                                                        | 1930                   |
| La Suisse Umum Sigorta A.Ş. - Switzerland                                                      | 1927                   |
| La Baluaz Yangın Sigorta - Switzerland                                                         | 1934                   |
| L'Union Des Assurances De Paris (Fire-Accident)                                                | 1898                   |
| L'Union Des Assurances De Paris (Life)                                                         | 1916                   |
| Assicurazioni Generali-Trieste/Erste Allgemeine Unfall<br>Viyana, (Istanbul Umum Sigorta A.Ş.) | 1893                   |
| <u>BANKING</u>                                                                                 |                        |
| Banco Di Roma - Rome                                                                           | 1911                   |
| Deutsche Orientbankdresdner Bank Branch (Istanbul)-Berlin                                      | 1911                   |

|                                                                    |      |
|--------------------------------------------------------------------|------|
| Deutsche Bank Istanbul Branch - Berlin                             | 1863 |
| Osmanlı Bankası (Ottoman Bank - London)                            |      |
| Selanik Bankası T.A.Ş.-Paris Uluslararası Endüstri ve Ticaret Bank | 1888 |
| Hollantse Bank-Uni N.V. - Holland                                  | 1921 |
| Bonka Komerciyale Italyana - Milano                                | 1925 |

SHIPPING-TOURISM AGENCY

|                                                         |      |
|---------------------------------------------------------|------|
| American Bureau of Shipping - Istanbul Branch           | 1957 |
| Adriatica - Italy                                       | 1937 |
| Club Mediterranee S.A. - Paris                          | 1968 |
| W.F. Henry Van Der Zee and Co. N.V. - Holland           | 1793 |
| Comp. Int. Des Wagons-Lits Et Du Tourisme - Brussels    | 1923 |
| Marmara Deniz Nakliyatı Ltd.Şti.-H.Schuldt-Hamburg      | 1953 |
| Augustin Joseph Catoni - England                        | 1961 |
| Anadolu Deniz Acentalığı Ltd.Şti.-Transmarin-Hamburg    | 1968 |
| Compagnie De Transports Oceaniques - Paris              |      |
| Comptoir Algerian Du Lavant - Gazairi Transport -Beirut | 1963 |
| J.V. Vittoll and Co. Ltd. England                       | 1918 |
| Austro-Turk Tutun A.Ş./Tabakregie G.M.B.H.-Austria      | 1948 |
| Glen Tobacco Comp.Inc. - Ninston-Salem-N.C. USA         | 1921 |
| Felement Turk-Tütün A.Ş. - Holland                      | 1975 |
| Socotab Leaf Tobacco Co.Inc. - New York                 | 1963 |
| Gerı Tobacco Company - USA                              | 1923 |
| The Standard Commercial Tobacco Co. Inc. - USA          | 1962 |
| Socotex S.A. Exportation-Importation - Switzerland      | 1964 |
| The American Tobacco Company of the Orientic - USA      | 1923 |

PRINTED MATTER (IMPORT -DISTRIBUTION)

|                                |      |
|--------------------------------|------|
| Librairie Hachette - Paris     | 1929 |
| Grolier Internationaling - USA | 1969 |

EXPORT - IMPORT - REPRESENTATION

|                                                         |      |
|---------------------------------------------------------|------|
| Bremar Ticaret A.Ş.                                     | 1959 |
| Bunge Ticaret Ltd. Şti.-Bunge Attiengesellschaft-Zurich | 1954 |
| Tisra Ticaret A.Ş./Turon Ltd.Şti. - Tel - Aviv          | 1960 |
| Macandrews and Forbes Company - USA                     | 1910 |
| Handels Kontor Ltd. Şti./ Handelskontor - Wiesbaden     | 1964 |

PHARMACEUTICALS - CHEMICALS

|                                                                  |      |
|------------------------------------------------------------------|------|
| Imperial Chemical Industries Ltd.Şti - London                    | 1931 |
| Yılbank Ticaret A.Ş.-Dr. A.Wander/Levant S.A. Lugano-Switzerland | 1947 |
| Kimyanil Ltd. Şti/Farbenfabriken Bayer A.G. F. Germany           | 1966 |
| Maden Kimya Ltd.Şti/Montecatini, Milano                          | 1962 |
| Basf Turk Boya Ltd. Şti./BASF - F. Germany                       | 1954 |
| Organon İlaçları A.Ş./Organon - Holland                          | 1964 |
| Atlantis (Levant)Ltd/Levant S.A. Lugano-Switzerland              | 1936 |

|                                                     |      |
|-----------------------------------------------------|------|
| Glaxo Müstahzarları A.Ş./Glaxo Group Ltd. - England | 1959 |
| Sterling Products Int. Ing. New York                | 1964 |
| Türk Hoechst T.A.Ş./Hoechst, G. Germany             | 1954 |
| Pfizer İlaçları A.Ş./Pfizer USA                     | 1957 |

ELECTRICITY - GAS

|                                                        |      |
|--------------------------------------------------------|------|
| Sınai Tatbikat T.A.Ş. - L'Hydro-Energie-Paris          | 1973 |
| Türk Anonim Gaz Şirketi/Energie Industrielle-France    | 1914 |
| Milangaz Ticaret ve Sanayi A.Ş./Raffaele Weissy-Milano | 1964 |
| S.A. Elettificazione (Sae) Milano                      | 1954 |

REPRESENTATION - DISTRIBUTION

|                                                            |      |
|------------------------------------------------------------|------|
| IBM Türk Ltd.Şti. USA                                      | 1938 |
| Atlas Copco T.A.Ş. - Sweden                                | 1950 |
| SKF Bilyeli Rulmanları Ltd.Şti. - Sweden                   | 1929 |
| The Singer Manufacturing Co. - USA                         | 1904 |
| Aga Endüstri Mamulleri Ltd.Şti. - Aga Aktiebolag - Holland | 1964 |
| Sandvik İstanbul Ticaret Ltd.Şti. - Sweden                 | 1966 |
| Türk Philips Ticaret A.Ş./Philips - Holland                | 1953 |
| Medravo/Volt N.V. -Holland                                 | 1955 |
| Ericson Türk Ticaret Ltd.Şti. - Sweden                     | 1953 |

REPRESENTATION - IMPORT

|                                                           |      |
|-----------------------------------------------------------|------|
| G.A. Baker Ltd. England                                   | 1919 |
| NCR/National Mukayyit Kasaları A.Ş.                       | 1964 |
| Pil Batarya Sanayii T.A.Ş. (Berec-Kivi) Everready-England | 1954 |
| Massey Ferguson Traktör Sanayii A.Ş./M.F., Canada         | 1969 |
| Emi-Gramafor Ltd.Şti. England                             | 1929 |
| Eaton Yale Towne A.Ş. - England                           | 1969 |

FOOD-FODDER

|                                                        |      |
|--------------------------------------------------------|------|
| Nestle Mamulatu İhracat Şirketi (Nestle Switzerland)   | 1927 |
| Güneşli Koçman Tavuk Çiftliği Ltd. Ştib (Chicken Farm) | 1966 |
| Abic Yem Sanayii (Fodder İnd)                          | n.a. |

Source : T. G. Uras, Research on foreign capital investments  
in Turkey

TABLE 94  
FOREIGN CAPITAL FIRMS OPERATING

UNDER LAW 6224

(As Jan. 1976)

| Firms                                           | Foreign<br>Capital<br>TL.'000 | For.Capt/<br>Total Capt<br>(%) | Total<br>Capital<br>TL.'000 |
|-------------------------------------------------|-------------------------------|--------------------------------|-----------------------------|
| Altinyunus Çeşme Turistik Tes. A.Ş.             | 12.500                        | 25                             | 50.000.000                  |
| Abbot Laboratories Compania Anonima             | 4.500                         | 100                            | 4.500.000                   |
| Auer İmalat A.Ş.                                | 1.805                         | 50                             | 3.611.200                   |
| Agro-Merck Zirai Müc.İlaç,Ltd.Şti.              | 6.000                         | 50                             | 12.000.000                  |
| Anadolu Çimentoları T.A.Ş.                      | 22.692                        | 56                             | 40.000.000                  |
| Apax Kimyevi Maddeler İmalatı A.Ş.              | 269                           | 36                             | 738.000                     |
| R.E.G. Eti Elektrik Endüstrisi                  | 30.600                        | 51                             | 60.000.000                  |
| Akdeniz Gübre Sanayii A.Ş.                      | 64.800                        | 40                             | 162.000.000                 |
| Atlas Copco Makineleri A.Ş.                     | 7.236                         | 67                             | 10.800.000                  |
| Akdeniz Turistik Tesisleri A.Ş.                 | 33.750                        | 75                             | 45.000.000                  |
| Anadolu Cam Sanayii A.Ş.                        | 45.544                        | 13                             | 350.000.000                 |
| Birleşik Alman İlaç Fab. Ltd.Şti.               | 20.522                        | 77                             | 26.480.000                  |
| Bayer Tarım İlaçları San. Ltd.Şti.              | 42.000                        | 100                            | 42.000.000                  |
| Böhler Sert Maden ve Tar.San.ve Tic.            | 3.003                         | 34                             | 8.835.000                   |
| BMC Sanayi ve Ticaret A.Ş.                      | 28.600                        | 26                             | 110.000.000                 |
| Bayer Türk Kimya Sanayi Ltd.Şti.                | 7.200                         | 100                            | 7.200.000                   |
| Baştaş Birleşik Aydın.San.ve Tic.A.Ş.           | 11.760                        | 49                             | 24.000.000                  |
| Basf-Sümerbank Türk Kimya San.A.Ş.              | 36.000                        | 60                             | 60.000.000                  |
| Beynelmillel Turizm Otelcilik A.Ş.              | 1.890                         | 70                             | 2.700.000                   |
| Bimaş-Birleşik İnşaat ve Müh. A.Ş.              | 1.600                         | 40                             | 4.000.000                   |
| Böhler Kaynak Çubukları Elek.A.Ş.               | 674                           | 33                             | 2.000.000                   |
| Borg-Wagner Corporation                         | 16.200                        | 60                             | 27.000.000                  |
| Borusan Gemlik Boru Tesisleri A.Ş.              | 6.000                         | 10                             | 60.000.000                  |
| Carlo Erba İlaç Fab.Ltd.Şti.                    | 12.931                        | 100                            | 12.931.000                  |
| Chrysler Sanayi A.Ş.                            | 60.000                        | 60                             | 100.000.000                 |
| Cecat Perlit ve San. A.Ş.                       | 279                           | 21                             | 1.300.000                   |
| Cetko San ve Tic. A.Ş.                          | 3.060                         | 51                             | 6.000.000                   |
| Çinef Çiçek ve Nebatat Esansları                | 2.320                         | 75                             | 6.000.000                   |
| Çukurova Makina İmalât A.Ş.                     | 10.620                        | 10                             | 100.000.000                 |
| Continental Export                              | 2.250                         | 50                             | 4.500.000                   |
| Ciba Geigy İlaç San. A.Ş.                       | 3.000                         | 75                             | 4.000.000                   |
| Coca-Cola Export Corporation                    | 38.395                        | 100                            | 38.395.281                  |
| Dyo ve Sadolin Sentetik ve Selüloz<br>Boya A.Ş. | 4.000                         | 40                             | 10.000.000                  |
| Dewilux Komandit Şirketi                        | 1.500                         | 33                             | 4.500.000                   |
| Derby Plastik Fab. A.Ş.                         | 3.841                         | 38                             | 9.867.000                   |
| Dosan Konserve San ve Tic. A.Ş.                 | 5.000                         | 14                             | 35.000.000                  |

| Firms                                              | Foreign<br>Capital<br>TL.'000 | For.Capt/<br>Total Capt<br>(%) | Total<br>Capital<br>TL.'000 |
|----------------------------------------------------|-------------------------------|--------------------------------|-----------------------------|
| Elektrik Kömürleri Ltd. Şti.                       | 878                           | 33                             | 2.634.000                   |
| Er. Squib Sons İlaçları A.Ş.                       | 6.427                         | 92                             | 6.973.406                   |
| Etitaş Elektrik Tesisatı İma.Tic.A.Ş.              | 2.658                         | 24                             | 16.686.000                  |
| Eternit San. A.Ş.                                  | 24.000                        | 30                             | 80.000.000                  |
| General Elektrik Türk A.O.                         | 8.250                         | 66                             | 12.500.000                  |
| Grasso Soğuk Hava Tesisleri A.Ş.                   | 4.500                         | 75                             | 6.000.000                   |
| Good Year Lastikleri Türk A.Ş.                     | 71.280                        | 66                             | 108.000.000                 |
| Hickson Emprenya Maddeleri                         | 379                           | 33                             | 1.150.000                   |
| Himtaş Hidrolik İşler Müh.İnş.Tic.A.Ş.             | 250                           | 20                             | 1.200.000                   |
| İstanbul Turizm ve Otelcilik A.Ş.                  | 122.230                       | 55                             | 220.000.000                 |
| İstanbul Talih Oyunları Ltd.Şti.                   | 2.700                         | 95                             | 2.835.000                   |
| Kavel Kablo ve Elekt. Malz. A.Ş.                   | 19.800                        | 48                             | 42.250.000                  |
| Kervansaray A.Ş.                                   | 14.500                        | 100                            | 14.500.000                  |
| Kortenbach İstanbul Şemsiye A.Ş.                   | 5.000                         | 50                             | 10.000.000                  |
| Luxor Lamba Fitol İmalatı Ltd.Şti.                 | 1.350                         | 90                             | 1.500.000                   |
| Mannesman-Sümerbank Boru End. T.A.Ş.               | 28.312                        | 57                             | 49.550.000                  |
| Madeni İnş.İşleri T.A.Ş.                           | 292                           | 1                              | 25.000.000                  |
| Mengerler Yatırım Holding A.Ş.                     | 24.455                        | 60                             | 40.759.000                  |
| Metalium Ltd. Şti.                                 | 1.050                         | 50                             | 2.100.000                   |
| Magnesit A.Ş.                                      | 20.000                        | 100                            | 20.000.000                  |
| MAN Kamyon Otobüs A.Ş.                             | 16.300                        | 30                             | 54.000.000                  |
| Makine Takım A.Ş.                                  | 6.517                         | 26                             | 25.000.000                  |
| Mako San ve Tic. A.Ş.                              | 36.550                        | 43                             | 85.000.000                  |
| Muş Meyan Kökü San. ve Tic. A.Ş.                   | 6.264                         | 26                             | 24.000.000                  |
| Naylon Teks. Tic ve San. A.Ş.                      | 400                           | 6.                             | 8.000.000                   |
| Northern Elektrik Telekomünikas.A.Ş.               | 51.000                        | 51                             | 100.000.000                 |
| Nasaş Alüminyum San. ve Tic. A.Ş.                  | 22.650                        | 15                             | 160.000.000                 |
| Oerlikon Kaynak Elek ve Çubuk San. A.Ş.            | 200                           | 10                             | 2.000.000                   |
| Otomarsan Otobüs ve Motorlu Araç. A.Ş.             | 9.540                         | 36                             | 26.500.000                  |
| Oyak-Renault Otomobil Fab. A.Ş.                    | 112.200                       | 44                             | 255.000.000                 |
| P. Robertat ve S. Konur Gülyağı<br>ve İtiryat San. | 250                           | 50                             | 500.000                     |
| Pfizer İlaçları A.Ş.                               | 2.519                         | 60                             | 4.174.000                   |
| Pepsi Cola Mamulleri Ltd.Şti.                      | 1.134                         | 100                            | 1.134.000                   |
| Permaşarp Çelik San. A.Ş.                          | 540                           | 15                             | 3.600.000                   |
| Roche Müstahzarları San. Ltd,Şti,                  | 39.720                        | 100                            | 39.720.000                  |
| Sace Elektrik A.Ş.                                 | 1.575                         | 11                             | 14.000.000                  |
| Santral Dikiş San. A.Ş.                            | 14.661                        | 75                             | 19.548.000                  |
| Sandoz İlaç San. A.Ş.                              | 8.000                         | 80                             | 10.000.000                  |
| Singer Sanayii A.Ş.                                | 20.414                        | 99                             | 20.500.000                  |
| Simko Tic. ve San.A.Ş.                             | 6.885                         | 51                             | 13.500.000                  |
| Sifaş Sentetik İplik Fab. A.Ş.                     | 12.043                        | 11                             | 104.000.000                 |
| Siirt Sanayi, Tic. ve Turizm A.Ş.                  | 6.264                         | 26                             | 24.000.000                  |

| Firms                                  | Foreign<br>Capital<br>TL.'000 | For.Capt/<br>Total Capt<br>(%) | Total<br>Capital<br>TL.'000 |
|----------------------------------------|-------------------------------|--------------------------------|-----------------------------|
| Sandoz Kimya San.Ltd.Şti.              | 7.078                         | 100                            | 7.078.642                   |
| Turyağ Türkiye Yağ Mamulâtı San. A.Ş.  | 23.252                        | 58                             | 40.000.000                  |
| Türkiye Çimento San. A.Ş.              | 8.000                         | 10                             | 80.000.000                  |
| Türmasan Türk Maden San.A.Ş.           | 118                           | 43                             | 271.186                     |
| Türk Traktör Ziraat Makinaları A.Ş.    | 17.500                        | 25                             | 70.000.000                  |
| Türk Philips San.A.Ş.                  | 38.766                        | 100                            | 38.766.234                  |
| Türk Boraks Madencilik A.Ş.            | 3.147                         | 79                             | 3.958.742                   |
| Tohum İslah Üretme A.Ş.                | 1.020                         | 51                             | 2.000.000                   |
| Türk Hoecsht San. Tic. A.Ş.            | 16.865                        | 93                             | 18.000.000                  |
| Türk Robert Bosch                      | 24.455                        | 60                             | 40.759.000                  |
| Türk Pirelli Lastikleri A.Ş.           | 61.200                        | 51                             | 120.000.000                 |
| Türk Henkel Kimyevi Maddeler San. A.Ş. | 3.000                         | 66                             | 4.500.000                   |
| Türk Kablo A.Ş.                        | 34.720                        | 62                             | 56.000.000                  |
| Türk Ytong San. A.Ş.                   | 600                           | 5                              | 12.000.000                  |
| Türk Siemens Kablo ve Elektr. San.A.Ş. | 41.300                        | 59                             | 70.000.000                  |
| Türkiye Sınai Kalkınma Bankası A.Ş.    | 22.342                        | 5                              | 425.425.000                 |
| Turtel Turistik Tesisler Ltd. Şti.     | 4.200                         | 74                             | 5.675.675                   |
| Tütünteks Tic. A.Ş.                    | 2.250                         | 75                             | 3.000.000                   |
| Türk Otomotiv Endüstri A.Ş.            | 15.075                        | 10                             | 150.000.000                 |
| Türk General Elekt. End.A.Ş.           | 19.227                        | 51                             | 37.700.000                  |
| The Coca-Cola Export İst.Şb.           | 38.395                        | 100                            | 38.395.000                  |
| Türk Tuborg Malt San. A.Ş.             | 21.000                        | 60                             | 35.000.000                  |
| Tofaş Türk Otomobil Fab. A.Ş.          | 186.750                       | 41                             | 450.000.000                 |
| Tudor-EAS A.Ş.                         | 4.900                         | 49                             | 10.000.000                  |
| Tümaş Türk Müh.Müt.Müş.A.Ş.            | 2.400                         | 40                             | 6.000.000                   |
| Türk Alman Turizm A.Ş.                 | 25.500                        | 67                             | 37.750.000                  |
| Tüstaş Sınai Tesisleri A.Ş.            | 2.625                         | 35                             | 7.500.000                   |
| Türk Dış Ticaret Bankası               | 2.500                         | 25                             | 10.000.000                  |
| Unilever İş Tic. ve San.Ltd.Şti.       | 44.760                        | 80                             | 55.950.000                  |
| Uniroyal Endüstri Türk A.Ş.            | 90.000                        | 60                             | 150.000.000                 |
| Unitherm Universal Isı Tekniği A.Ş.    | 792                           | 35                             | 2.222.000                   |
| Wyeth Laboratuvarları A.Ş.             | 13.745                        | 99                             | 14.000.000                  |
| Viking Kağıt Selüloz San. A.Ş.         | 48.717                        | 56                             | 86.917.436                  |
| Vanlack Ltd. Şti.                      | 5.440                         | 68                             | 8.000.000                   |
| Nissan Motor Co.                       | 80.000                        | 40                             | 200.000.000                 |
| Ford Motor                             | 10.197                        | 31                             | 32.200.000                  |
| Miba Sinter Metal                      | 5.520                         | 46                             | 12.000.000                  |
| Sabri Tıgılı                           | 5.150                         | 46                             | 11.000.000                  |
| Mototrak (Agraria-Werke)               | 36.000                        | 50                             | 72.000.000                  |
|                                        | 2.254.794                     | 40                             | 5.522.333.135               |

Source : T. G. Uras, Research on foreign capital investments  
in Turkey

## CHAPTER X

### GOVERNMENT FINANCE

280. The 1976 budget passed through Parliament with a deficit of TL. 9.7 billion.
281. Total regular revenues of the budget are estimated to increase by 42 % with tax revenue to increase 36 %. (See table 96)
282. The projected increase in regular non-tax revenues (93.3 %) is expected from the doubling of charges "called state rights" (from petroleum and minerals), tripling of penalties on delayed taxes, traffic defaults and from almost tripling of "other revenues".
283. The revenues from special funds including foreign project credits are expected to increase by nearly TL. 3 billion in 1976. Moreover, government revenue from Turkish Monopolies' Price increases (which was nil last year) is estimated to yield TL. 1,017 in 1976. On the other hand, the amount to be turned over to budget revenue accounts from the social security fund of government employees (MEYAK) is estimated to decline from TL. 90m in 1975 to TL. 3m in 1976. Also the amount from the "fuel price stabilization fund" will decline from TL. 1,400 m in 1975 to TL.50 m in 1976.
284. Total expenditures are to increase by 32 % (allowing for the 2% reduction enacted by the Parliament) with current expenditures to increase by 30.9 %, investments are to increase 64.9 percent and transfer payments will increase 17.7 %.
285. Table gives a list of funds which constitute 44 % of total Ministry of Finance expenditures, and 68 % of total transfer payments in 1976. Some of the funds listed in this table are new, i.e., they have been set up in 1976. Funds listed in this table which amounted to TL 4,857.6 m in 1975, made a total of TL. 13,365 m (up by 175.1 percent) with the addition of eight new funds that amounted to TL 4,060 m. The most notable of these are the TL 2 billion fund for the 26 heavy industrial investment projects, and the TL 850 m fund to increase investments in backward regions. The former is for land purchases, capital outlay and project expenditures of the 26 projects. The latter enhances the Lower Euphrates Basin Development Project - a very important project to help solve the water problem in Syria and Iraq as well as in Eastern Turkey.

TABLE 95

IMPORTANT TRANSFER FUNDS

|                                                                                  | <u>B U D G E T (TL Million)</u> |                 |
|----------------------------------------------------------------------------------|---------------------------------|-----------------|
|                                                                                  | <u>1975</u>                     | <u>1976</u>     |
| <u>The Ministry of Finance Transfer Funds</u>                                    |                                 |                 |
| Transfers to SEE's                                                               | 3,457.6                         | 8,805.5         |
| To meet unforeseen price rises                                                   | 400.0                           | 100.0           |
| To speed investments                                                             | 200.0                           | 100.0           |
| Fund to increase higher education capacity                                       | 50.0                            | 100.0           |
| To meet additional expenses of collective bargaining expenditures                | 100.0                           | 100.0           |
| For unexpected expenditures                                                      | 10.0                            | 10.0            |
| Project credits to be lent abroad                                                | 25.0                            | 25.0            |
| For TL expenditures of projects financed by foreign borrowing                    | 10.0                            | 10.0            |
| For establishment and development of 6 new architecture and engineering colleges |                                 | 50.0            |
| To increase investments in backward regions                                      |                                 | 850.0           |
| For general health insurance                                                     |                                 | 400.0           |
| For old-age insurance for those outside the Social Security scheme               |                                 | 200.0           |
| For agricultural insurance                                                       |                                 | 300.0           |
| The earthquake fund                                                              | 5.0                             | 5.0             |
| Sub-Total                                                                        | <u>4,257.6</u>                  | <u>11,055.5</u> |
| <u>B. Other Financial Transfer Funds</u>                                         |                                 |                 |
| For expenditures required by Government Personnel Law                            | 600.0                           | 50.0            |
| For development of a commercial fleet                                            |                                 | 250.0           |
| Fund to meet profit guarantee expenditures                                       |                                 | 10.0            |
| Heavy industry investment fund                                                   |                                 | 2,000.0         |
| Sub-Total                                                                        | <u>600.0</u>                    | <u>2,310.0</u>  |
| <u>C. Other Selected Transfers</u>                                               |                                 |                 |
| Transfers to municipalities                                                      | 128.0                           | 165.0           |
| Transfers to the selective credit fund (export subsidy)                          | 550.0                           | 556.0           |
| Credit advances to commerce and industry                                         | 1,500.0                         | 1,500.0         |
| Government debt service                                                          | 9,738.3                         | 10,139.4        |
| of which                                                                         |                                 |                 |
| -- export tax rebates                                                            | (1,200.0)                       | (1,170.2)       |
| -- domestic debt interest                                                        | (2,380.9)                       | (2,229.5)       |
| -- foreign debt interest                                                         | (1,289.8)                       | (1,551.6)       |
| -- domestic debt principle                                                       | (2,350.4)                       | (2,352.1)       |
| -- foreign debt principle                                                        | (1,334.1)                       | (1,619.5)       |
| Sub-Total                                                                        | <u>11,916.3</u>                 | <u>12,360.4</u> |
| Grand Total                                                                      | 16,773.9                        | 25,725.9        |
| -- % of Total Ministry of Finance Expenditures                                   | 38%                             | 44%             |
| -- % of Total Transfer Expenditures                                              | 52%                             | 68%             |

286. On the other hand, a total of TL 900 million has been allocated in 3 new social welfare funds, namely, the general health insurance fund, the old age pension fund for those not covered by existing social security schemes, and the agricultural insurance against natural disasters.
287. Other selected transfer items included in the table are: transfers to municipalities which increased by about 29%, and export subsidies that were kept about the same-while investors in export industries were also ruled to benefit from selective credit instead of only actual exporters, as was the case before. Government debt service increased by a mere 4 %, but constitutes about half on the transfer items for 1976 listed in Table 95 .

TABLE 96  
FINANCING OF THE BUDGET (TL Million-Percent)

|                                        | 1975 (1)           | 1976 (1)           | % Change     |               |
|----------------------------------------|--------------------|--------------------|--------------|---------------|
|                                        |                    |                    | 1975/74      | 1976/75       |
| <u>A. Revenues</u>                     | <u>100,150 (2)</u> | <u>142,253</u>     | <u>43.5</u>  | <u>42.0</u>   |
| 1. Direct taxes                        | 40,800             | 55,900             | 37.0         | 37.0          |
| 2. Indirect taxes                      | <u>48,290</u>      | <u>65,100</u>      | <u>38.3</u>  | <u>34.8</u>   |
| Total Tax Revenue                      | 89,090             | 121,000            | 37.7         | 35.8          |
| 3. Regular non-tax revenue             | 7,527              | 14,553             | 98.9         | 93.3          |
| 4. Special revenues and funds          | 1,233              | 4,167              | - 6.4        | 237.9         |
| 5. Annexed budget net receipts         | 2,300              | 2,533              | 42.3         | 10.1          |
| <u>B. Expenditures</u>                 | <u>115,000 (3)</u> | <u>151,990 (4)</u> | <u>53.3</u>  | <u>32.2</u>   |
| 1. Current                             | 60,000             | 78,534             |              | 30.9          |
| 2. Investment                          | 23,000             | 37,940             |              | 64.9          |
| 3. Transfers                           | 32,000             | 37,676             |              | 17.7          |
| <u>C. Deficit (A-B)</u>                | <u>- 14,860</u>    | <u>- 9,737</u>     | <u>184.7</u> | <u>- 34.5</u> |
| Financing of Deficit :                 |                    |                    |              |               |
| 1. State bonds                         | 3,000              | 12,000 (4)         | - 16.7       | 400.0         |
| 2. Short-term borrowing (residual) (5) | 11,860             |                    | 633.9        |               |
| Tax Revenue as % of Expenditures       | 77.0 (3)           | 79.0               |              |               |
| Tax Revenue as % of GNP                | 16.9               | 20.8               |              |               |
| Expenditure as % of GNP                | 21.9               | 26.1               |              |               |

- (1) 1974, 1975 provisional data; 1976 Budget Law.  
 (2) 1975 budget revenue estimate was TL 102,460 m.  
 (3) This amount may be lower due to the 1% across the board reduction.  
 (4) Represents the deficit without the 2% expenditure cut.  
 (5) This may be deferred payments, Central Bank advances, Treasury bulls and other undisclosed sources.

Review of Tax Revenues: 1973-1975

288. Revenues of the Consolidated Budget have increased at a yearly average of 25 % during 1970-1975 while tax revenues have increased at 31 % per annum during the same period.
289. The tables below give detailed revenue figures for the last three years under five tax categories, as well as elasticities and tax burden for each of them.

TABLE 97

TAX REVENUES  
(Consolidated Budget)  
1973-1975

| Tax Revenue              | 1973   | 1974   | 1975   | (Million TL.) |       |       |
|--------------------------|--------|--------|--------|---------------|-------|-------|
|                          |        |        |        | % Increases   |       |       |
|                          |        |        |        | 73/72         | 74/73 | 75/74 |
| Income taxes             | 21.471 | 29.336 | 40.850 | 47.4          | 36.6  | 39.2  |
| Wealth taxes             | 570    | 725    | 1.000  | 11.9          | 27.2  | 37.9  |
| Taxes from goods         | 12.460 | 13.070 | 18.900 | 24.8          | 4.8   | 44.6  |
| Taxes from services      | 5.843  | 7.300  | 9.250  | 25.2          | 24.9  | 26.7  |
| Taxes from foreign trade | 11.614 | 14.550 | 18.750 | 25.1          | 25.3  | 28.9  |
| Total Tax Revenue        | 51.958 | 64.981 | 88.750 | 33.1          | 25.1  | 36.6  |

Source: Maliye Bakanlığı Bütçe Yıllığı 1974.

TABLE 98

GNP, GDP AND TAX REVENUES (Yearly % Increases)

|      | GNP  | GDP<br>(import taxes<br>excluded) | Tax<br>Revenues | Wholesale<br>Price<br>Index | GNP<br>Deflator | Average<br>wage<br>per worker <sup>1/</sup> |
|------|------|-----------------------------------|-----------------|-----------------------------|-----------------|---------------------------------------------|
| 1973 | 29.8 | 28.3                              | 33.1            | 20.5                        | 22.5            | 20.4                                        |
| 1974 | 36.4 | 37.3                              | 25.1            | 29.8                        | 26.4            | 27.6                                        |
| 1975 | 25.6 | 26.6                              | 36.6            | 10.1                        | 16.3            | 29.7                                        |

1/ Percentages calculated from figures of the largest 100 firms.

TABLE 99

ELASTICITIES OF TAX REVENUES

|                             | 1 9 7 3 |      | 1 9 7 4 |      | 1 9 7 5 |      |
|-----------------------------|---------|------|---------|------|---------|------|
|                             | GNP     | GDP  | GNP     | GDP  | GNP     | GDP  |
| Income Taxes                | 1.59    | 1.67 | 1.00    | 0.98 | 1.53    | 1.47 |
| Wealth Taxes                | 0.40    | 0.42 | 0.75    | 0.73 | 1.48    | 1.42 |
| Taxes on Goods              | 0.83    | 0.88 | 0.13    | 0.13 | 1.74    | 1.68 |
| Taxes on Services           | 0.85    | 0.89 | 0.68    | 0.67 | 1.04    | 1.00 |
| Taxes from Foreign<br>Trade | 0.84    | 0.89 | 0.69    | 0.68 | 1.13    | 1.09 |
| Total Tax Revenues          | 1.11    | 1.17 | 0.69    | 0.67 | 1.43    | 1.38 |

TABLE 100

TAX BURDEN AS % OF GNP AND GDP

|                             | 1 9 7 3 |      | 1 9 7 4 |      | 1 9 7 5 |      |
|-----------------------------|---------|------|---------|------|---------|------|
|                             | GNP     | GDP  | GNP     | GDP  | GNP     | GDP  |
| Income Taxes                | 7.0     | 7.6  | 7.0     | 7.6  | 7.7     | 8.3  |
| Wealth Taxes                | 0.2     | 0.2  | 0.2     | 0.2  | 0.2     | 0.2  |
| Taxes on Goods              | 4.0     | 4.4  | 3.1     | 3.4  | 3.6     | 3.9  |
| Taxes on Services           | 1.9     | 2.1  | 1.7     | 1.9  | 1.8     | 1.9  |
| Taxes from Foreign<br>Trade | 3.8     | 4.1  | 3.5     | 3.8  | 3.6     | 3.8  |
| Total Tax Revenues          | 16.9    | 18.4 | 15.5    | 16.8 | 16.8    | 18.1 |

TABLE 101

THE 10 LDCs THAT OWE BANKS THE MOST AND TURKEY

| Country                                     | Long-term<br>bank debt | Total<br>external depbt |
|---------------------------------------------|------------------------|-------------------------|
| <u>1975 estimate in millions of dollars</u> |                        |                         |
| Brazil                                      | § 3,032                | § 11,000                |
| Mexico                                      | 2,936                  | 8,000                   |
| Greece                                      | 1,421                  | 3,000                   |
| Argentina                                   | 815                    | 3,700                   |
| Zaire                                       | 775                    | 1,600                   |
| Peru                                        | 703                    | 2,200                   |
| Chile                                       | 573                    | 3,375                   |
| Spain                                       | 557                    | 4,000                   |
| Korea                                       | 460                    | 5.500                   |
| Israel                                      | 453                    | 6,000                   |
| Turkey                                      | 55                     | 5,775                   |

TABLE 102

BREAK-DOWN OF FOREIGN DEBT

|                               | %             |
|-------------------------------|---------------|
| A) Principles                 |               |
| 1. General Budget             | 84,32         |
| 2. State Economic Enterprises | 7,70          |
| 3. Private Sector             | 7,84          |
| 4. Consolidated Debts         | 0,14          |
|                               | <u>100,00</u> |
| B) Interest                   |               |
| 1. General Budget             | 84,03         |
| 2. State Economic Enterprises | 9,73          |
| 3. Private Sector             | 6,22          |
| 4. Consolidated Debts         | 0,02          |
|                               | <u>100,00</u> |

Foreign Debt

290. When the Consortium for Aid to Turkey was set up in 1962, Turkey had just emerged from a foreign debt crisis which could only be overcome through an international agreement on the consolidation of the country's commercial debt (1959 Paris Agreement). Recovery was a long process but was steadily achieved. The Plans even envisaged that Turkey would attain external viability by 1977. But structural weaknesses in the economy, including lack of weight borne by Turkish exports, did not allow this aim to be realized. In fact pressure of foreign exchange shortages continued to be the chronic problem of the Turkish Economy. The large amount of workers' remittances that flowed into Turkey the last three years decreased the pressure of foreign exchange shortages on the balance of payments and Turkey's external trade. But they have started to decrease steadily in 1975.
291. Turkey is also borrowing in short-term loans from the Euro-market TL convertible deposits being one such source (Table 103). The grace period for many of her long-term debts will soon be over, increasing her annual debt service burden. (Table 104) gives Turkey's repayment plan for debts outstanding by the end of 1975, to be scheduled between 1976-2022.

TABLE 103

SHORT TERM BORROWING FROM COMMERCIAL BANKS

|                           | <u>TOTAL</u>            | <u>%</u>   |
|---------------------------|-------------------------|------------|
| Up to 6 months            | 163 million \$          | 15,0       |
| Up to 1 year              | 381 million \$          | 35,0       |
| Up to 2 years             | 326 million \$          | 30,0       |
| Up to 3 years             | 106 million \$          | 9,7        |
| Up to 4 years             | 57 million \$           | 5,2        |
| Up to 5 years and<br>more | 55 million \$           | 5,1        |
| <b>TOTAL</b>              | <b>1.088 million \$</b> | <b>100</b> |

292. At present, Turkey's balance of payments deficit continues to increase. Although increasing exports is the best answer to the solution of this problem in the long-run, the magnitude of the deficit has reached a level that requires some other measures for the present. The government also sought to relieve the pressure exerted by this shortage via short-term borrowing abroad. That, however, is likely to prove a source of difficulties in the near future.

TABLE 104  
FOREIGN DEBT AS OF SEPT.1975 AND REPAYMENT SCHEDULE (§ Mil.)

|                 | <u>Principle</u> | <u>Interest</u> | <u>Total</u>   |
|-----------------|------------------|-----------------|----------------|
| 1975 (3 months) | 70,4             | 52,1            | 122,5          |
| 1976            | 159,0            | 145,3           | 304,3          |
| 1977            | 185,7            | 139,9           | 325,6          |
| 1978            | 195,5            | 133,3           | 328,8          |
| 1979            | 200,6            | 124,5           | 325,1          |
| 1980            | 193,7            | 115,8           | 309,5          |
| 1981            | 187,6            | 107,8           | 295,4          |
| 1982            | 180,8            | 99,4            | 280,2          |
| 1983            | 184,0            | 91,2            | 275,2          |
| 1984            | 176,4            | 84,8            | 261,2          |
| 1985 - 2022     | 2.292,9          | 654,8           | 2.947,7        |
| <b>TOTAL</b>    | <b>4.026,6</b>   | <b>1,748,9</b>  | <b>5,775,5</b> |

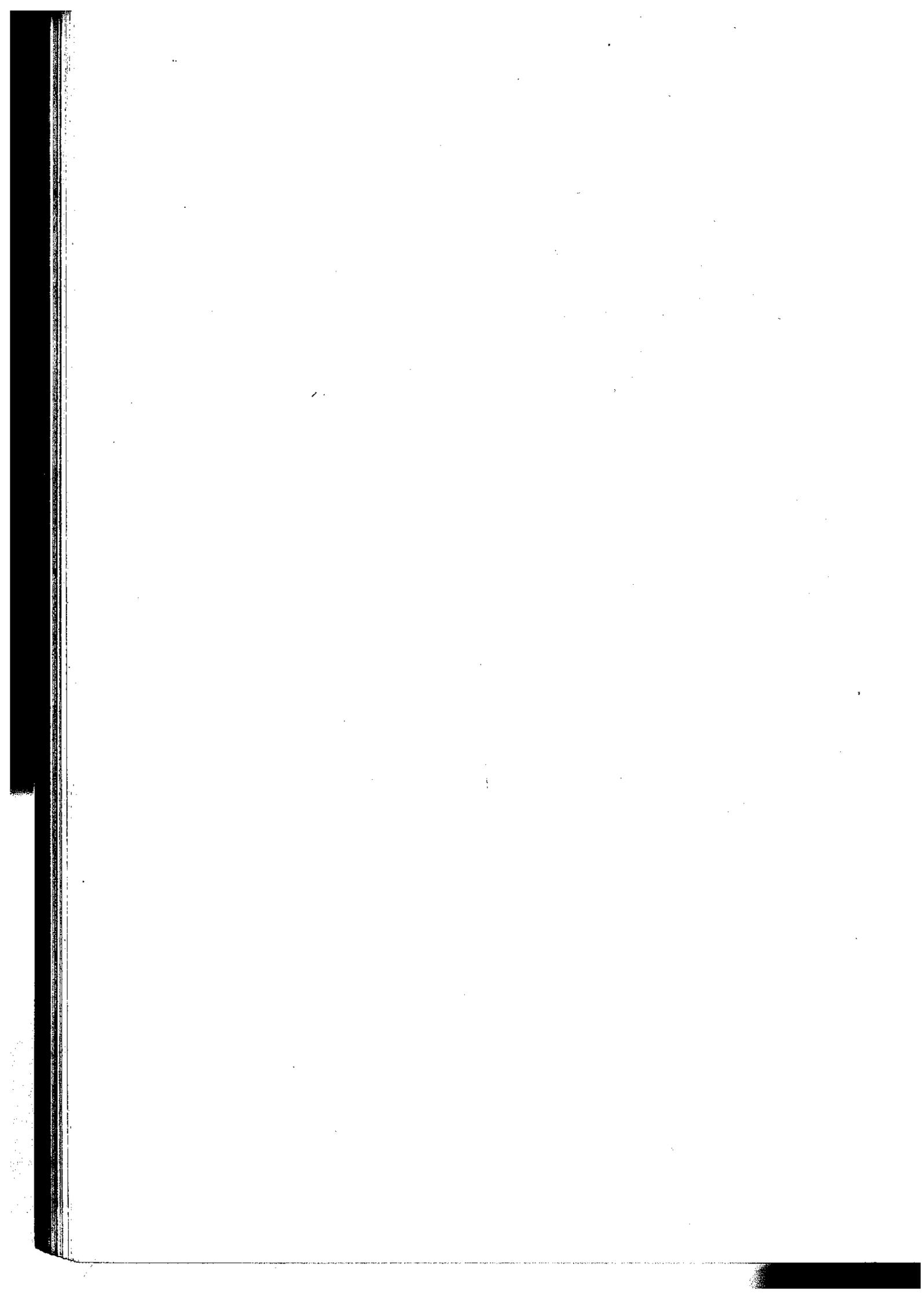
- ( x) 70 % of this principle debt was supplied by the Consortium member countries.  
 (xx) 20 % of the debt outstanding at the end of 1975 has not been utilized; thus is still in the pipeline.

293. In the table below are figures of percapita foreign debt as of beginning of 1974 and percapita yearly foreign debt repayment.
294. Among 20 main debtor countries Turkey ranks 13th in percapita foreign debt and 16th in percapita yearly foreign debt repayment.
295. Foreign debt repayment as percent of foreign exchange is shown in the last column. Turkey ranks 12 th with 8 of the 20 countries having a lighter load of foreign debt repayment in comparison with their foreign exchange earnings. The percentage for Turkey is 10.4 while Egypt's is 34.6 %, Israel's 20.8, Afganistan's 19.9.

TABLE 105

|             | Percapita<br>Foreign<br>Debt<br>(\$) | Percapita<br>Yearly Foreign<br>Debt<br>Repayment<br>(\$) | Foreign Debt<br>Repayment As<br>Percent of<br>Foreign Exchange<br>Earnings |
|-------------|--------------------------------------|----------------------------------------------------------|----------------------------------------------------------------------------|
| Israel      | 1487                                 | 120.9                                                    | 20.8                                                                       |
| Panama      | 426                                  | 38.3                                                     | 16.4                                                                       |
| Algiers     | 326                                  | 16.9                                                     | 13.3                                                                       |
| Chili       | 325                                  | 17.1                                                     | 11.0                                                                       |
| Greece      | 251                                  | 21.5                                                     | 9.7                                                                        |
| Tunisia     | 232                                  | 15.2                                                     | 13.8                                                                       |
| Iran        | 219                                  | 24.6                                                     | 10.6                                                                       |
| Venezuela   | 165                                  | 16.2                                                     | 4.2                                                                        |
| Arjantin    | 148                                  | 22.5                                                     | 18.3                                                                       |
| South Korea | 134                                  | 10.3                                                     | 13.9                                                                       |
| Jordan      | 127                                  | 3.7                                                      | 3.7                                                                        |
| Yugoslavia  | 117                                  | 11.3                                                     | 6.9                                                                        |
| Turkey      | 99                                   | 4.9                                                      | 10.4                                                                       |
| Pakistan    | 78                                   | 2.5                                                      | 16.1                                                                       |
| Marocco     | 77                                   | 6.5                                                      | 9.7                                                                        |
| Iraq        | 71                                   | 4.7                                                      | 3.0                                                                        |
| Egypt       | 65                                   | 9.2                                                      | 34.6                                                                       |
| Syria       | 63                                   | 6.0                                                      | 3.7                                                                        |
| Spain       | 57                                   | 9.0                                                      | 3.6                                                                        |
| Afganistan  | 53                                   | 1.8                                                      | 19.9                                                                       |

Source: IBRD



## CHAPTER XI

### LABOUR - EMPLOYMENT

#### Labour

296. There is a large reservoir of unskilled and semiskilled workers and a shortage of skilled personnel. To compensate, some companies conduct in-plant industrial training, and several organizations offer management development courses. The labour situation in Turkey is gradually changing: a few years ago management skills were in short supply; now trained managers are more readily available.
297. The exodus of Turkish workers to Europe, which traditionally relieved unemployment, has slowed down with the recession in most European countries. Furthermore, there is more and more opposition on the part of these countries to continued massive inflows of Turkish workers. On the other hand, it is unlikely that Turkish workers already in these countries will be repatriated on a large scale.
298. The growth of the labour force, defined as those persons in the age group 15-64 years old, is dependent on population growth rate as well as on the change in age structure.
299. The labour force as a percentage of the population in the 15-64 age group has decreased between 1962-1975. The reason behind this drop is mainly that most women leaving agriculture do not enter the urban labour force. It is also suggested that new education opportunities are keeping people in school longer with the hope of higher earnings in the long run. Finally, emigration to Europe plays a significant role.

TABLE 106

LABOUR SUPPLY AND DEMAND (Thousands)

|                                           | <u>1962</u> | <u>1967</u> | <u>1972</u> | <u>1973</u> | <u>1974</u> | <u>1975</u> | <u>1976</u> |
|-------------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Labour Force Supply                       | 12,197      | 13,442      | 14,320      | 14,670      | 15,150      | 15,600      | 15,990      |
| <u>Labour Force Demand</u>                | 11,951      | 12,732      | 13,510      | 13,946      | 14,088      | 14,319      | 14,634      |
| Agriculture                               | 9,216       | 9,073       | 8,760       | 8,760       | 8,735       | 8,705       | 8,680       |
| Industry                                  | 995         | 1,175       | 1,500       | 1,615       | 1,688       | 1,759       | 1,849       |
| Construction                              | 305         | 369         | 440         | 480         | 514         | 550         | 594         |
| Transportation                            | 258         | 324         | 460         | 485         | 534         | 600         | 670         |
| Services and Other                        | 1,177       | 1,719       | 2,350       | 2,340       | 2,467       | 2,570       | 2,706       |
| Net Foreign Demand                        | (11)        | (180)       | (85)        | (136)       | (20)        | (4)         | (11)        |
| <u>Non-agricultural Labour Surplus</u>    | 235         | 530         | 725         | 724         | 1,062       | 1,281       | 1,356       |
| <u>Disguised unemployment in agricul.</u> | 750         | 910         | 850         | 840         | 800         | 750         | 710         |
| <u>Total Labour Force Surplus</u>         | 1,085       | 1,440       | 1,575       | 1,564       | 1,862       | 2,031       | 2,066       |
| Labour Force Surplus as % of              |             |             |             |             |             |             |             |
| Total Labour Supply                       | 8.1         | 10.7        | 11.0        | 10.66       | 12.29       | 13.02       | 12.90       |
| ( <u>Unemployment Rate</u> )              |             |             |             |             |             |             |             |

### Employment Structure

300. In 1975, 60.8 % of the economically active population was working in Agriculture, 13.0 % in services, 12.3 % in Industry and the rest in other activities. Although the vast majority of the employed labour force is still in agriculture, there has been a large drop from the beginning of the First Plan (1962) to the present, from 77.1 % to 60.8 % of the active population. Out of the 16.3 percentage point drop in agriculture, 39.8 % was absorbed by services, 26.5 % by industry, 14.5 % by commerce, 7.2 % by construction and 10.8 % by transportation.

### Unemployment

301. Unemployment is high in Turkey and it is increasing. Everybody agrees with this statement yet there are no data available which will allow the calculation of an "unemployment rate". Instead there is a figure in the plan documents called the "labour force surplus" which serves as a proxy for an unemployment figure.
302. Table derived from Plan documents presents figures for labour supply and demand. The labour force supply is based on estimates of population growth rates, changes in age structure of the population, expected migration abroad, military service requirements, educational opportunities taken advantage of, numbers migrating from rural to urban areas, the number of women dropping out of labour force etc. Demand for labour data is based on estimates of employment opportunities resulting from the plan model's sectoral growth rates.
303. Non-agricultural labour surplus represents the difference between the demand and supply data thus derived. Estimation of disguised unemployment in agriculture added to the above figure gives the labour force surplus. The labour force surplus expressed as a proportion of the labour supply is the proxy for unemployment rate. In 1975 this "unemployment rate" is 13 %.

### Workers covered by Social Insurance in Private Sector vs. Public

304. Table gives the distribution of workers covered by social insurance in the Private and Public Sectors. There does not seem to be an increasing trend in the public sector, while the private sector shows a fairly consistent rate of growth. There is a question however that some of the increases in the private sector might not represent new employment opportunities but simply new insurance coverage of workers already employed, which is not the case in the public sector.

TABLE 107

WORKERS COVERED BY SOCIAL INSURANCE

|      | Private |    | Public |    | (000)   |
|------|---------|----|--------|----|---------|
|      | (000)   | %  | (000)  | %  |         |
| 1963 | 398.9   | 56 | 311.9  | 44 | 710.8   |
| 1971 | 894.2   | 64 | 510.5  | 36 | 1.404.7 |
| 1972 | 1.013.2 | 66 | 511.9  | 34 | 1.525.0 |
| 1973 | 1.139.0 | 69 | 510.1  | 31 | 1.649.0 |
| 1974 | 1.171.0 | 65 | 628.0  | 35 | 1.799.0 |

Turkish Workers sent abroad through Government Offices

305. The number of workers sent abroad through official channels have moved down to unimportant numbers. 135.820 were sent in 1973. The number of workers sent in 1974 were approximately 20 thousand, while in 1975 only 4.419 workers were sent abroad.

TABLE 108

WORKERS SENT ABROAD  
THROUGH GOVERNMENT OFFICES<sup>1/</sup>

|                 | 1971   | 1972   | 1973    | 1974   | 1975  | Change<br>1974/75 |
|-----------------|--------|--------|---------|--------|-------|-------------------|
| Federal Germany | 65.684 | 65.875 | 103.793 | 1.228  | 640   | - 588             |
| Austria         | 4.620  | 4.472  | 7.083   | 2.501  | 226   | - 2.275           |
| Australia       | 879    | 640    | 886     | 1.138  | 401   | - 737             |
| U.S.A.          | 10     | 50     | 21      | 10     | 5     | - 5               |
| Holland         | 4.853  | 744    | 1.994   | 1.503  | 32    | - 1.471           |
| Switzerland     | 1.342  | 1.312  | 1.109   | 770    | 229   | - 541             |
| France          | 7.897  | 10.610 | 17.544  | 10.577 | 25    | -10.552           |
| England         | 1.289  | 82     | 116     | 113    | 98    | - 15              |
| Saudi Arabia    | 5      | 28     | 4       | -      | 1     | - 1               |
| Belgium         | 583    | 113    | 265     | 555    | 59    | - 496             |
| Denmark         | 72     | 27     | 1.254   | 160    | 38    | - 122             |
| Libya           | 15     | 86     | 664     | 1.015  | 1.128 | - 113             |
| Others          | 1.193  | 1.190  | 1.087   | 641    | 1.537 | - 896             |
| Total           | 88.442 | 85.229 | 135.820 | 20.211 | 4.419 | -15.792           |

<sup>1/</sup> Workers who went abroad under a tourist visa are not included

306. The highest decrease in 1975 occurred in the number of workers sent to France and Austria; while in 1974 the main decrease took place in the number of workers destined to Germany, France and Austria.

### Social Security

307. The first social security program in Turkey was instituted to cover civil servants under the State Pension Fund. This fund was followed by the creation of the Social Insurance Institution in 1946 which covered industrial workers and which at the outset offered only work injury, occupational diseases and maternity benefits. In 1971 another social security institution offering social protection to tradesmen, handicraftsmen and other self employed persons was created.
308. Together with the private sector pension funds established by several banks, social security in Turkey is provided by the three major institutions mentioned above. However, with the enactment of a new law on social security in 1965 which replaced the former legislation concerning the social protection of industrial workers, not only was the number of beneficiaries increased but also new insurance benefits were introduced.
309. The main features of the social security program can be cited as follows:
- Insurance branches which include old age, invalidity and death pension; sickness and maternity benefits and medical services; work injury and occupational diseases benefits and medical services,
  - Retirement age : 55 for men 50 for women, (or 25 years of service),
  - Old age pension: 70 percent of the highest average monthly earnings of 3 years in the last 5 years of employment.
  - Insurance premiums : 15.5 to 21 percent of payroll paid by employers; 12 percent of earnings paid by insured persons. No state contributions.

### Labour Law

310. The Swiss Civil Code adopted in 1926 with certain modifications was the principal legal regulation which governed labour relations up to the year 1936. In this year a specific Labour Law came into force. This Law was designed parallel to the middle European

model and introduced many norms considerably above the prevalent conditions of Turkey at that time. It was replaced in 1967 by a new Labour Law which has gone through some amendment in 1970 and is still in force today.

311. The present Labour Law sets the minimum legal labour standards, which of course can be surpassed by collective bargaining and have indeed in practice been surpassed. The important features of the present Labour Law as regards working conditions can be cited as follows :

- Maximum weekly hours of work: 48 hours,
- Paid annual leave from 12 days to 24 days,
- 50 percent additional pay for overtime work,
- Safety regulations complying with international standards,
- Notice periods for dismissals or resignations from 2 to 8 weeks varying according to length of service,
- Minimum wage, which is subject to periodical review not exceeding two years by the tripartite Minimum Wage Fixing Committee,
- Severance payment for workers of 1 or more years of seniority.

312. The Labour Law applies to industrial workers only and the great majority of the labour-force working in the agricultural sector is not subject to any legislation regulating working conditions in this sector. However, a special provision in the Labour-Law stipulates official tripartite minimum wage fixing for agricultural workers too. An Agricultural Labour Bill is included in the present Government's program.

313. Up to the year of 1950, the above mentioned Labour Law had appropriate provisions for individual labour contracts, but collective agreements, strikes or lockouts were prohibited in Turkey.

314. In 1950 a Law permitting the establishment of trade unions and employer associations came into force. This law did not include the rights to collective bargaining, strike and lockout.

315. However, with the new National Constitution of 1961, these rights were recognized and in 1963 two parallel and important laws numbered 274 and 275 were enacted. Law 274 allowed the formation of trade unions and employer associations and Law 275

granted the right to collective bargaining, strike and lockout. It is with these two laws that industrial relations, in the modern sense, began in Turkey.

316. According to present legislation collective bargaining can be carried out at two levels, namely at the plant and the industry branch levels. Both ways are widely practiced and in some cases an overlapping of these two bargaining practices leads to problems.
317. Collective agreements are mostly concluded for a two year period although the related law stipulates a one year minimum and a three year maximum duration for these agreements.
318. Collective agreements in Turkey have acquired a continuously expanding coverage both in relation to the number of workers and the rendered benefits. Today, the monetary value of fringe benefits secured through collective agreements have, in the majority of the cases reached levels equal to 50 percent of the wages. Fringe benefits and social rights common to the collective agreements concluded in the industrial sector, particularly in the manufacturing industry, can be cited as follows:
  319. Free meals at plant (or cash benefits instead); maternity grants; cash benefits in the case of the workers' death (or in the case of the death of workers' dependents); cash benefits for workers getting married; cash benefits for workers' children; scholarships for workers' children; additional cash benefits for married workers; clothing benefits; cash benefits for workers recruited for military service; transportation fees (sometimes transportation services are provided); invalidity benefits; additional allowances for the annual paid leaves; premiums and bonuses; overtime payments (usually 100 percent more than the amount prescribed in the Labour Law); seniority bonuses; severance payments frequently doubling the amounts foreseen in the Labour Law; extended periods for paid annual leaves; additional leaves without pay from 1 to 7 days in cases of deaths of dependents, birth of children, natural disasters and marriages and special leaves for the execution of various trade union functions.
  320. Minimum wages and wage increases constitute the focal point of collective bargaining. It has already been mentioned that minimum wages are subject to official fixing through a tripartite Committee composed of Government, employer and worker representatives. Official minimum wage determination in Turkey is practiced since 1951 and has gained more importance in recent years. Actually the recent minimum wage fixing for the industrial sector, which took place in July 1974, raised daily minimum wages to 40.00 TL. (Turkish Liras); a level representing a 71.1 percent increase over the former level fixed in 1972.

321. However, wage increases secured by collective bargaining has brought actual minimum wages to levels well above the official minimum wage which raised the daily average of wages to 78.00 TL., in 1975. Average wage trends can be traced in the following table :

TABLE 109

AVERAGE DAILY WAGES IN TURKEY (TL.)

| <u>Year</u> | <u>Average wages</u> | <u>Year</u> | <u>Average wages</u> |
|-------------|----------------------|-------------|----------------------|
| 1963        | 17.91                | 1969        | 32.13                |
| 1964        | 19.50                | 1970        | 35.32                |
| 1965        | 21.64                | 1971        | 39.32                |
| 1966        | 23.28                | 1972        | 43.88                |
| 1967        | 25.83                | 1973        | 54.41                |
| 1968        | 28.27                | 1974        | 68.26                |
|             |                      | 1975        | 78.61                |

322. "Average daily wages" include basic wages, premiums based on production and overtime wages. However, when fringe benefits, bonuses and the monetary value of other social benefits are taken into consideration it is necessary to add an extra 50 percent to have a more accurate picture of average worker incomes in Turkey.

Trade Unions and Employer Associations

323. It has already been mentioned that the advent of real industrial relations in Turkey began after the enactment of several Laws in the early sixties which marked the inauguration of a new era. The emergence of workers' organizations in Turkey can be traced back to the end of the nineteenth century. But their influence and role in industrial relations were very limited due to the fact that they did not enjoy collective bargaining and strike rights. In the new era of free labour movements trade unions proliferated at full speed, indeed there are (actually) about 800 trade unions of various types in Turkey. Some of these trade unions operate at plant level, some are of local character and some exist in the form of regional federations. There are at the national level two important and centralised

324. Strikes and labour conflicts are settled by arbitration boards and in the courts. Strict procedures have been established by the Ministry of Labour, although these have not been wholly satisfactory and will probably be revised. Halting or postponing of strikes by government decree is done only "in the national interest" (usually in such industries as oil and communications).

TABLE 110

| Years | Number of strikes | Days on strike | Workers on strike | Work days lost in strikes |
|-------|-------------------|----------------|-------------------|---------------------------|
| 1963  | 8                 | 269            | 1,514             | 19,739                    |
| 1964  | 83                | 2,696          | 6,640             | 238,261                   |
| 1965  | 46                | 1,730          | 6,593             | 336,836                   |
| 1966  | 42                | 1,091          | 11,414            | 430,104                   |
| 1967  | 100               | 3,992          | 9,463             | 344,112                   |
| 1968  | 54                | 1,715          | 5,179             | 175,286                   |
| 1969  | 86                | 1,926          | 20,155            | 323,220                   |
| 1970  | 72                | 1,752          | 21,150            | 220,189                   |
| 1971  | 78                | 2,132          | 10,916            | 476,116                   |
| 1972  | 48                | 2,297          | 14,879            | 659,362                   |
| 1973  | 55                | 2,897          | 12,266            | 671,185                   |
| 1974  | 110               | 3,727          | 24,141            | 1,143,306                 |
| 1975  | 98                | --             | 10,906            | 496,103                   |
| TOTAL | 880               | 26,224         | 155,216           | 5,533,819                 |

Source : Ministry of Labour

325. Collective labour and wage arrangements, under the terms of the 1963 law, are in force in a majority of the principal industrial enterprises. They are usually negotiated by a committee representing the union concerned and the Employers' Federation. These arrangements are generally for a two-year period.

TABLE 111

|                                 | 1972    |    | 1973    |    | 1974    |    | 1975    |    |
|---------------------------------|---------|----|---------|----|---------|----|---------|----|
|                                 | Quant.  | %  | Quan.   | %  | Quan.   | %  | Quan.   | %  |
| Number of Collective Agreements | 1.603   |    | 1.921   |    | 1.724   |    | 941     |    |
| Public                          | 443     | 28 | 551     | 29 | 594     | 34 | 209     | 22 |
| Private                         | 1.160   | 72 | 1.370   | 71 | 1.130   | 66 | 732     | 78 |
| Number of Job-sites             | 3.668   |    | 6.309   |    | 4.214   |    | 1.640   |    |
| Public                          | 1.789   | 49 | 4.211   | 67 | 1.880   | 45 | 543     | 33 |
| Private                         | 1.879   | 51 | 2.098   | 33 | 2.334   | 55 | 1.097   | 67 |
| Number of workers               | 426.445 |    | 443.290 |    | 601.779 |    | 225.579 |    |
| Public                          | 278.017 | 65 | 249.901 | 56 | 427.300 | 71 | 81.805  | 36 |
| Private                         | 148.423 | 35 | 193.389 | 44 | 174.479 | 29 | 143.774 | 64 |

326. Labour Confederations and a newly formed one which has, for the time being only a limited influence on industrial relations.
327. The most representative of these labour confederations is the Turkish Confederation of Trade Unions (TÜRK-İŞ) which has approximately 800.000 members. This Confederation is comparatively moderate in its philosophy and over-all attitude towards economic and social matters.
328. The other Labour Confederation which has a rather leftist character is called the Confederation of Evolutionary Trade Unions (DİSK) and has about 300.000 members.
329. A vigorous labour movement equipped with full rights of collective bargaining and strike will cause the employers to get organized, which is indeed what happened in Turkey.
330. Employer organization gained impetus as did the labour movement, after the adoption of the above mentioned legislation. However, some employers' associations were formed before this, even though they played only a symbolic role in the labour relations field. The number of employer associations and their members showed a continuous upward trend during the period of 1961-1971. There are 104 employers' associations in Turkey according to the figures at the end of 1974. However, most of these employer associations are small organizations of a local character which, as will be mentioned below, can not acquire membership in the employers' Confederation due to the fact that they have not been organized at the national level.
331. Both workers' and employers' organizations in Turkey are based on the industry-branch principle. Different industry branches are categorised under regulations issued in accordance with related legislation, and the workers and employers can only form organizations within these specified fields of activity.
332. The number of recognized unions and union membership are shown below.

TABLE 112

| Years | Number of Unions | Number of Members <sup>1/</sup> |
|-------|------------------|---------------------------------|
| 1963  | 565              | 295.710                         |
| 1964  | 595              | 338.769                         |
| 1965  | 668              | 360.285                         |
| 1966  | 704              | 374.058                         |
| 1967  | 798              | 384.680                         |
| 1968  | 755              | 1.057.928                       |
| 1969  | 797              | 1.193.908                       |
| 1970  | 737              | 2.088.219                       |
| 1971  | 631              | 2.362.787                       |
| 1972  | 642              | 2.672.857                       |
| 1973  | 637              | 2.658.393                       |

Source : Ministry of Labour.

<sup>1/</sup> Due to duplication of membership registration, the Turkish Employers Confederation figures the total union membership as of 1975 to be around one million.

The Turkish Confederation of Employer Associations

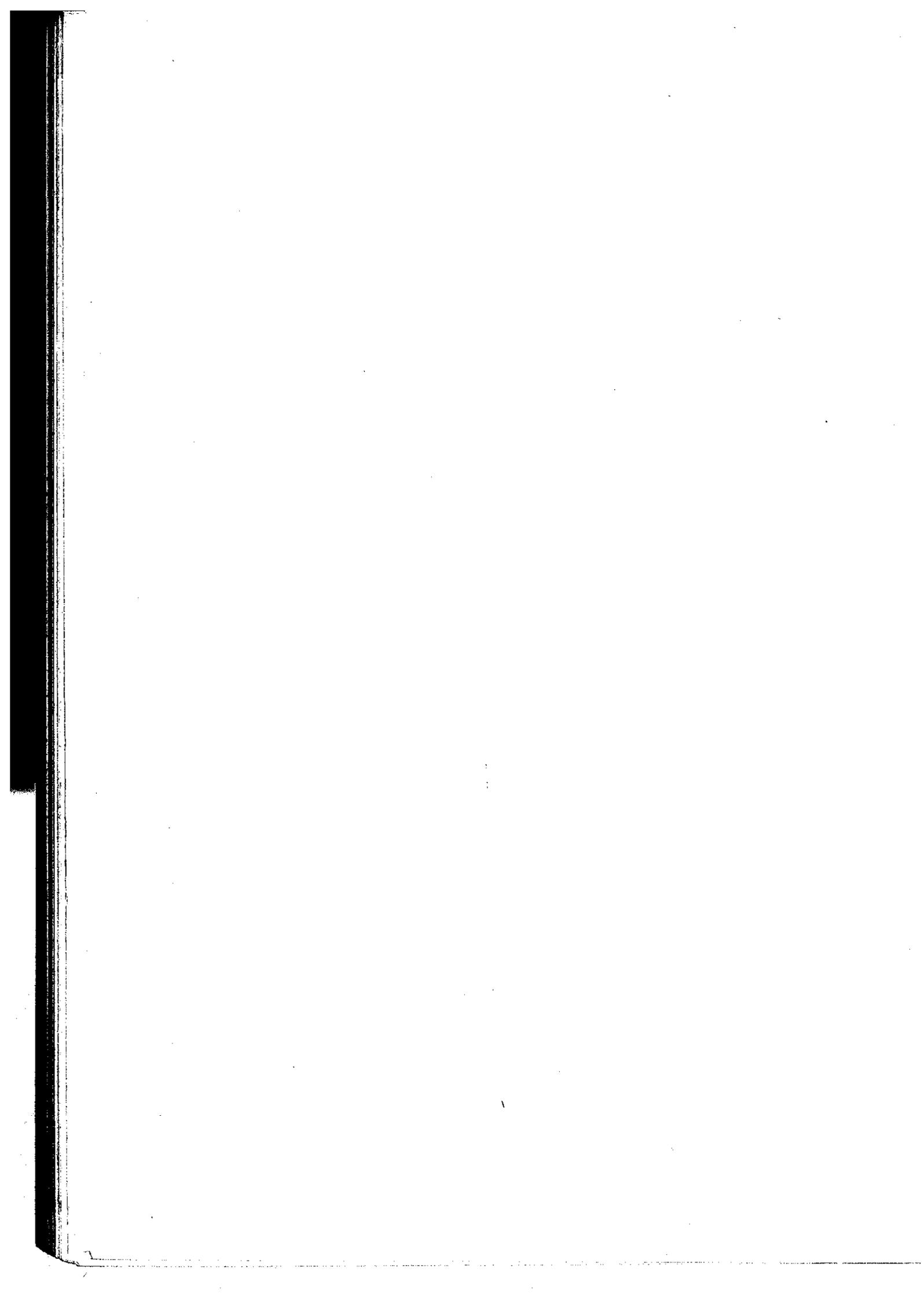
333. The nucleus of the Turkish Confederation of Employer Associations as the highest employer organization was founded on October 15, 1961 by six employers' associations under the title of "Union of Istanbul Employer Associations". At the Second General Assembly of this Union, on December 20, 1962 a proposal of the Governing Body to amend the Union Constitution was accepted and its title was changed to "Turkish Confederation of Employer Associations". The headquarters of the Confederation was transferred from Istanbul to Ankara on August 5, 1965.

TABLE 113  
EMPLOYERS' UNIONS

| Years | Number of Unions | Number of Members |
|-------|------------------|-------------------|
| 1963  | 78               | 1.605             |
| 1964  | 92               | 1.769             |
| 1965  | 95               | 1.927             |
| 1966  | 104              | 2.213             |
| 1967  | 108              | 3.560             |
| 1968  | 104              | 6.414             |
| 1969  | 110              | 7.296             |
| 1970  | 120              | 10.760            |
| 1971  | 109              | 10.007            |
| 1972  | 98               | 9.365             |
| 1973  | 104              | 9.842             |

Source : Ministry of Labour.

334. The Confederation adheres to the principle of accepting only those associations organized at the national level. In other words, it is not possible for a local employer association to become a member of the Confederation. Another rule is that only one employer association in a certain industrial branch can be affiliated to the confederation. However, if the Governing Body gives special permission to associations in the same industrial branch, they may become members provided that they undertake to unite under a single association in the future.
335. It would be appropriate to point out here that both the private and public sector employers can become members of the employers' associations, which in turn are affiliated to the Confederation.



«Türk Sanayicileri ve İş Adamları Derneği» or «Turkish Industrialists and Businessmen's Association» was founded in August 1971 by leaders of Turkish Industry.

The Association is a nonprofit and independent Research Institution. Its fundamental purpose is to promote public welfare through free enterprise by bringing together the experiences and views of those engaged in industry and business. It conducts research in the fields of economic outlook, and trends fiscal and monetary developments, marketing, industrial statistics, international economics, public affairs and other related areas. The Association research is carried out in a scientific manner and handles confidential information in a discreet manner.

The association brings together leaders in business, labor, academic world and Government at meetings where economic policy, business prospects and executive experience are discussed.

The news media are an important link in the Association's communication chain. The Association releases a great deal of its work through the media, providing the public with objective information upon which to form sound opinion.

The results of the Association research programmes are mailed to associates, academic world, government officials and news media through research reports, a monthly periodical, books and other special publications.

Membership in the Association is voluntary.

## Objectives and Aims of the Association

The objectives and aims of the Association are to contribute to the democratic and planned development of Turkey and to bring the country up to the level of the Western Civilization. In Keeping with the principles of mixed economy, as envisaged by the Constitution, and in conformity with Atatürk's principles. The Association recognizes the industrialists as the leading power of the development process and pursues the aim of

bringing together, within the Association, the Turkish industrialists of the public and private sectors, professionals, academicians and businessmen, with the purpose of protecting and strengthening the democratic government and the free enterprise. Every effort required for the organization and development of the free enterprise in the interest of the country are included among the objectives of the Association.

## Functions of the Association

- In order to attain its objectives along the lines of the mixed economy principles, the Association emphasizes the vital importance of the free enterprise for the national economy and social structure; urges and encourages the free enterprise to discharge its responsibility towards the development of the country, in line with national interests.
- The Association, believing that economic, social and cultural development within the economic power of this country can be materialized upon the example set forth by the free world and through democratic and scientific processes, urges that national saving be increased and channeled to a capital market open to the public.
- Acknowledging the urgency of our educational problems, endeavours to be of assistance in the field of education and training.
- With the firm belief that Turkey must have a balanced development in a setting of social security, and that capital, labor and enterprise are complementary essential elements, contributes to the development of the employer-employee relations with the most profitable and beneficial impacts on the overall development of the country.
- Engages in activities to channel the investments to the priorities of public interest and to the productive areas that give impetus to exports and earn foreign exchange, and to contribute to the development plans. Cooperates with the private and public organizations concerned with industrial development.
- Provides guidance and counsel in order that the commercial and industrial enterprises of Turkey, an associate of the European Economic Community, can build up competitive power both within and outside the Community.
- With a view towards stimulating the Turkish economy, takes the initiative in taking and evaluating the points of view of the businessmen and keeps those points of view available to be used by the competent government offices; engages in guidance activities in the reorganization of the industrial structure.
- Makes use of such publicity media as radio and T.V., newspapers, periodicals, books and brochures to promulgate its objectives and activities; arranges meetings, courses, seminars, lectures and conventions.
- Cooperates with existing or future domestic and foreign private and public institutions, chambers of commerce and industry, stock markets, professional associations, foundations, societies and the like; joins such organizations or sets up new leagues with them or establishes some organizations under its sponsorship, if and when necessary.

**Türk  
sanayicileri  
ve  
iş adamları  
derneği**

**TÜSİAD**

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Chairman of the Advisory Council

Nejat ECZACIBAŞI  
Vice Chairman of the Advisory Council

Sakıp SABANCI  
Vice Chairman of the Advisory Council

Raşit ÖZSARUHAN  
Vice Chairman of the Advisory Council

Feyyaz BERKER  
Chairman of the Board

Şinasi ERTAN  
Vice Chairman of The Board

T. Güngör URAS  
Secretary General

**Turkish  
Industrialists  
and  
Businessmen's  
Association**