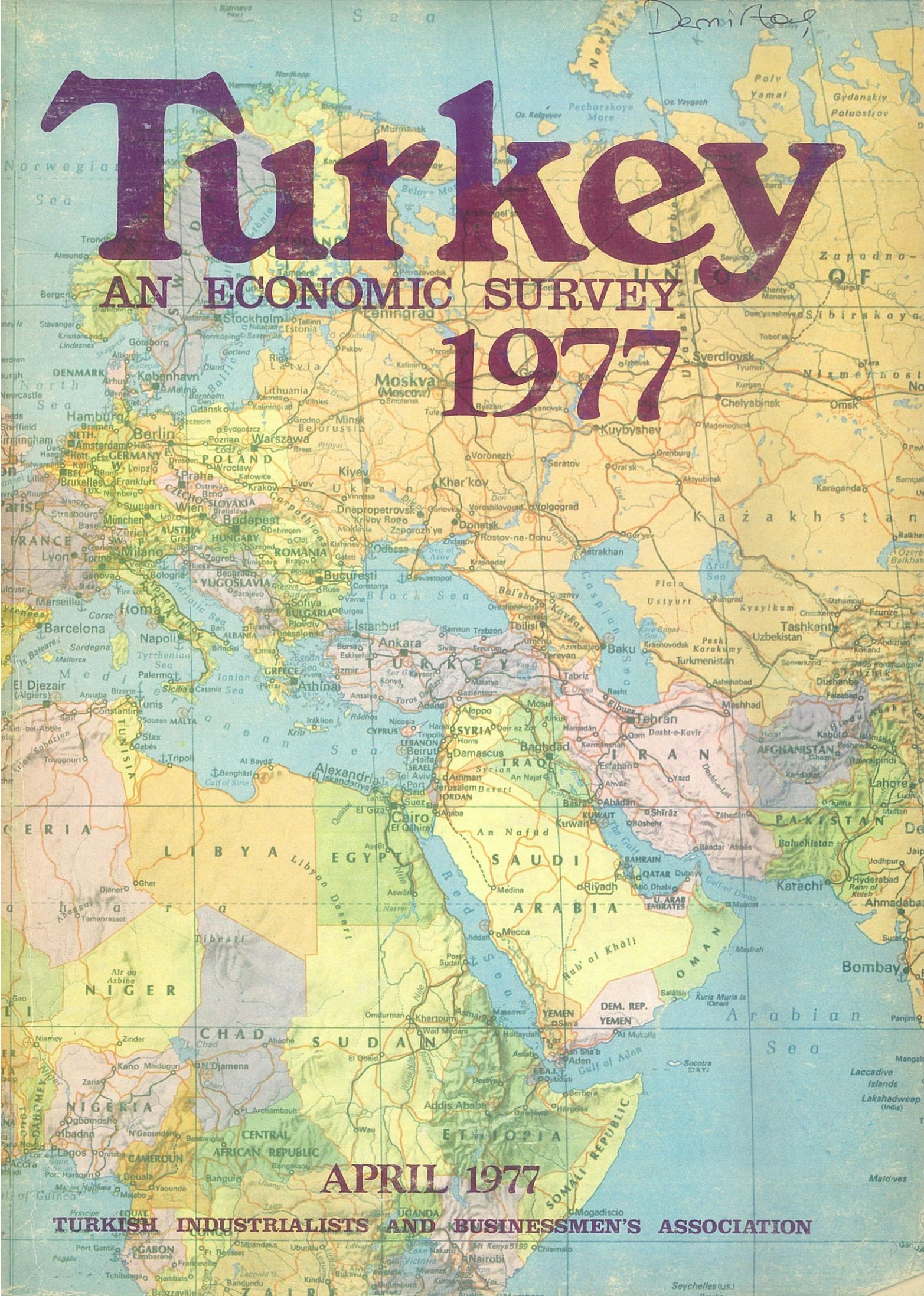


Demirtepe

Turkey

AN ECONOMIC SURVEY

1977



APRIL 1977

TURKISH INDUSTRIALISTS AND BUSINESSMEN'S ASSOCIATION

Turkey

AN ECONOMIC SURVEY

1977

APRIL 1977

TURKISH INDUSTRIALISTS AND BUSINESSMEN'S ASSOCIATION

TURKEY-AN ECONOMIC SURVEY 1977 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 subjects 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.

The previous publications of these series are:

1. Turkey-An Economic Survey, Istanbul, May 11, 1976, 152 p.
2. Turkish Economy-A Bridge Between the Middle East and the West. Istanbul, October 15, 1976, 110 p.

This one is the third English report of the Association. Upon a high demand for the previous reports, the Association has decided to continue such publications.

Istanbul, April 15, 1977

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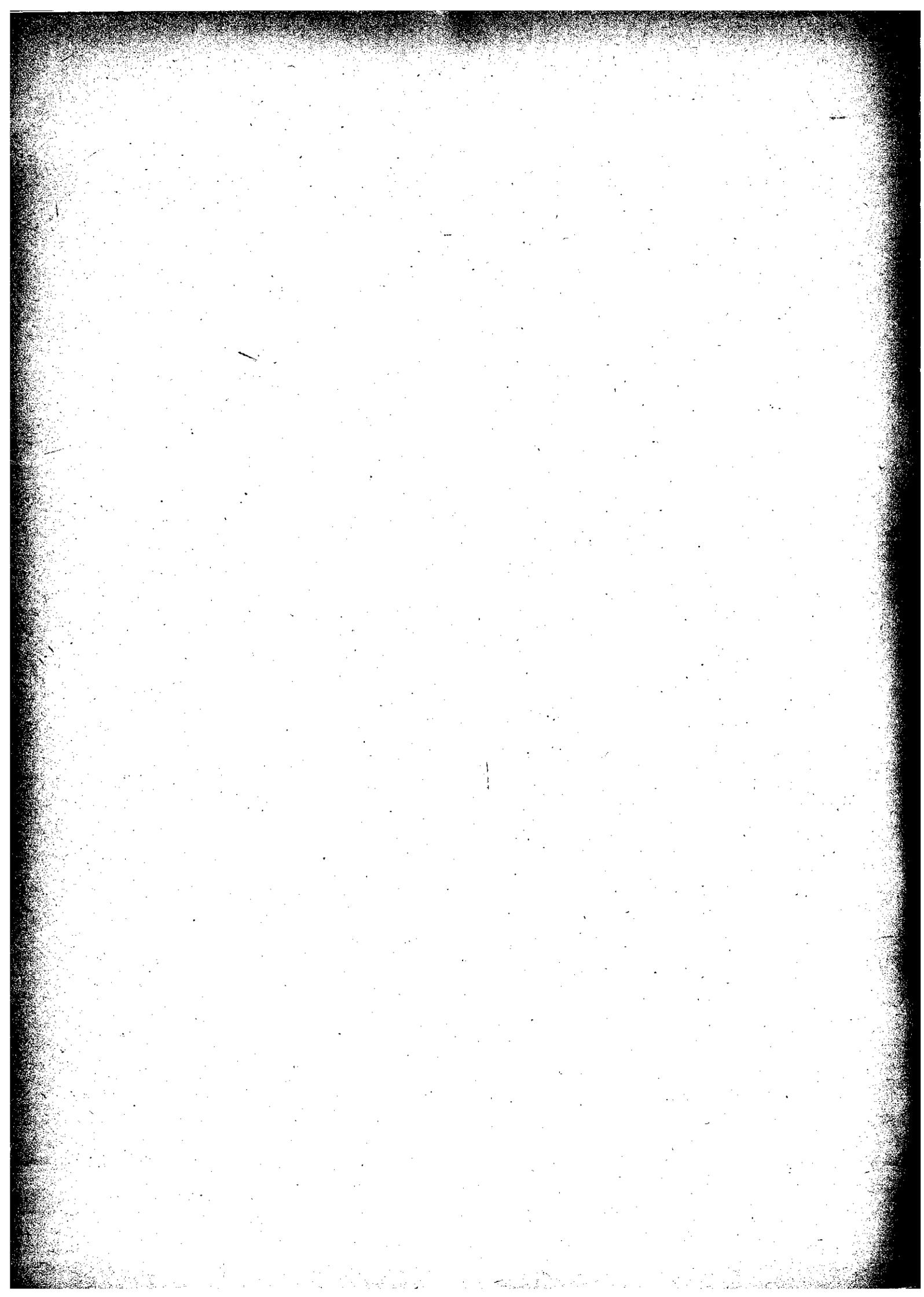
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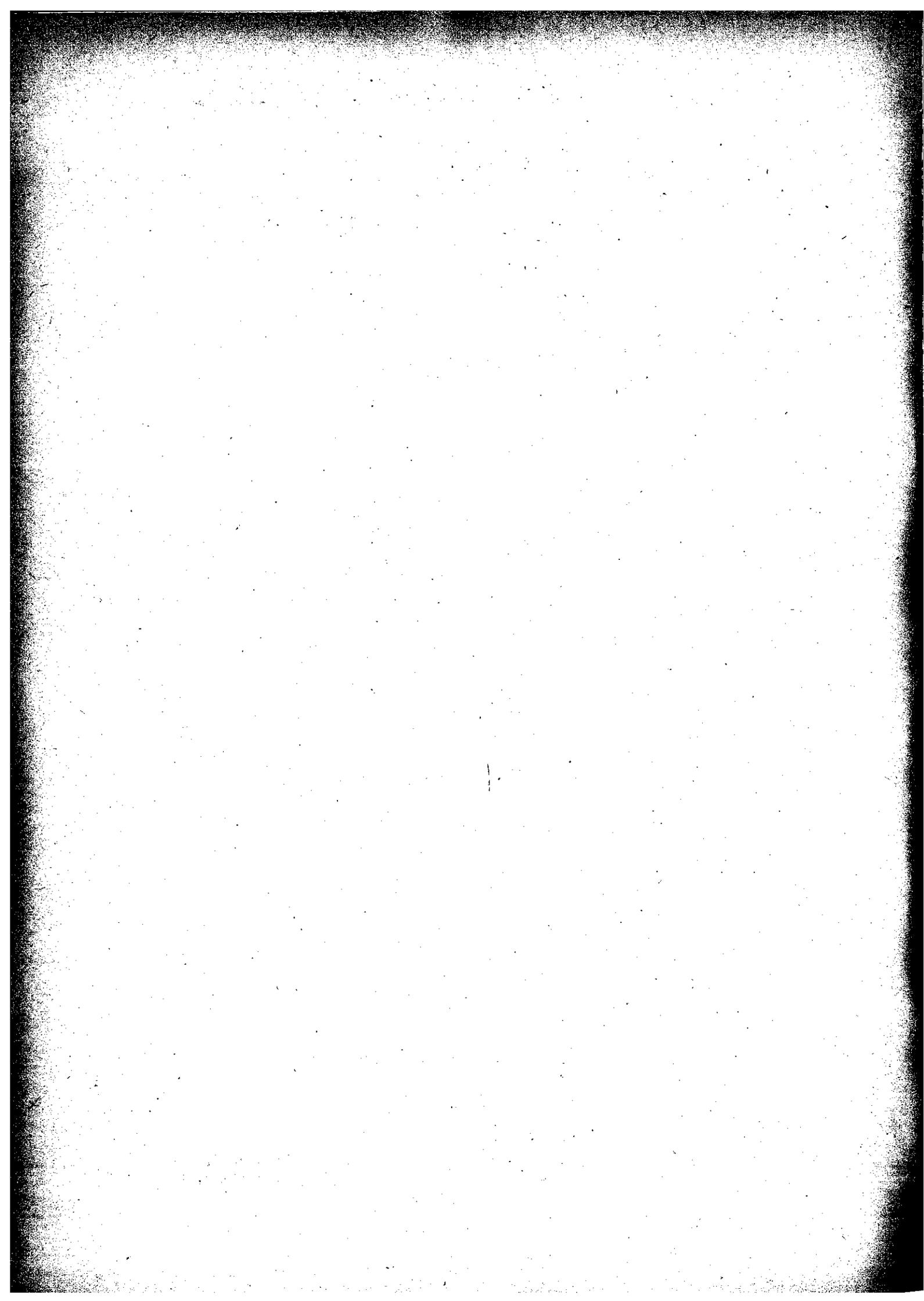
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CEN AJANS
İSTANBUL REKLAM
MAN AJANS

(in alphabetic order)



TURKEY IN FIGURES

Unit of Money	Turkish Lira (TL) 1 US \$=17.50 TL. (as of February 1977)
Area (Km ²)	779 452
Anatolia	755 688
Thrace	23 764
Distribution of Land	
Cultivated land	234 780
Forests	201 700
Administrative Districts	
Provinces	67
Districts	572
Villages and Settlements	36 064
Population (1976)	41 085 000
Rate of population increase(%)	2.4
Density of population (km ²)	53
Distribution of population(%)	
Urban	44
Rural	56
Economically Active Population(%)	
Agriculture	60.5
Industry	12.7
Services	13.0
National Income	
GNP (in billion US \$ 1976) ^{1/}	37.1
GNP per capita (in US \$) ^{2/}	901.0
GNP yearly increase	
1950-1975	6.6
1963-1975	6.9
1975	7.9
1976	7.2

^{1/} TL.649.5 billion

^{2/} TL. 15.765

Growth Performance(1976)

Agriculture	3.8
Industry	11.5

Distribution of GNP(1976)

Agriculture	21.2
Industry	20.4

Investments (in billion US \$, 1976)

Fixed capital investments	9.0
Private	4.2
Public	4.8

Sectoral distribution (%)

Agriculture	12.3
Manufacturing	25.8
Energy	8.0
Transportation	21.9
Housing	16.7

Production (1976)

Agriculture (in million metric tons)

Wheat	17.0
Cotton	0.5
Tobacco	0.3
Sugar beets	7.6

Energy

Electricity(in billion Kw/Hrs)	16.5
Coal (GWH)	1.4
Lignite	3.3
Fuel Oil	6.7
Hydraulic	7.1

Minerals (in million metric tons)

Iron ore - 10 months	2.2
Chrome	0.3
Boron	0.6
Crude petroleum	2.6
Benzine	1.9
Motorine	3.2
Fuel oil	5.8

Industrial Production(in million metric tons)

Steel ingots	1.5
Coke	1.9
Cement	12.4
Fertilizers - 11 months	0.3
Cotton fabrics - 11 months	0.2

Selected industrial output(1976,in thousand units)

Refrigerators - 9 months	402.0
Washing machines - 11 months	210.0
TV sets	682.0
Cars	63.0
Trucks	19.8
Light weighted trucks	19.2
Mini-buses	4.9
Buses	1.4
Tractors	37.0

Prices(wholesale price index increases)

1973	20.5
1974	29.9
1975	10.1
1976	15.6

Foreign Economic Relations(in billion US \$, 1976)

Imports	5.1
Exports	2.0
Agricultural	1.3
Minerals	0.1
Industrial	0.6
Trade deficit	3.2
Workers remittances	1.0
Tourism (net)	-0.030

Public Finance (in billion US \$, 1976)

Budget	9.6
External public debts(Utilized Credit)	3.3

Banks (numbers, in 1975)

Industrial Development Banks	2
Others	

State Banks	11
Private Commercial Banks	22
Foreign Banks	5

Bank Branches	4 425
---------------	-------

Transportation (1976)

Vehicle park (in thousand units)

Cars	475
Trucks	250
Bus, mini-bus	72

Highways (in thousand Kms.)

Asphalt, concrete	28
Stabilized	28
Others	5

Passengers (in million/year)

Railway	92.6
Air	2.8

Medical Institutions (1974)	6 425
-----------------------------	-------

In-patient institutions	799
Beds	82 693

Schools and Students (1976)

	Schools	Students
Primary	42 000	5 512 000
Junior high	2 639	1 009 843
High schools	777	366 445
Vocational and technical schools	1 541	403 237
University and other higher education	165	232 000

TURKEY
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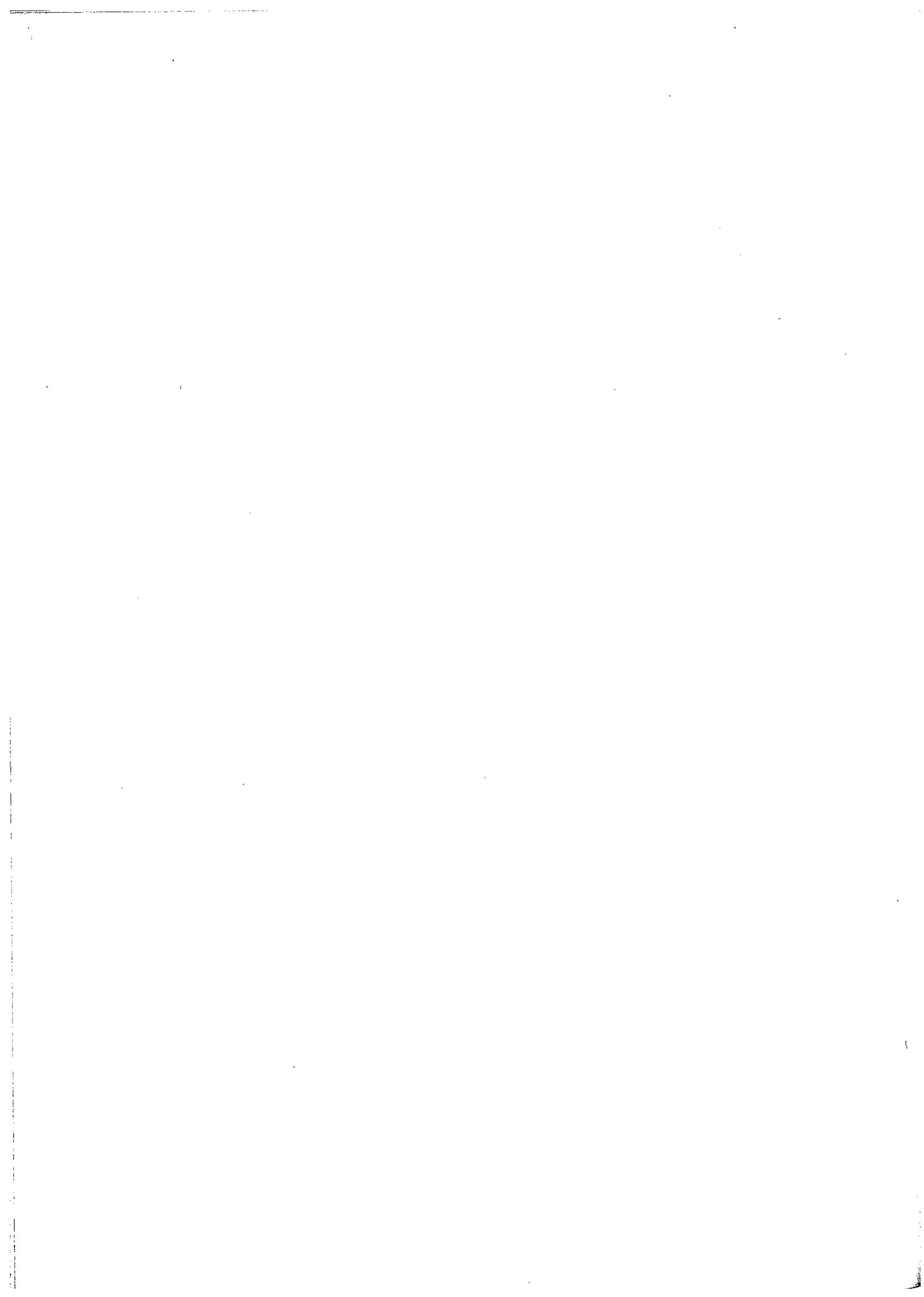
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CHAPTER I

THE REPUBLIC OF TURKEY

1. Turkey today reflects the influences of the cultures which have been prevalent on its soils, among them, Greek, Persian, Roman, Christian, Arab and Turk. Today, however, about 98% of the population is Moslem of the Sunni Sect, although there are Christian and Jewish minorities, predominantly in urban areas.
2. Long known as Asia Minor, Turkey has over 4,000 years of recorded history beginning in Biblical times and covering many early empires including the Hittites, Greeks, Persians, Macedonians, Celts, Romans, Arabs and Seljuk Turks. Constantinople (Istanbul) was designed in 330 A.D. as the capital of the Eastern Roman Empire and remained so for more than 1,100 years. Turkey was the center of the Ottoman Empire for almost 600 years, from the late 1300s to the end of World War I. At its peak, this empire stretched from the outskirts of Vienna, Austria to the tip of the Arabian peninsula and controlled most of North Africa. Istanbul was then the capital of the Moslem World. During the 1800s, the empire began to contract as a number of the areas under its domain sought independence.
3. More significant for recent Turkish history were the first stirrings of a new spirit among the Turks themselves. Reforms and modernization were undertaken during the 19th century which transformed the face of the Ottoman Empire and began a process of change, the effects of which are still visible. In 1878 the reform movement slowed and was halted under repressive leadership until 1908 when a group known as the Young Turks seized power and initiated such measures as a constitution, parliamentary government and a series of liberal reforms. After this promising start, unfortunately, came a period of internal dissension, a foreign war with Italy in 1911 and finally, the succession of a military dictatorship.

4. Turkey entered World War I in October 1914 on the side of the Central Powers. German influence had been steadily increasing before the war and continued under the Young Turks. German businessmen and technicians extended their hold on the economic resources of the country and German engineers and financiers began construction of the famous Baghdad Railway. The Turks were able to wage a strong defence against the Allies until defeats late in the war forced them to abandon the struggle and sign an armistice in October 1918. Foreign forces then occupied strategic positions in Turkey and a new government was formed, subservient to the occupying powers.
5. While the Allied forces were busy completing their occupation arrangements of Turkey and the Arab Provinces, a new Turkish State was rising in the interior of Anatolia. On July 23, 1919, Mustafa Kemal later surnamed Ataturk, and his associates convened the first Nationalist Congress in Erzurum and drew up a national program. An executive committee, presided over by Mustafa Kemal, was formed and chose Ankara as its headquarters. It was there that the National Pact was issued, the declaration that laid down the basic program of the Kemalist movement. This Pact renounced the old Empire with its domination of non-Turkish provinces and demanded the total and unconditional independence of all areas inhabited by Turks. An internal struggle developed with the reigning Sultan and the legal Ottoman Parliament sitting in Istanbul; however, in March 1920 general elections were held, and by the end of April a National Assembly met in Ankara and voted in the National Pact. The Sultan and his government were declared deposed, a provisional Constitution promulgated and a government set up with Mustafa Kemal as President. (It was not, however, until late in 1922 that the Sultan went into exile, leaving Turkey once more with one government.) Istanbul, the ancient seat of the Empire, then became a provincial city ruled by a governor appointed from Ankara.
6. There remained now only the military task of expelling the invaders who had remained from World War I. A series of campaigns against the Greeks in 1920, 1921, and 1922 resulted in the restoration of occupied territory in the Izmir area and the withdrawal of the French, Italians and British from other coastal areas. The peace treaty signed in July 1923 recognized complete and undivided Turkish sovereignty and abolition of the last vestiges of foreign privilege.

Turkish Republic

7. With the military task completed and the demands of the National Pact embodied in an international treaty, the great task of rebuilding began. Mustafa Kemal believed that the solution was in the integration of Turkey, on the basis of equality, into the Western World and that it was necessary to

change the very basis of society in Turkey. Between 1923 and 1938, the year of his death, Atatürk did carry out a series of far-reaching reforms.

8. The first change was political. After a brief experiment with religious sovereignty, Turkey was declared a Republic on October 23, 1923, with Atatürk as President. A single party, the Republican People's Party, was formed as the main instrument for the enforcement of Government policy. The Constitution of 1924 provided for an elected Parliament as the repository of sovereign power. Executive power was exercised by the President and a Cabinet chosen by him.
9. Changes were made in the religious hierarchy with the abolition of the Ministry of Religious Affairs; religious orders were disbanded; and in 1928 Islam itself was dis-established and the Constitution amended to make Turkey a secular state. With the removal of the religious leaders, the attack on the old social order began. The most striking reforms were the abolition of the fez and the Arabic alphabet. The legal system was changed by the introduction of new civil and criminal codes of law adopted from European models.
10. On the economic scene, Atatürk adopted the principle of *Etatisme* rather than risk the independence of Turkey by inviting foreign capital in a time of weakness. State-sponsored industry was the only form of development possible at the time without recourse to foreign aid.
11. The Second World War years subjected Turkey to severe economic strains, threats to its sovereignty resulting in martial law, and a generally more authoritarian form of government. The end of the war saw the end of the single party political system and the subsequent registration of the Democratic Party and the National Party. In the elections of 1950, the Democratic Party won a majority with Mr. Menderes being installed as Prime Minister. Throughout the 1950's there arose increasingly stronger criticism from the opposition parties and more repressive laws dealing with the press and personal freedoms; political tensions heightened partly as a result of a ban on further political meetings. In April of 1960, there were student demonstrations and other civil disorders which resulted in the proclamation of martial law.
12. As administrator of the martial law the Turkish Army found itself, contrary to its traditions, involved in politics. A group of officers decided that intervention must be completed if Turkey were to return to Kemalist principles and on May 27, 1960, installed a Committee of National Unity chaired by General Gursel as Head of Government.
13. During this time legislative power was vested in the Committee of National Unity, and executive power in a Council of Minis-

ters composed of civilians as well as soldiers.

14. With the coup completed, preparation for return to political democracy continued. A temporary parliament was convened in early 1961 and at the same time party politics were again legalized. The Justice Party emerged as a leading political party attracting many former members of the Democratic Party. A new Constitution was ratified in May, 1961 with significant changes from the previous one. It provided for a court to determine the constitutionality of laws and for a bicameral legislature.
15. In the elections of October 1961, the People's Party won a majority; General Gursel was installed as President and Mr. Inonu as Prime Minister, supported by a coalition of the Justice Party, the People's Party and the military. The new government's policy expressed attachment to the principles of Western democracy and to the NATO Alliance. No one party dominated the political scene during the early 1960's until October 1965, when the Justice Party emerged with a majority in the Assembly during the elections, and Mr. Suleyman Demirel became Prime Minister. Internal disorders became more serious, and in March 1971 Mr. Demirel resigned. A new government under Dr. Erim fared not much better as political violence continued. Martial law was re-instituted in April 1971 and continued until September 1973. The general elections one month later produced no clear majority among the political parties, so a coalition government headed by Mr. Bulent Ecevit as Prime Minister ruled from January to September of 1974. In March of 1975, Mr. Demirel, leader of the Justice Party, formed a "Nationalist Front" alliance which continues to dominate the Turkish political scene.

TABLE I
COMPOSITION of the GRAND NATIONAL ASSEMBLY by PARTY

SENATE	Number of Seats Held		
	July 1970 Elections	October 1973 Elections	January 1976 Elections
Justice Party	101	80	78
Republican Peoples' Party	34	42	60
Republican Reliance Party	11	10	4
Democratic Party	-	6	-
National Salvation Party	-	3	5
Nationalist Action Party	1	-	1
Turkish Workers' Party	1	-	-
Nation Party	1	-	-
Independence Party	1	10	2
Presidential Appointees	15	14	15
Life Senators	18	18	19
Vacancies	-	-	-
Ex-Presidents of the Republic	-	2	1
TOTAL	183	185	185

(Continued)

(Continued)

NATIONAL ASSEMBLY	(General Election)		
	October 1969 Elections	October 1973 Elections	January 1976 Elections
Justice Party	257	149	159
Republican Peoples' Party	144	185	189
Democratic Party	-	45	24
Republican Reliance Party	15	13	10
National Salvation Party	-	48	48
Nation Party	6	-	-
Turkish Unity Party	8	1	1
Nationalist Action Party	1	3	3
Turkish Workers' Party	2	-	-
New Turkey Party	6	-	-
Independence Party	11	6	14
Vacancies	-	-	2
TOTAL	450	450	450

16. To summarize the structure of government, the Republic of Turkey is a parliamentary democracy subject to the new Constitution of 1961. There are three branches of government as follows:

Executive : A President is elected by the Grand National Assembly from its members for a single term of 7 years. The President appoints a Prime Minister as Head of Government, who in turn appoints a Council of Ministers (Cabinet). Each of the 67 provinces is headed by an appointed Governor (vali) and his locally elected Administrative Council.

Legislative: The Grand National Assembly is a bicameral parliament. The National Assembly has 450 deputies elected by direct popular ballot every four years. The Senate now has 185 seats; 150 members popularly elected for 6 - year terms, with 50 seats rotating every two years; members of the National Unity Committee; former Presidents of the Republic and some members for life.

Judicial : The Court of Cassation is at the apex of Turkey's judicial system and serves as a court of last resort in most instances. The Council of State has a similar function in the administrative court system. The Constitutional Court, added to the judicial system by the 1961 Constitution, reviews the constitutionality of laws if appealed and when necessary, may bring cases against the President and other senior officials of State.

17. Turkey has a number of active political parties, of which eleven are currently represented in the National Assembly. The two major parties, however, are the Justice Party, (formed in 1961 and headed by Prime Minister Suleyman Demirel), and the Republican People's Party (headed by the former Prime Minister Bulent Ecevit). Although policies vary to some degree, both strongly advocate economic development with a shared role for private and public enterprise. Coalition governments have been a common feature of Turkish political life since 1961 - the present coalition government was formed in March of 1975 with Mr. Demirel as Prime Minister. The right-of-center coalition is based on the Nationalist Front Parties, including the Justice Party which is the second largest party in the National Assembly, the National Salvation Party, the Republican Reliance Party and the National Action Party. The next general election is slated for June 1977.

Population

18. 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%).
19. Considerable changes are noted in the general structure of the population. The child mortality rate decreased from 190 per thousand in 1960's to 123 per thousand in 1970's.
20. The overall increase in the quality and quantity of health services, internal and external immigration and urbanization, other economic and social changes resulted in a lower rate of fertility: 5.78 in 1965-1970, 4.97 in 1970-1975.
21. Under the light of above developments population of Turkey, in 1977, is expected to be 42.2 million.
22. Overall population density increased by 18 percent during the last six years (from 45 persons/km² in 1970 to 53 persons/km² in 1976); the increase in population density between 1965 and 1970 was 9.8 percent.
23. Of the geographical regions, population growth on the Mediterranean coast was highest (3.68%) with population growth in Thrace at 3.23%, on the Marmara and Aegean coasts 2.87%, in South-eastern Anatolia 2.86%, and in Central Anatolia 2.48% - 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.
24. The growth in urban population has been 4.04% over the last five years compared to a 1.34% increase in rural population. While rural population in some provinces increased above the

national average, it declined in others.

25. Only in 12 out of 67 provinces did annual urban population increase at a rate below the national average.
26. 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 urbanization in Turkey. Thus one of Turkey's untackled headaches, is growing by leaps and bounds, continuing far ahead of efforts to solve it.

TABLE 2
POPULATION in TEN LARGEST CITIES
(Municipal Boundaries)
(1970-1975)

	1975	1970	Annual Increase per thousand
Istanbul	2,534,839	2,132,407	34.57
Ankara	1,698,542	1,236,152	63.55
Izmir	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
Eskisehir	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
TOTAL	6,864,898	5,468,398	25.41
As Percent of:			
Total Urban Population	40.86	39.84	
TURKEY Total	17.07	15.35	

27. In 1976 it is estimated that out of 16 m in the labour force, only 14.6 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.

28. 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)

Sector	1962	1967	1972	1976	Chg. in Proportion '76 over' 62	
					Points	%
Agriculture	77.1	71.3	64.8	59.2	-17.9	
Industry	8.3	9.2	11.1	13.0	+4.7	26.3
Construction	2.6	2.9	3.2	4.0	+1.4	7.8
Commerce	2.7	3.1	4.7	5.2	+2.5	14.0
Transportation	2.2	2.5	3.4	4.3	+2.1	11.7
Services	6.4	8.3	11.8	13.4	+7.0	39.1
Unknown	0.7	2.7	1.0	0.9	+0.2	1.1
TOTAL	100.0	100.0	100.0	100.0	+17.9	100.0

TABLE 4
POPULATION-TOTAL, URBAN and RURAL
(as of October of each year)

Year	Millions			Percent of Total	
	Total	Urban	Rural	Urban	Rural
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
TURKEY'S POPULATION by CENSUS

Date of Census	Mil.	Annual o/oo inc. in total Population	No. of Provinces	No. of Dist- ricts	No. of Sub.Dist. villages	Density Persons/km ²
1927	13,6	--	63	320	40,991	18
1935	16,2	21.3	57	356	34,876	21
1940	17,8	19.8	63	370	34,024	23
1945	18,8	10.7	63	396	34,063	24
1950	20,9	22.0	63	422	34,252	27
1955	24,0	28.1	66	493	34,951	31
1960	27,7	29.3	67	570	34,408	36
1965	31,4	24.9	67	571	35,638	41
1970	35,6	25.2	67	572	35,997	45
1975*	40,2	24.2	67	572	36,064	52

* Preliminary results.

(Million)	1970			1975 Population		
	Population	Census	Final Results	Census	Preliminary	Results
Geographic Regions	Total	Province & Districts	Sub. Dist.& villages	TOTAL	Prov.& Distrt.	Sub.Dist.& villages
TOTAL	35,6	13,7	21,8	40,1	16,7	23,3
Thrace	3,2	2,0	1,1	3,7	2,2	1,4
Black Sea Cost	5,4	1,2	4,1	5,7	1,5	4,2
Marmara and Costs	6,1	2,7	3,4	7,1	3,4	3,7
Mediterranean Coast	2,7	1,1	1,6	3,3	1,5	1,8
West Anatolia	2,8	0,9	1,8	3,0	1,1	1,9
Central Anatolia	8,9	3,4	5,4	10,1	4,4	5,6
Southeast Anatolia	1,5	0,6	0,9	1,8	0,8	0,9
East Anatolia	4,6	1,3	3,3	5,1	1,5	3,5

TABLE 6

AVERAGE ANNUAL RATES OF POPULATION INCREASE
(Percent)

<u>Years</u>	<u>Total</u>	<u>Urban</u>	<u>Rural</u>
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 7

POPULATION CHARACTERISTICS

(1970)

<u>Region / Area</u>	<u>Depen- dency Ratio</u>	<u>% Literate^{1/}</u>	<u>Net Migration Rate per 1.000</u>	<u>Net Population Increase Rate per 1.000</u>
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
<u>REGION</u>				
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

^{1/} 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

29. 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 8

PERCENTAGE DISTRIBUTION OF AGRICULTURAL LANDHOLDINGS IN TURKEY

(1963 and 1970)

<u>Size of Holdings in Decares</u>	1963		1970	
	<u>Number of Holdings</u>	<u>Land Area Covered</u>	<u>Number of Holdings</u>	<u>Land Area Covered</u>
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

30. 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.
31. 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

BUSINESS CLIMATE IN TURKEY

International Relations

32. Turkey is a member of:

- Council of Europe
- OECD
- GATT
- RCD (Regional Cooperation for Development)¹

and an associate member of:

- EEC (European Economic Community)²

and allied with the Western countries and the Middle East countries in:

- NATO (North Atlantic Treaty Organization)³
- CENTO (Central Treaty Organization)⁴

and has signed bilateral agreements with:

- Middle East Countries
- Eastern Bloc
- USSR
- Mainland China.

¹ Turkey, Iran, Pakistan

² Full membership scheduled for 1995.

³ Turkey has the largest army in Europe and spends a higher percentage of its Gross National Product on defence than any other Nato ally. Of just over 5 m. men that the Atlantic Alliance has under arms, nearly one in ten is a Turk. The comparable figure for the armed forces of the Warsaw Pact is 4.64 m. It is the 480,000 Turkish officers and men who account for Nato's overall numerical superiority.

⁴ Turkey, Iran, Pakistan, U.K., U.S.A.

Mixed Economy

33. The economic policy adopted by successive governments has not been 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.

There have been no nationalizations since the 1930s, at least of the existing manufacturing industries.

Market

34. 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, 10% in 1975 and 15% in 1976) and chronic foreign trade deficit.
35. 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.
36. 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, and/or all sectors which are basically export oriented.
37. The figures and explanations related to Sectoral Developments and GNP show that Turkish market although has a lower intensity or richness and a smaller size among western countries, its growth performance is notable.

TABLE 9
TURKISH AND WEST EUROPEAN MARKETS

	The Composite Indices		
	Market ³ Size	Market ² Intensity	Market ¹ Growth
Belgium-Luxemburg	3.0	1.17	22
Denmark	1.9	1.50	14
France	15.4	1.16	24
Germany	20.1	1.28	14
Ireland	0.9	1.09	33
Italy	13.6	0.95	26
Netherlands	3.8	1.07	21
United Kingdom	15.9	1.13	22
EEC total	74.6	1.14	20
Austria	2.1	1.07	27
Finland	1.4	1.16	36
Greece	1.7	0.60	106
Iceland	0.1	1.54	67
Norway	1.7	1.64	25
Portugal	1.3	0.45	45
Spain	7.7	0.77	52
Sweden	3.5	1.73	17
Switzerland	2.4	1.53	17
Turkey	3.6	0.17	161
Non-EEC total	25.4	0.71	39
Europe total	100.0	1.00	24

¹This is essentially an average of the percentage growth of 10 different indicators over five years.

²European average is taken as 1.00.

³Relative size of each national or subregional market, as a percentage of the total West European Market.

Source: Business Europe.

State Role in Industry

38. 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.

The original objective of the state sector was to develop Turkey's industrial base at a time when private capital was lacking.

State-owned Industry

39. Only industries coming under the "monopolies law" 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.
40. 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: Sümerbank (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), Maritime Bank, TMO (Cereals Office), TEK (Turkish National Electricity Board), TCDD (railways), Pet-Kim (Petrochemicals), THY (Turkish Airlines), and TKI (Turkish Coal Board), Tümosan (Turkish Motor Industry). Taksan (Turkish Machine Tools Industry). Temsan (Turkish Electromechanic Industry), TESTAS (Turkish Electronic Industry), Telesan (Turkish Electro-communications Industry), and Tusaş (Turkish Aircraft Industry). Other SEEs include the State Investment Bank, Worker's Investment Bank, the Social Insurance Board and the State Pension Fund.
41. Through the SEEs, the Treasury also has interest 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-Sümerbank steel pipe factory.
42. 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 so:

43. The financial table concerning SEEs shows that implementation in Turkey is far from adhering to this rule. 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. This situation has continued in 1976 as it did in previous years.

TABLE 10

INVESTMENT PROGRAM AND FINANCIAL REQUIREMENTS OF SEEs - 1976

(TL. Million)

SEE	1 9 7 6		
	Profit or Loss	Invest. Program	Total Requirement
MKEK	234,0	596,2	362,2
SÜMERBANK	-	810,8	810,8
T. Cement	- 262,0	347,6	609,6
T. Iron and Steel	- 730,0	3500,2	4230,2
T. Paper Works	- 801,0	1790,8	2591,8
ETİBANK	- 728,0	2140,5	2868,5
Electricity A.	+1370,0	8104,5	6734,5
Petrochem. Co.	- 51,0	2063,0	2114,0
Petroleum Of.	- 200,0	345,0	545,0
TPAO	+2139,0	4499,7	2360,7
T. Coal Works	-3557,0	1650,0	5207,0
Copper Co.	- 285,0	327,9	612,9
Fertilizer Ind.	+ 244,0	663,3	419,3
Meat and Fish Ag.	- 526,0	400,0	926,0
TMO	- 137,0	137,0	-
T. Milk Ind.	-	126,0	126,0
T. Sugar Ind.	-	1597,9	1597,9
T. Wool Entr.	+ 0,1	0,1	-
Feed Ind.	- 75,0	29,0	104,0
TZDK	-2585,0	399,5	2984,5
Tea Co.	- 533,0	180,0	713,0
T. Cargo Lines	+ 100,0	1200,0	1100,0
Maritime Bank	- 439,0	1028,4	1467,4
PTT	- 578,0	3020,4	3598,4
Railways	-2311,0	2616,1	4927,1
Airways	- 57,0	190,0	247,0
Radio and TV Co.	+ 65,0	400,0	335,0
DMO	+ 37,6	37,6	-
Tourism Bank	- 158,0	30,0	188,0
TOTAL	-9549,3	38231,5	47780,8

44. Financial requirement of State Economic Enterprises (SEE) in 1977 is programmed to be TL 81 billion, TL 62 billion of which is investments planned for 1977, while the remaining TL 19 billion is the consolidated loss of the enterprises.

The Role of the Private Sector in Industry

45. The relative importance of the private sector in Manufacturing has increased from 49.5% of the value of production in Manufacturing in 1950 to 59% in 1974, the last year for which data on manufacturing has been published.

TABLE 11

THE SHARE OF THE PRIVATE SECTOR IN LARGE MANUFACTURING
INDUSTRY

Years	Employment (000)			Investment (billion TL)			Production (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
1974	666.1	437.2	65.6	10.7	7.2	66.9	200.2	118.3	59.0

- 66.9% of the investment in manufacturing is made by the Private Sector.
- 65.6% of the workers are employed by Private firms.
- 59% of production is being created by the Private Sector.
- During the period 1963-1974 the private sector has created employment opportunities for 258 thousand people, or 74.4% of total employment created amounting to 347 thousand people. The rate of increase of employment in the private sector amounts to 143.8%.

- 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 12

SHARE OF THE PRIVATE SECTOR IN TOTAL EMPLOYMENT IN

	<u>MANUFACTURING</u>				
	<u>1950</u>	<u>1963</u>	<u>1967</u>	<u>1973</u>	<u>1974</u>
Consumer Goods	52.2	58.4	55.5	61.6	62.8
Intermediary Goods	58.2	54.2	56.0	61.5	63.7
Investment Goods	14.1	50.0	62.6	73.7	74.3
TOTAL MANUFACTURING	48.6	57.3	57.0	64.6	65.6

46. 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, and almost 60% of investments in manufacturing sector in 1975 are also private.

(Million TL. %)

	Capital Goods Industry			Manufacturing Industry		
	Public	Private	Total	Public	Private	Total
1971	109	1492	1601	3669	4850	8519
%	6.81	93.19	100.00	43.07	56.93	100.00
1972	218	1315	1533	5929	6727	12656
%	20.74	79.26	100.00	46.85	53.15	100.00
1973	276	2440	2716	5966	9600	15566
%	10.16	89.84	100.00	38.33	61.67	100.00
1974				7651	14447	22098
%				34.62	65.38	100.00
1975				12117	16782	28899
%				41.92	58.08	100.00

Source: Doç.Dr. Uğur Korum, Türkiye'de İmalât Sanayinin Yapısı, 1975. (The Structure of the Manufacturing Industry in Turkey, 1975)

47. In case of Turkey, Plans and programs are setting investment targets for private and public sectors. Although the Plan targets for private sector are indicative in character and to some extent compulsory for public sector, private sector realizations were over plan targets in 1973-1976 period.

TABLE 13
FIXED CAPITAL INVESTMENTS DURING THE FIRST FOUR YEARS
OF THE THIRD PLAN
 (1973-1976)

	Plan target (TL mil.) (1)	Realization Estimate (TL mil.) (2)	Realization Rate % (2/1)
Private sector	91,170	110,113	120,8
Public sector	119,950	107,626	89,7
TOTAL	211,120	217,739	103,1

48. 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:

RATE OF CAPACITY USE IN THE PRIVATE SECTOR

Percentage of Capacity Use	1974	1975	1976
Less than 50%	12.5	11.0	3.50
51 - 60	14.2	10.6	6.50
61 - 70	17.9	17.5	8.50
71 - 80	21.7	20.7	11.33
81 - 90	17.5	17.9	11.17
91 -100	16.3	22.3	59.00
TOTAL	100.0	100.0	100.00

Incentives to Industry

49. 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.

50. A recent proposal by the Ministry of Industry and Technology calls for new tax incentives, reductions in custom 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.
51. 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.
52. 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

53. 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.
54. 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.
55. 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.

56. 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.
57. 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

58. 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.

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. There are plans for setting up new industrial estates in previous locations.

Price Controls

59. 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.

From time to time the government carries out investigations into the pricing of locally manufactured goods.

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.

The Main Ratios of the Largest 100 Firms in Turkey, 1975

60. The Istanbul Chamber of Industry is gathering information on the largest 100 firms of the year, in Turkey.

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.

THE MAIN RATIOS OF THE LARGEST
HUNDRED FIRMS IN TURKEY, 1975

	State Economic Enterprises	Private Sector	Total
Profit/Turnover	6.27	5.97	6.06
Profit/Paid-up Capital	12.45	22.52	18.07
Turnover/Paid-up Capital	1.98	3.77	2.98
Paid-up Capital/Worker (TL)	191.154	130.276	151.575
Turnover/Worker (TL)	379.186	491.182	452.043

RATIOS FOR 78 FIRMS INCLUDED
AMONG THE LARGEST 100 FIRMS, 1975

	Number of Firms	Profit Turnover	Profit Capital	Own Production Turnover	Turnover Capital
Food and Beverages	11	6.18	41.05	96.76	6.64
Textiles	13	2.43	8.29	96.67	3.42
Paper and Forest Prod.	3	17.64	45.62	91.09	2.59
Chemicals, Oil, Plastics	11	8.39	40.42	94.83	4.82
Rubber	4	3.69	8.96	99.92	2.43
Baked Clay, Ceramics, Cement	6	11.49	21.25	99.53	1.85
Iron Steel	5	8.56	26.10	99.41	3.05
Other Metals	2	9.68	21.97	99.56	2.27
Electrical Machin.	14	6.31	25.23	98.27	4.00
Automotive Industry	9	4.01	17.49	97.60	4.37
	78	5.97	22.52	93.62	3.77

TABLE 14
THE TOP 100 TURKISH FIRMS IN 1975

	Chamber of Commerce or SEE	Turn-over Million TL.	Share/ Capital Million TL.	1975 Profit Million TL.	Employment
1. Ipraş Refinery	SEE	7.501	842	11	716
2. Ereğli Iron and Steel Co.	Ankara	3.566	1.307	274	8.944
3. Karabük Iron and Steel	SEE	3.371	4.190	463	13.276
4. SEKA Paper Mill	SEE	3.213	3.466	-	10.374
5. Petkim-Petrochemicals	SEE	2.155	1.160	321	2.693
6. Oyak-Renault Automobile	Bursa	2.132	262	7	2.688
7. Otosan-Koç Group Automotive	Istanbul	2.013	380	109	2.672
8. Azot Sanayii, Fertilizers Co.	SEE	1.803	1.297	232	5.311
9. Tofaş-Fiat Automotive Co.	Bursa	1.797	621	37	2.331
10. Arçelik-Koç Group White Goods	Istanbul	1.472	413	13	2.764
11. Unilever	Istanbul	1.448	-	-	1.088
12. Turkish Cement Industry	SEE	1.293	921	- 54	6.151
13. Güney Sanayi Textile Co.	Adana	1.153	289	47	4.812
14. Uzel Tractor Manufacturing	Istanbul	1.070	-	-	1.766
15. Türk Traktör/Fiat Tractor Co.	Ankara	1.023	176	47	1.029
16. Gübre Factories-Fertilizers Co.	Istanbul	1.008	220	148	771
17. Rabak Electrolitic Copper Works	Istanbul	967	319	65	1.025
18. Mensucat Santral Textile Co.	Istanbul	956	244	31	3.470
19. Paktaş, Textile Co.	Adana	930	155	46	3.958
20. Bossa-Sabancı Group-Textile Co.	Adana	923	297	-	4.220
21. Chrysler Automotive Co.	Istanbul	795	199	76	765
22. Profilo, White Goods Co.	Istanbul	793	207	36	2.290
23. Türk Pirelli, Tire Co.	Istanbul	766	409	80	1.154
24. Metaş Metalurgical Works	Ege	756	221	-	1.578
25. Borusan Pipe Manufacturing	Istanbul	748	178	57	790
26. Sasa-Sabancı Group Synthetic Fiber Co.	Adana	738	449	-	1.903
27. Otomarsan, Mercedes Bus man Co.	Istanbul	726	140	38	1.077
28. Turyaş-Henchel Margarin-Detergent	Ege	720	107	51	1.041
29. Eskişehir Locomotive Ind.	SEE	719	194	- 5	4.129
30. Mannesman-Sümerbank Steel Pipe Man	İzmit	667	190	64	678
31. Uniroyal Tire Co.	Istanbul	647	187	- 44	985
32. Konya Sugar Man	SEE	624	30	-	1.193
33. Steel Industry	Istanbul	620	-	-	270
34. Çukurova Industry	Tarsus	588	50	- 25	3.357
35. Simko-Siemens, Koç Group Household Appliances	Istanbul	588	117	76	1.100
36. Goodyear Tire Co.	Istanbul	569	228	26	920
37. Defterdar Woolen Worsted	SEE	569	180	74	3.402
38. Eczacıbaşı, Pharmaceutical Co.	Istanbul	525	294	35	1.432
39. Aksu Textile Co.	Istanbul	513	170	15	2.722
40. TOE Automotive Ind.	Istanbul	503	183	19	1.029
41. Susurluk Turkish Sugar Fact.	SEE	502	-	12	1.342
42. SİDEMAS Railroad Machinery	SEE	475	201	1	4.636
43. MAN, Truck and Bus Co.	Istanbul	469	70	-	855
44. Sifaş Synthetic Fibers Man	Bursa	469	192	29	1.309
45. Telra, Television and Radio Sets	Istanbul	460	60	58	765
46. Turkish Pig-Iron Ind.	Istanbul	459	-	-	2.351
47. Bağfaş, Bandırma Fertilizer Co.	Ege	457	82	39	210
48. İpragaz	Istanbul	457	-	-	407
49. Koruma, Agricultural Pesticides Co.	Istanbul	455	119	96	714
50. Merinos, Woolen Worsted Co.	SEE	446	188	33	3.359

THE TOP 100 TURKISH FIRMS IN 1975

(Continued)

	Chamber of Commerce Or SEE	Turn-over Million TL.	Share/ Capital Million TL.	1975 Profit Million TL.	Employment
51. Çayırova, Glassworks	İzmit	437	367	57	1.366
52. Trakya Co.	İstanbul	427	36	10	212
53. Türk Kablo-Cable Ind.	İstanbul	416	-	-	468
54. Marsa, Margarin Co. Sabancı Group	Adana	414	50	58	576
55. Beko TV and Radio Manf.	İstanbul	408	-	-	712
56. Kayseri Sugar Fact.	SEE	407	47	10	523
57. DYO Synthetic Paints-Yaşar Group	Ege	406	71	26	537
58. Ergani Copper Works	SEE	405	296	41	2.828
59. Adapazarı Sugar Co.	SEE	405	44	3	411
60. Genoto	İstanbul	400	-	-	504
61. Hürriyet-Newspaper Group	İstanbul	395	125	55	792
62. Paşabahçe, Glassworks	İstanbul	393	141	44	2.506
63. Kayseri Textile Co.	SEE	389	247	63	3.093
64. Derby	İstanbul	388	-	-	1.803
65. Otoyol, Automotive Ind. Koç Group	İstanbul	384	107	32	582
66. Çukurova Cement Ind.	Adana	381	184	28	727
67. Nasaş Aluminium Works	İstanbul	380	274	65	668
68. Aksa Acrylic Co.	İstanbul	376	-	-	640
69. Çanakkale Ceramics Ind.	İstanbul	372	206	70	2.042
70. Trakya Margarin Co.	Tekirdağ	371	47	4	263
71. Bozkurt Textile Co.	İstanbul	367	62	-	2.045
72. Ayeks Margarine Co.	İstanbul	364	38	-	207
73. Marshall Paint Man. Co.	İstanbul	364	54	20	525
74. Akçimento Cement Fac.	İstanbul	361	169	24	947
75. Derby Plastic Works	İstanbul	359	-	-	603
76. ÇBS Paint and Chemical Works	İstanbul	355	42	-	485
77. Birlik Textile Co.	Kayseri	342	70	20	1.784
78. DESAŞ-Unilever, Detergant Co.	İstanbul	338	-	-	164
79. Tokar Construction Material Co.	İstanbul	329	13	3	904
80. Nuh Cement Co.	Ankara	317	154	35	525
81. Pancar Motor, engine man. Co.	İstanbul	316	135	45	964
82. Muhittin Ekiz oil and soap Ind.	Ege	315	1	981	281
83. Narin Textile Co.	İstanbul	315	-	-	897
84. Türk Siemens Cable Co.	Bursa	306	110	38	293
85. Fruko Tamek Fruit Juice Co.	İstanbul	303	37	15	1.070
86. Berrak Vegetable Oil	İstanbul	303	39	35	62
87. Mutlu Power Battery Co.	İstanbul	302	62	24	1.014
88. Birleşik Alman Pharmaceiutical Ind.	İstanbul	302	-	-	804
89. İzmir Textile Co.	Ege	298	103	248	1.473
90. Maktaş Macaroni Co.	Ege	298	37	13	651
91. Malatya Textile	SEE	287	205	651	2.681
92. Turkish General Electric Co.	İstanbul	286	-	-	844
93. Bandırma borax Co.	SEE	277	319	88	875
94. Teksa Textile Co. Sabancı Group	Adana	275	46	-	1.234
95. Veb-Günaydın Newspaper Group	İstanbul	272	119	54	537
96. Kula Textile Co.	Ege	272	125	14	2.186
97. Sunta, Wood Co.	İstanbul	270	118	56	576
98. Eti Food Industry	Eskişehir	269	43	20	823
99. Yücel Pipe Industry	İzmit	268	115	46	170
100. Altınyıldız Textile Co.	İstanbul	266	149	25	1.720
		74.912	27.942	4.247	176.418

1/ (SEE) indicates the State Economic Enterprises

2/ Some of the firms do not permit publishing of the figures. These firms are included in ranking but the names and the figures are not given.

MAIN 40 FIRMS CLASSIFIED AMONG
THE LARGEST HUNDRED FIRMS FOR
FOUR SUCCEEDING YEARS

	Sales (TL. Million)				Employment (Number of Persons)			
	1972	1973	1974	1975	1972	1973	1974	1975
8 Firms-Automotive	3.467	5.254	6.620	9.462	8.074	10.721	11.679	12.446
3 Firms-Durable Consumer	1.088	1.487	2.103	2.854	4.519	5.160	5.715	6.154
8 Firms-Textile	2.610	3.231	4.589	5.315	28.385	24.069	23.976	24.561
2 Firms-Chemicals	403	453	753	1.463	1.416	1.352	1.425	1.485
3 Firms-Painting and Dye	418	564	786	1.127	1.315	1.392	1.418	1.547
3 Firms-Rubber	1.120	1.232	1.667	1.984	2.580	2.929	3.041	3.059
2 Firms-Metals	645	897	1.443	1.724	1.714	1.958	2.506	2.603
2 Firms-Artificial Fibers	626	802	895	1.208	1.774	1.973	2.601	3.212
3 Firms-Seed Oils	694	971	1.128	1.563	1.722	1.078	1.679	1.829
6 Firms-Varied	1.440	1.207	1.660	2.115	10.130	7.601	7.391	8.306
T O T A L (40 FIRMS)	12.511	16.098	21.644	28.815	55.602	58.233	61.431	65.202

Source: Chamber of Industry, Istanbul

CHAPTER III

PLANNED ECONOMY

I. PLANNED ECONOMY EXPERIENCE AND STATE PLANNING ORGANIZATION¹

61. Turkey went through the last quarter of a century in the following 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 some 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.
62. Achievements of the macro-economic targets of the Five-Year Plans have come close to targets at the aggregate level but as one moves 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 transportation during the Second Plan period.

¹ The SPO is a young organization, 15 years old. It was set up as an advisory body with constitutional clauses guarding its powers, so that governments are obliged to heed expert advice. In its earlier years its executive powers were increased mainly at the expense of the Finance Ministry's, so that the SPO controlled the amount of investments to be made each year. Investment projects of any significance (especially those to enjoy incentives) thus had to be ratified by the SPO. Likewise, export promotion measures were under the SPO's auspices, further consolidating the organization's powers to execute economic policy.

Those powers were gradually taken away from the SPO, with the authority to ratify projects for investment encouragement being given to the Ministry of Industry, and the export promotion bureau placed under the Ministry of Commerce. The SPO however, still exercises some control over investments, however, in that investment targets set by SPO are mandatory for the public sector and recommended for the private sector.

TABLE 15
INDICES OF GROWTH AND
STRUCTURAL CHANGES
(1950-1976)

	1950	1960	1970	1976
1. Population (million)	20.9	27.8	35.6	41.2
(index)	75	100	128	148
Yearly growth rate of pop. (per thous.)	22.0	29.3	25.2	25.0
Density of pop. (persons per km ²)	27	36	45	53
Age distribution of pop. (0-14)	42.6	41.3	41.1	36.5
percent of total				
15-64	-	55.2	54.5	56.7
65+	-	3.5	4.4	6.8
Rural population (in thous.)	17.063	20.843	22.870	23.083
Rural population (percent of tot.)	%81.5	%73.7	%64.1	%56.
Urban population (in thous.)	3.884	6.912	12.735	18.137
Urban population (percent of tot.)	%18.5	%26.3	%35.9	%44
2. Labor Force (million)	10.6	12.3	14.1	16.0
Agriculture (percentage distribution)		78.9	69.0	59.4
Industry+Construction		10.3	12.9	16.6
Others		10.8	18.1	24.0
3. Gross Domestic Product (index)	62	100	175	270
Agriculture (% of GDP)	49	41	29	28
Industry (% of GDP)	13	17	22	25
Per capita GDP (index)	82	100	137	190
Gross national Product	37.6	68.9	125.2	194.5
(in billion TL., 1968 prices)				
Per capita GNP at 1968 prices	1796	2481	3518	4719
4. Trade as % of GDP				
Exports	8.2	3.0	6.7	5.6
Imports	8.3	5.3	9.8	14.7
5. Fixed Investment				
as % of GDP	10.4	15.4	20.8	25.0
Public as % of total	40.0	48.6	50.2	52.3
Agriculture as % of total	10.0	11.1	8.7	12.3
Industry as % of total	10.0	27.8	37.7	37.9
6. Domestic Savings				
as % of GDP	9.2	13.0	19.1	21.1
7. National Savings				
as % of GNP	9.2	12.4	20.0	18.7

II. FOURTH FIVE-YEAR PLAN (1978-1982)

63. All work on the Fourth Five-Year Plan (FFYP) is scheduled for completion and submission to the Grand National Assembly by the first of June, 1977.
64. Final projects, however, are not to be drawn up before macro-alternatives and the overall draft plan have been discussed in the High Planning Council and before the Plan strategy has been ratified by the Council of Ministers. Final projects as well as various sections of the plan will be completed by SPO staff, after which the work will be discussed at various levels within the organization.
65. The draft Plan will be submitted first to the High Planning Council and the document will be submitted for general discussion in the Grand National Assembly on June, 1977.
66. Preliminary target estimates for the Fourth Five-Year Plan: 1978-1982, (in 1975 prices) are as follows:

(Billion ₺)

Growth rate (average annual)	8%
Investment for the period	63 -67
<u>Total imports for the period</u>	<u>37 -40</u>
a. Investment goods	14 -15
b. Raw materials	22 -26
c. Consumer goods	2 - 3
<u>Financing of Imports (only)</u>	
Exports for the period	16 -18
Workers' remittances	6 - 7
Tourism revenues (net)	0.8- 0.8
Other invisibles	1.2- 1.2
Project loans available	1.0- 1.0
Sub-total	25.5-28.6
Balance	11

TABLE 16
MACROECONOMIC TARGETS
and
ACHIEVEMENTS of the DEVELOPMENT PLANS

	<u>1st Plan 1963-67</u>		<u>2nd Plan 1968-72</u>		<u>3rd Plan 1973-76</u>	
	<u>Target</u>	<u>Actual</u>	<u>Target</u>	<u>Actual</u>	<u>Target</u>	<u>Actual</u>
<u>Sectoral Growth Rates</u>						
Agriculture	4.2	3.7	4.1	3.6	3.7	3.3
Industry	12.3	10.6	12.0	9.9	11.2	10.0
Construction	10.7	8.0	7.2	5.0	11.9	8.9
Transport	10.5	7.8	7.2	8.8	8.2	10.5
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	7.7
GNP Market Prices	7.0	6.7	7.0	7.1	7.9	7.0
<u>Fixed Investment</u>						
<u>Sectoral Distribution</u>						
Agriculture	17.7	14.9	15.2	12.2	11.7	11.7
Industry	30.9	31.1	34.1	37.1	45.4	39.5
Transport	13.7	15.7	16.1	16.7	14.5	20.5
Housing	20.3	22.3	17.9	20.3	15.7	16.2
Social Sector	9.4	8.1	8.5	6.2	6.4	6.1
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	50.0
Private	40.1	48.0	47.3	47.6	43.7	50.0
Total	100.0	100.0	100.0	100.0	100.0	100.0
<u>As % of GDP</u>						
(average in Plan Period)	18.3	16.2	21.3	19.3	23.4	21.8
<u>Consumption Growth</u>						
Public	8.7	7.7	8.8	12.3	8.0	11.0
Private	5.4	4.8	5.1	5.5	5.9	5.5
Total	5.7	5.2	5.8	6.6	6.3	6.4
<u>National Savings</u>						
Yearly Growth Rate	13.4	16.2	12.2	9.1	13.6	8.0
As % of GNP (average in Plan Period)	14.8	16.3	20.8	18.2	23.3	17.3
Marginal Savings Rate (on national savings)		26.0	18.3		38.0	23.3

Source: First, Second and Third Plan documents, and tables, 1977 Yearly Program.

The Main Magnitudes of the Fourth Five-Year Plan

67. The Turkish economy has shown a satisfactory performance during the three Plans covering the period 1963-1976. Agriculture grew at 3.5%, industry at 10% and construction at 7.9%. Gross Domestic Product showed a growth of 6.7% and Gross National Product of 6.9%.
68. Estimates made at TUSIAD covering the Fourth Five-Year Plan period foresees an average growth rate of 4% in Agriculture, 11% in Industry and 8.5% in Services with an average growth rate for Gross Domestic Product equal to 8%.

TABLE 17

STRUCTURAL CHANGES FORESEEN DURING the FOURTH FIVE-YEAR PLAN					
(Billion TL.)					
Sectors	1977	%	Yearly Growth Rate	1982	%
Agriculture	200	25.6	4%	243.4	19
Industry	180	23.2	11%	301.2	27
Services	400	51.2	8.5%	601.2	54
Gross Domestic Product	780	100.0	8%	1145.8	100

69. The maximum rate of investment out of Gross Domestic Product has been estimated to be 24% on the average for the five years of the 4th Plan period, the average in the four years of the 3rd Plan attained an average of 21.8%. Total investment for the 5 years is expected to amount to TL. 1186 billion in 1977 constant prices.

TABLE 18

GROSS DOMESTIC PRODUCT and INVESTMENT
1978-1982 (billion TL.)

Year	GDP	Fixed Capital Investments
1978	842	202
1979	910	218
1980	983	236
1981	1061	255
1982	1146	275
	4942	1186

Increase in Gross Domestic Product 366 billion
 Incremental Capital/Output Ratio $\frac{1186}{366} = 3,24$

70. Such an Investment Programme and a yearly increase in GDP of 8% will require an extensive import programme.

TABLE 19
 IMPORT REQUIREMENTS of the FOURTH FIVE-YEAR PLAN
 (Billion TL.)

		<u>min.</u>	<u>max.</u>
1- Imports of Investment Goods	25% x 1186	296.5	400
2- Imports of Raw Materials	10% x 4942	494.2	600
3- Imports of Consumption Goods		<u>50.0</u>	<u>100</u>
		840.7	1100
TOTAL Import Requirements in \$ billion		50.9-	67

Total foreign exchange requirements will exceed this margin by \$ 3.6 billion needed for the repayment of debts.

Foreign Exchange Earnings for the Five-Year period are not large enough to cover foreign exchange requirements.

FOREIGN EXCHANGE EARNINGS
 AND PROJECT LOANS
 (1978-1982) (Billion \$)

Exports	16	-18
Workers' Remittances	6	- 7
Tourism Net	0.8	
Other Invisibles Net	1.2	
Project Loans Available	<u>1.0</u>	
	25	-28

Additional foreign exchange resources required:

F.E. Requirements	54.5	- 70.6
F.E. Earnings	<u>25</u>	- <u>28</u>

Balance to be financed \$ 29.5 - 42.6 billion

TABLE 20
 SECTORAL DISTRIBUTION of INVESTMENTS
 1978-1982
 (in 1977 constant prices)

	billion TL.	%
Agriculture	114	12
Manufacturing	363	31
Mining	72	6
Transportation	200	17
Commerce	24	2
Tourism	12	1
Residential Housing	168	14
Energy	96	8
Education	48	4
Health	24	2
Public Services	35	3
	1.186	100

TABLE 21
 COMPOSITION of INVESTMENTS
 in
 THE MANUFACTURING INDUSTRY

	1973-1975	1978-1982	
	realization	bill. TL.	%
Consumption Goods	33.6%	88.6	24.4
Intermediate Goods	58.3%	223.2	61.5
Investment Goods	7.1%	51.2	13.4
	100.0	363.0	100.0

200 Projects for the Fourth Five-Year Plan

71. Selected projects, envisaged for the Fourth Five-Year Plan period contains varying degrees of information on 200 investment projects that have been listed in five ministries.
72. The contents of the package signal a recognition of gaps in the infrastructure and industrial structure of the country; thus most of the 200 projects listed in the document are concerned with transport and communication, the construction of dams, petrochemical installations, agricultural machinery and finally the construction of factories. These investment intentions, which amount to TL.455 billion, are also the sign of a country that is ready to leap forward.
73. The variety of fields in which the public sector will become involved as it undertakes the projects listed in the SPO book signify the importance attached to the role of the public sector in Turkey's economic life.
74. In addition to the new investments, the continuing investments from previous years also amount to considerable sums.
75. Without including the new investments of 1977, and later which will continue in the Fourth Five Year Plan period (1978-1982), the investments which are already in public investment programs and in development stage, will require TL.614.498 billion with a foreign exchange component of \$ 9152.1 billion, in 1976 prices. The sectoral distribution of these are shown in the table below.

FINANCIAL REQUIREMENT
OF CONTINUING INVESTMENTS
IN THE PERIOD OF 1978-1982

<u>Sectors</u>	<u>Foreign Exchange Requirement (Million \$)</u>	<u>Total Requirement (TL.Billion)</u>
Agriculture	41.2	94.092
Mining	857.7	31.573
Manufacturing	3.340.3	161.640
Energy	4.103.7	191.057
Transportation and Communication	744.1	89.481
Tourism	21.6	3.029
Housing	-	2.553
Education	-	6.089
Health	-	3.734
Services	42.6	31.250
T O T A L	9.151.2	614.498

TABLE 22
 SELECTED PROJECTS ENVISAGED^{1/} for
 THE FOURTH FIVE-YEAR PLAN PERIOD
 (in TL. million)

<u>SECTORS & PROJECTS</u>	<u>No. of Proj.</u>	<u>Total Cost</u>	<u>For. Exchg.</u>	<u>Local Cost</u>	<u>% FEC</u>
I. TRANSPORT & COMMUNICATION					
1. Railways	11	9,705	4,076	5,629	42.0
2. Marine Transport					
a) Port & ship purchase	4	1,944	1,729	215	89.0
b) Shipbuilding	7	7,273	2,718	4,555	37.4
3. Air transport (mainly procurement)	3	7,810	6,100	1,710	78.1
4. Urban transport (Design and finalization of public transport systems for Ankara & Istanbul listed without data)	1	7,000	2,000	5,000	28.6
5. Oil pipeline (Iskenderun- Kirikkale-Ankara)	2	2,700	1,070	1,630	39.6
6. Communications (PTT)	4	1,881	880	1,001	46.9
T O T A L	50	38,313	18,573	19,740	48.5
II. INFRASTRUCTURE					
1. Railway construction	4	171,570	42,967	128,603	25.0
2. Port extension-Izmir	1	850	140	710	16.5
3. Airport-Yesilkoy	1	406	196	210	48.3
4. Highway - Bulgaria to Syria	1	84	21	63	25.0
5. Land & Marine transport line across the Dardanelles	1	6,000	1,500	4,500	25.0
T O T A L	8	178,910	44,824	134,086	
III. ENERGY	9	60,285	30,686	29,599	50.9
IV. MINING & METALLURGY (including the 4 th steel complex & extension of the 3 rd one)	10	42,543	19,018	23,625	44.7
V. PETROCHEMICAL & CHEMICAL INDUSTRY	6	3,190	1,875	1,315	58.8
VI. MANUFACTURING					
1. Agricultural machinery & Equipment	10	3,786	1,499	2,287	39.6
2. Food (Two meat combines, one dairy, 13 sugar)	16	12,622	1,747	10,875	13.8
3. Feed	1	900	540	360	60.0
4. Grain storage	1	1,200	277	923	23.1
5. Fertilizer	12	33,660	14,812	18,848	44.0
6. Cement	18	9,989	2,634	7,355	26.3
7. Paper	6	20,923	7,558	13,365	36.1
8. Industrial machinery & equipment ^{2/}	52	47,971	18,345	29,626	38.1
T O T A L	116	131,051	47,412	83,639	36.2
G R A N D T O T A L	199	454,292	162,391	291,904	35.7

^{1/} Those that contain incomplete data rendering the information incomprehensible or those for which foreign credit was available have been omitted.

^{2/} Includes engine, electronic equipment, boiler and generator production as well as factory equipment production and foundries.

III. FROM 1976 to 1977

76. That there may be more economic confusion than meets the eye in 1977 is indicated by a whole section on sectors and priorities as follows :
- (1) Investments scheduled for completion in 1977.
 - (2) Basic energy projects.
 - (3) Projects for the production of basic goods and services.
 - (4) Transport and communication projects.
 - (5) Investment projects to be undertaken in the East and South East of Anatolia and other backward regions.
 - (6) Labour projects enhancing labour-intensive methods without sacrifices on technology.
 - (7) Heavy industry projects.
77. In 1976 agricultural production was 23.8%, while industry was 22.9% of the GDP (thanks to brilliant performance by the private sector, not to mention a fair performance by the public sector). A real increase of 11.5% in industrial production was another record for Turkey's Plan period.
78. Given the global figures, important increases in industrial production had been achieved, with private sector performance rating high in textiles, electrical machinery and transport equipment, and the public sector performance high in sugar, cement, fertilizer, textiles and oil and electricity production. 1976 was also a boom year for agricultural production thanks to rainfall. Increased farm mechanization and increased use of fertilizers, contributed their share to the bumper crop. The farmers received over TL. 35 billion through support purchases alone in 1976 -- this amount was TL. 28.3 billion in 1975.
79. Given the foreign exchange constraint which was especially severe in 1976 and is expected to worsen if hundreds of millions of dollars cannot be borrowed from abroad, such programming is a necessity. In fact, there is talk of issuing the import regime for six months at a time so that foreign exchange payments and imports can be better scrutinized.
80. Today, the shortage of fuel, especially coal and petrol is serious, but the main problem is poor management of the public sector's distribution network.
81. The year also stands out because of the initiation of heavy industry investments. This is the most important step towards solving the basic problems in the way of development.
82. In 1976, investments in general continued at an accelerated

pace, compared with 1975. For the first time, figures indicate that programmed public sector investments were realized in 1976. Actual total investments were 94.8% of the amount programmed in 1975, with the public sector lagging (79.3%) and the private sector performing above programmed expectations (115.5%). These rates were 107.3% for total investments, 126.6% for private and 92.6% for public sector investments in 1975. The 1976 performance was estimated at 108.2% for total investments, 118.4% for private and 100.2% for public sector investments.

83. With constant efforts to get investments under way, the government succeeded by the end of 1976 in undertaking 8,750 projects, the estimated total cost being TL. 600 billion. The Government is working on a total of 9,000 projects in 1977. This figure excludes those completed in 1976, most of which were extensions of existing industrial installations. Investments in cement, fertilizer, sugar and petrochemicals weighted heavily within the completed projects during 1976.

Employment

84. Unemployment in Turkey is increasing at a higher rate than the forecast in the Third Plan. The plan indicated that the number of unemployed would be 1,800 thousand in 1977, whereas estimates so far indicate the total to be around 2,080 thousand. Naturally the rate of unemployment also keeps rising (from 10.7 percent in 1973 to 13% in 1976). According to planners, the absolute figures are rough estimates and should not be given too much importance, but percentages can be expected to reflect the truth.
85. New investments under the auspices of the Ministry of Industry (heavy industry projects mostly) are expected to create 627,165 new jobs. These projects, 157 in number, have a total estimated cost of TL. 234,850 m, their annual production is estimated to be TL. 179,740 m, and they are to save TL.161,011 m worth of foreign exchange for the country through import substitution.
86. The labor intensive projects like rug weaving, shoe-making and tobacco processing were also being taken up with an eye to solve the problem of unemployment during the Fourth Plan period. However, it was the heavy industry investments that would really solve the problem, by directly creating jobs for nearly one million and indirectly (in side industry and services) for at least another 2-3 million. On the other hand, data indicate that the increase in the number of unemployed slowed down and "even stopped" during 1976. To bring this about, the government helped in the allocation of special credits for the completion of continuing private sector investments, for new investments and for full capacity utilization in existing plants.
87. The government's diligent efforts to keep public sector in-

vestments under way, created around 60,000 new jobs in the public sector alone. And with the financial aid provided for the private sector, a total of 315,000 jobs were created in 1976.

Project Package in 1976

88. The Ministry of Industry and Technology has granted incentive licenses to 949 projects with a combined cost of TL.67,189,164,000 TL.67,189,164,000 last year. The fixed investment cost of these projects amount to TL.61,946,129,000 and they would require \$ 1,621,875,000 in foreign currency for external financing purposes.
89. The number of licenses granted last year represent a 33% increase over 1975. In fact, while 613 projects were granted incentive licenses in 1975, the number rose to 949 in 1976:an increase of 319 projects. And the increase also represented a TL 21,669,977,000 difference.
90. 1,092 projects were submitted to the Ministry last year for investment promotion measures. Their combined cost were TL. 77,228,021,000 including \$ 2,087,481,000 in foreign currency. But most were rejected and at the end of November the licenses granted by the ministry stood at 794 with a combined cost of TL. 49,400 m,
91. A total of 298 projects were rejected because they were not up to optimum capacity and were designed for development in the heavily industrialized regions of the country.

Following is the sectoral breakdown of the incentive licenses granted in 1976:

<u>Sectors</u>	<u>No.</u>	<u>Investment cost TL. m</u>	<u>Foreign Exchg. comp. \$000</u>
Agriculture	206	736	10,308
Mining	50	1,963	43,379
Food-Liquor	108	4,477	65,989
Textiles	39	9,823	260,702
Forestry products	41	4,888	105,135
Paper	2	104	1,882
Printing	2	45	892
Rubber	4	2,624	49,950
Plactic Processing	2	56	1,170
Chemicals	42	4,357	129,668
Glass	4	112	2,665
Iron & Steel	4	163	5,954
Non-Ferrous metals	7	378	7,764
Motor Vehicles	136	11,424	318,321
Metal Goods	57	4,082	77,114
Leather & Hide	8	404	7,160
Machinery Manufacturing	22	930	21,479

(Continued)

(Continued)

<u>Sectors</u>	<u>No.</u>	<u>Investment cost TL. m</u>	<u>Foreign Exchg. comp. \$000</u>
Agricultural Machinery & Implements	13	2,904	64,273
Electrical Appliances	15	937	18,144
Cement	14	3,902	79,802
Baked Clay	38	1,164	13,598
Ceramics	4	212	10,798
Packing	21	1,204	58,000
Communication	225	9,010	259,538
Storing	16	396	1,717
Tourism	17	556	120
T O T A L	949	67,189	1,621,875

92. The number of public sector investments handled in 1976 was 8750 with a combined cost of TL. 600,000 m. The following is a list of projects that were programmed to be completed in 1976.

	<u>Project Cost (TL m.)</u>
<u>MINING</u>	
1. Uludağ tungsten project	496
2. Karataş phosphate beds development project	280
3. Divriği iron works expansion	249
4. TKI Seyitömer smokeless fuel project	168
<u>MANUFACTURING</u>	
5. PETKIM caprolactam	802
6. Kars cement mill	245
7. Iskenderun cement crushing facility	120
8. Balıkesir cement mill expansion	198
9. Pınarhisar cement mill expansion	197
10. PETKIM VCM facility	115
11. PETKIM PVC facility	155
12. Adana cigarette factory	397
13. Turhal sugar mill modernization	454
14. Diyarbakır yarn factory	196
15. Karaman yarn mill expansion	326
16. Adana yarn mill	376
17. K. Maraş cloth mill expansion	197

(Continued)

(Continued)

	Project Cost (TL. m.)
<u>MANUFACTURING</u>	
18. Kütahya sack factory expansion	125
19. Samsun fertilizer facility expansion	252
20. Gemlik fertilizer facility expansion	771
21. Izmir refinery FCC project	368
22. Iskenderun iron & steel mill	8,087
23. Elazig ferro-chrome facilities	554
24. Eskişehir factory expansion	197
25. Alaybey shipyard expansion	322
<u>ENERGY</u>	
26. Çıldır hydropower station (HPS)	126
27. Botas 35 m t/y pipeline	7,700
28. Tunçbilek B-1 station (150 MW)	1,500
<u>COMMUNICATION</u>	
29. Gaziantep airport	99
30. Antalya airport	232
T O T A L	26,304

The state-run agencies were expected to handle more than 9,000 projects with a combined cost of TL. 700,000 m.

IV. THE 1977 PROGRAM

93. Since 1977 is the last year of the Third Plan period, there is evidence of an effort to push targets up so that their realization will yield the planned annual averages. Thus, the gross national product (GNP) which was targeted to grow at an average annual rate of 7.9% between 1973-1977 but was realized at an average rate of around 7.0%, is targeted to grow by 8.2% in 1977.
94. Resources needed to generate such a rise in the GNP cannot be raised at home. Therefore, it is estimated that there will be increasing recourse to foreign resources (an annual increase of 18.9% in 1976), although the Third Plan originally envisaged the opposite: gradual decrease (between 0.8-1.2%) in Turkey's needs for foreign resources.
95. In 1977 the economy is expected to have total resources of 747.2 billion TL. (in 1976 prices) with a Gross National Product of TL. 703.1 billion and TL. 44.1 billion to be obtained from external resources- i.e. foreign borrowing or foreign

private investment.(Table 23) gives sources and uses in 1976 as estimated and 1977 as forecast by TUSIAD.

TABLE 23
SOURCES and USES
(bill. TL. in 1976 prices)

	(1)	(2)	(3)
	<u>1976</u>	<u>1977</u>	<u>% Change</u>
<u>Sources</u>			
1. GNP	649.5	703.1	8.2
2. External Sources	35.7	44.1	23.7
3. Total (1+2)	685.2	747.2	9.1
<u>Uses</u>			
1. Total Investment	157.1	184.0	17.1
a. Fixed capital Inv.	145.0	178.0	22.7
(i) Private	68.5	75.0	9.5
(ii) Public	76.5	103.0	34.6
b. Changes in stock	12.1	6.0	-50.4
(i) Private	1.5	2.0	33.3
(ii) Public	10.6	4.0	-52.2
2. Consumption	528.1	563.2	6.7
(i) Private	440.6	462.2	4.9
(ii) Public	87.5	101.0	15.4
3. TOTAL	685.2	747.2	9.1

Sources: TUSIAD estimates.

TABLE 24
PERCENTAGE DISTRIBUTION of SOURCES and USES

	<u>1975</u>	<u>1976</u>	<u>1977</u>
	<u>Realization</u>	<u>Estimate</u>	<u>Forecast</u>
<u>Sources</u>			
1. G.N.P.	95.8	94.8	94.1
2. External	4.2	5.2	5.9
TOTAL	100.0	100.0	100.0
<u>Uses</u>			
1. Total Investment	20.7	22.9	24.6
a. Fixed Capital	18.0	21.2	23.8
b. Changes in Stocks	2.7	1.7	0.8
2. Consumption	79.3	77.1	75.4
a. Private	67.7	64.3	61.9
b. Public	11.6	12.8	13.5
TOTAL	100.0	100.0	100.0

Sources: 1975, SPO; 1976 estimate and 1977 TUSIAD forecast.

Investment Targets

96. Total investments are programmed to grow by 17.1% in 1977 as compared to the level realized in 1976. The share of investments in the agricultural, mining, energy, tourism, transport and other services sectors increased during 1976 while the share of investments in manufacturing and residential construction declined.
97. Given the targets for public versus private sector investments in 1977, 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 invested 29.3% in manufacturing industry, 33% in housing and 18% in transportation in 1976. These are areas of high return on capital. It must be noted that especially realization of mining and energy investments may be limited by the foreign exchange constraints in Turkey. As for public investments, fixed capital is expected to increase by 34.6, but it is not realistic to expect its full implementation.
98. Sectoral Distribution of total investments in 1976 can be summarized as follows.
 - Heavy emphasis was given to Energy, Mining and Agriculture.
 - Investment in Industry showed a decrease both in the public as well as in the private sector.
 - Investment in residential construction increased by 6.1% in the private sector.

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.
99. Investment in 1976 increased by 13.3% in real terms and amounted to 144.5 billion TL.
100. 47.0% of the investment in fixed capital was made by the private sector and 53.0% by the public sector.

TABLE 25
SECTORAL DISTRIBUTION of INVESTMENTS
(billion TL. in current prices)

	1974		1975		1976	
		%		%		%
Agriculture	8.0	10.9	10.9	10.3	17.7	12.3
Mining	2.5	3.4	3.5	3.3	5.9	4.1
Manufacturing	22.1	30.3	32.2	30.2	37.3	25.8
Energy	4.9	6.8	6.9	6.5	11.6	8.0
Transportation	14.4	19.7	22.1	20.7	31.6	21.9
Tourism	0.9	1.2	0.9	0.9	1.4	1.0
Residential	12.2	16.7	19.2	18.0	24.1	16.7
Education	2.6	3.6	3.6	3.3	4.7	3.3
Health	0.9	1.2	1.1	1.1	1.7	1.2
Other Services	4.5	6.2	6.2	5.7	8.6	6.0
TOTAL	73.0	100.0	106.7	100.0	144.5	100.0

TABLE 26
INVESTMENT in FIXED CAPITAL
(Million TL.)

	1974		1975		1976	
	Private	Public	Private	Public	Private	Public
Agriculture	4.540	3.452	5.348	4.766	9.900	7.813
Mining	252	2.231	300	2.775	330	5.329
Manufacturing	14.447	7.651	16.782	12.117	19.900	17.382
Energy	200	4.739	250	6.471	325	11.235
Transportation	5.067	9.332	8.015	13.180	12.260	19.305
Residential	11.622	552	16.751	863	22.488	1.662
Services	1.798	7.082	2.379	11.438	2.843	13.602
TOTAL	37.926	35.039	49.825	51.610	67.958	76.528
	52%	48%	49.1%	50.9%	47%	53%

101. The share of the Private Sector in total investment in Manufacturing dropped from 65.4% in 1974 to 58.1% in 1975, and to 53.4 in 1976. In Agriculture it dropped from 56.8% to 52.9% and 55.9, respectively, while in Transportation it increased from 35.2% in 1974 to 37.8% in 1975 and to 38.8% in 1976.

102. In 1974 30.6% of total private investment went to Residential Construction, in 1975 this ratio increased to 33.6% and in 1976 it remained at 33%.
103. Fixed investment in manufacturing by the private sector constituted 38.1% of total private investment in fixed capital in 1974, 32.6% in 1975 and 29.3% in 1976.

Main Issues of 1977 Program

104. The main indicators of the 1977 Program are summarized in the Table below:

SELECTED INDICATORS of DEVELOPMENT
(1976 prices - TL. m.)

	<u>1976</u>	<u>1977</u>	<u>% Increase</u>
1. GNP (market prices)	649,524	703,110	8.2
2. GDP (factor cost)	575,348	617,084	7.3
3. Industrial income/GDP	19.6%	20.3%	0.7
4. Industrial production	385,858	437,429	13.4
a. Mining	14,402	16,826	13.4
b. Energy	7,452	8,452	16.8
c. Manufacturing	364,004	412,151	13.2
Consumer goods	173,949	191,325	10.0
Intermediary goods	131,560	152,068	15.6
Investment goods	58,495	68,758	17.5
5. Industrial investments	57,701	84,245	46.0
6. Industrial inv./Total inv.	40.0%	45.8%	
7. Exports of inv. goods/ total exports	1.4%	1.7%	

and the main policies according to the main topics are as follows:

The Balance of Payments

Export revenues which financed 63.1% of import expenditures in 1973, are expected to finance only 44.6% of the import bill in 1976. The decreases in other foreign exchange revenues and increases in other foreign exchange expenditures made the current account deficit a problem again, Parallel to this, the country's need for foreign resources also rose. "Therefore it is necessary for all sectors to do their best to increase exports and other foreign exchange revenues so that foreign exchange shortages do not develop into obstacles in the way of

economic growth."

Price Increases

One of the basic aims of development plans is to achieve fast development within stability. The general level of prices in Turkey that rose mildly until the seventies started increasing more rapidly, with world inflation playing its part. "Due to the well-known havoc wrought by price increases on socio-economic life, the securing of stability in prices is taken as a basic aim of the 1977 programme" and money credit policies will be implemented towards that end.

The Savings Gap

The Plan targets of increased domestic savings have not been realized to date. Although private disposable income increased more than envisaged in the Third Plan, private savings lagged behind expectations and aims, while consumption expenditure rose more than intended.

On this subject the programme stresses the importance of an increase in domestic savings especially in the light of the present tightness of foreign resources. "Measures to increase the financial strength of the public sector and to increase voluntary savings will be given the utmost importance," it says. The text underlines the insufficiency of the current revenues of the State Economic Enterprises (SEEs), an insufficiency which hinders a rise in public sector savings.

Sectoral Distribution of Investments

Although the Third Plan envisaged a rise in the share of industrial investments so that 45.4% of total fixed capital investments during the five years were allocated to industry, the implementation during the four years indicates that this percentage remained at 38.3%. Likewise the share of the industrial sector's income which was intended to constitute 23.4% of gross domestic product (GDP) will only reach 20.3% by the end of 1977. Again recommendations for improvement are withheld.

It is generally accepted that the Turkish economy fared rather well given the recent unfavorable economic developments in the world. A lag of a few percentage points under the circumstances, especially given the inefficiency and delays in the public sector, which is authorized to undertake the largest in-

dustrial investments, is not too bad a performance. Planners however quietly emphasize the need for reform in the public sector.

Employment

There has been unanimous acceptance of the fact that the Third Plan fell short of expectations that it would do something for unemployment in the country. All of a sudden however, the 1977 programme suggests that employment is one of the most important problems needing to be tackled next year. The 1977 programme admits that unemployment predictions have been exceeded. Although for example the number of unemployed was projected to be around 1,800,000 by 1977, this figure is estimated to have reached 2,080,000 in 1976, and is expected to rise to at least 2,180,000 in 1977.

Recommendations for alleviating unemployment are confined to emphasizing labour intensive production methods "that will not necessitate sacrifices in technological levels."

The Problem of Public Investments

Failure either to start or continue public sector investments on schedule, coupled with the need to include an increasing number of new projects in the programme leads to slack allocation of resources and to increases in investment costs, and as well as hindering proper implementation of very important projects. This situation, according to the programme, leads to delays in intended investments, foreign trade, employment creation and production. Therefore, says the programme, "measures will be taken to correct this situation so that investments are started and finished as scheduled, and so that use of public sector funds becomes rational". These measures are to be designed by the government -- especially those to correct the situation in the government sector, which is distinct from the SEEs.

SEEs

As far as the State Economic Enterprises (SEEs) are concerned, the programme makes two concrete recommendations: (1) The SEEs should refrain both from participating in enterprises which run at a loss (127 enterprises in which SEEs have participated have not distributed any dividends during the last three years), and from supporting their participation through ever-increasing operating credits: (2) The nominal capital of most SEEs should be increased so that their financial situation can rest on healthier grounds (in 1975 alone the SEEs paid TL. 2,147 m in interest for borrowed funds).

105. The tight financial situation of the SEEs is also attributable to a lack of autonomy in determining the prices of their products, from over-employment generally, under-skilled personnel or personnel with the wrong skills, and market imperfections which have recently resulted in stock-piling. The SEE stocks rose by TL. 12 billion in 1975 and by TL. 10.6 billion in 1976, inducing the enterprises increasingly to resort to Central Bank borrowing, because they could not sell the stocks.
106. Nonetheless, the SEEs, despite unfavorable circumstances, still have the responsibility of undertaking very large investments. SEE investments in fixed capital were 34.2 percent more in 1976 than in 1975. The intended increase in 1977 is as high as 76.5%.
107. Data also indicate that SEE net losses, excluding the State Investment Bank (SIB), continually increase: the difference between resources and expenditures (or net own resources) - minus TL. 4.5 billion in 1975 - is expected to rise to minus TL. 19 billion in 1977. If these enterprises are to undertake TL. 62 billion worth of investments in fixed capital, they will need TL. 81 billion to finance both their investment bill and their current losses in 1977.
108. This amount will be raised as follows: TL. 18 billion will be transferred from the central government budget; TL. 15 billion is cited as "foreign project credit", which normally ought to be in the pipeline. The SIB will extend TL. 20 billion in loans, which it will raise from its own resources and from sales of bonds to social security institutions generally; "funds" are to provide TL. 16 billion; the "private foreign borrowing" over and above credit will be TL. 10 billion; finally, adjustments in the prices of SEE products will yield TL. 2 billion.

V. BUSINESSMEN'S EXPECTATIONS for 1977

109. A survey conducted by TUSIAD on the basis of 314 private manufacturing companies which had 40% of their gross revenue generated in the sub-sector, invested another 40% of the total, and employed around 33% of the labor force in the private manufacturing industry sector. TUSIAD sent questionnaires to 1500 establishments; only 326 replied, of which 314 answers could be evaluated. Moreover, of the enterprises which replied those employing over 250 workers were 43.3% of the total. The larger concerns were thus well represented.
110. It is interesting that those employing up to 50 workers and those employing more than 1000 workers were unhappy with developments during 1976, while the ones in between said condi-

tions generally had been good. Compared to the two previous years, more businessmen thought business was on the whole good in 1976 (27.1% in 1974, 43.7% in 1975 and 52.9% in 1976).

Rises in Revenues and Orders:
Good, but not as good as 1975

111. Sub-sectors within the manufacturing industry which ceased to be advantageous in comparison to 1975 were food, the chemical industry, electrical machinery and vehicle production. However, the weighted average of gross revenues revealed 1976 was a better year than 1975. The trend was said to hold for orders too, although the rate of increase was not as high as it was in 1975. (See Table 28).

More Capacity Use Despite Credit Problems

112. Happily, capacity utilization in the private manufacturing sector increased from an average (weighted) of 71.1% in 1975 to 83.2% in 1976. There was a significant increase in the number of firms that utilized over 90% of existing capacity. It is curious that capacity utilization in cement production, while topping the list (See Table 30), remained below 90% on the average, although there were cement shortages on the local market, and the possibility of exporting the commodity was open throughout the year. Also, capacity utilization in the vehicle production industry was very high, although business conditions were reported to be poor during the year. These data clearly indicate the importance of raw material, skilled personnel and energy shortages as obstacles to full capacity utilization.
113. A majority of the firms replying said production and sales had increased, though the increase in the percentage of such firms within the total had not risen as much as they had done in 1975. On the other hand, the level of raw material stocks was about the same as last year, whereas those of finished goods were reported to have increased -- an odd development, given high sales.
114. Credit availability to the private manufacturing industry was reported to have stagnated during the year. However, the situation was apparently better than in 1974. (See Table 31). Similarly, use of credit by private manufacturing somewhat declined.

TABLE 27

SECTORAL DISTRIBUTION of COMPANIES in THE SURVEY

<u>Sectors</u>	<u>No. of Firms</u>	<u>%</u>
Food & Beverages	42	13.4
Textiles	43	13.7
Chemicals	13	4.1
Oil & Coal Prods.	1	0.3
Rubber & Plastics	1	0.3
Ceramics	2	0.6
Glass	6	1.9
Cement & cement prods.	14	4.5
Metal Industry	30	9.6
Metal Goods	6	1.9
Machinery Manufact.	35	11.2
Electrical Machinery	12	3.8
Vehicles	18	5.7
Other	<u>91</u>	<u>29.0</u>
TOTAL	314	100.0

TABLE 28

COMMODITY ORDERS-- PERCENT DISTRIBUTION

<u>Those who said Orders:</u>	<u>1976</u>	<u>1975</u>	<u>1974</u>
Declined	10.3	12.9	28.8
Remained the same	21.0	22.9	30.3
Increased	68.7	64.2	41.7

TABLE 29

CAPACITY UTILIZATION

(Percent Distribution of Replies)

	<u>1974</u>	<u>1975</u>	<u>1976</u>
Less than 70%	44.6	39.9	26.0
More than 70%	55.4	60.1	74.0
Weighted capacity utilization		71.1	83.3

TABLE 30
SECTORAL DISTRIBUTION of AVERAGE CAPACITY
(Utilization)

<u>Sectors</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>
Food	70.5	74.4	78.7
Textiles	73.0	76.1	83.1
Chemicals	63.2	75.6	77.9
Cement	78.3	79.7	87.1
Metal Goods	75.0	68.2	74.3
Machinery	67.5	72.4	75.2
Electrical mach.	69.0	71.4	85.0
Vehicles	73.5	74.2	85.2

TABLE 31
CREDIT AVAILABILITY
(% Distribution of Replies)

	<u>1976</u>	<u>1975</u>	<u>1974</u>
Decreased	9.0	8.4	39.4
Same	43.6	40.4	41.9
Increased	43.6	51.2	18.7

Increased Profits Despite Problems

115. As the increase in the level of total bank credit remained below the increase in 1975, this was an expected development. The fact that more of the firms declared their profitability had improved shows an increased use of own resources (since credit availability declined and the capital market was not all that active in 1976), which is a much desired trend.
116. More industrialists said raw material import opportunities had declined (though the level of imports increased). Production cost on the other hand was reported to have increased more than it did last year. More businessmen than last year said the cost rise was due to increases in wages. The ratio of these, however, was pretty close to that of 1974. (See Table 34). In-

creases in raw material costs were up to 20%, according to 48.1% of the industrialists, to 21-40% according to 39.3 of the replies and more than 40% according to 12.5% of those surveyed. These ratios were more favorable for 1975, being 63.6%, 28.4%, and 8.0% respectively. Costs of raw materials had, however, increased much more during 1974 when Turkey was most seriously hit by the oil crisis. Most wage increases in 1976 were between 21-40%, similar to the figures of the two previous years.

TABLE 32

PROFITABILITY (% DISTRIBUTION of REPLIES)

	<u>1976</u>	<u>1975</u>	<u>1974</u>
Decreased	34.9	41.9	42.9
Same	30.2	29.4	32.6
Increased	34.9	28.6	24.5

TABLE 33

RAW MATERIAL IMPORT OPPORTUNITIES
(% Distribution of Replies)

	<u>1976</u>	<u>1975</u>
Decreased	26.3	23.4
Same	51.7	53.2
Increased	21.4	23.4

TABLE 34

PERCENTAGE RISE in COSTS and SALES PRICES

	<u>1976</u>	<u>1975</u>	<u>1974</u>
Raw Materials	29.6	19.6	48.4
Labour	38.7	32.4	38.3
Sales Prices	22.7	22.7	28.1

117. In contrast to this tableau of costs, sales prices have increased as much as they did in 1975 (22.67%, considerably below the 28.1% increase of 1974). Table 35 gives a comparative view of cost and price increases. Note that both the increase in raw material costs and sales prices are concentrated in the 11-20% group, whereas the increase in wages is concentrated in the 21-30% group.

TABLE 35
PERCENTAGE DISTRIBUTION of COSTS and PRICES
(Based on Replies)

<u>% Increase</u>	<u>Raw Material Costs</u>		<u>Labour Costs</u>		<u>Sales Prices</u>	
	<u>1976</u>	<u>1975</u>	<u>1976</u>	<u>1975</u>	<u>1976</u>	<u>1975</u>
Less than 10%	9.2	25.9	2.6	4.5	25.0	18.2
11-20	39.0	37.7	15.8	16.3	45.5	49.1
21-30	24.4	20.3	30.9	26.9	15.3	32.7
31-40	14.9	8.1	24.3	22.5	9.7	11.7
41-50	7.1	5.5	13.8	13.9	3.1	2.3
51-	5.4	2.5	12.5	15.9	1.4	1.0
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0

118. Rising profitability, despite high cost increases, lower in sales prices, material and credit availability, was a result of increased production (via stepped-up capacity utilization) and sales.

119. The problems faced in the production of commodities were put in the following order for 1976: Energy shortage, labour problems, slack demand, troubles in obtaining raw materials, credit availability and price control. The importance of the labour problem increased suddenly when work peace started being increasingly threatened. Note that those surveyed in 1975 did not rank labour problems among the first five. (See Table 36).

Bureaucracy of Exporting Taken for Granted

120. Export earnings of the private manufacturing industry increased during 1976, to make up nearly 25% of total production. Most said troubles in exporting centered around the high costs of production at home and the low world market prices. We interpret this to be a result of governments' failure to apply

a "realistic exchange rate system". It is curious that only 8.1% of the respondents thought bureaucratic obstacles were of prime importance. More complained about the limits of productive capacity and insufficiency of tax rebates on exports. Complaints of limited production capacity indicate that the route to potential export markets is being cleared-- at least as far as some firms are concerned.

121. The 314 firms interviewed invested TL. 6,870 m in 1976, although they had planned to invest TL. 8,975 m. Thus, the realization rate in monetary terms was 85.07% in contrast to the 81.7% of 1975 and 65.9% of 1974. Physically, however, only 70.89% of planned investment was undertaken. This percentage was 80.9 in 1975 and 54.1 in 1974. Reasons leading to incomplete fulfilment of investment plans for the year were credit shortages, political instability and price increases. The most important reason in 1975 was given as political instability, but credit shortage seems to have squeezed the industrialist more this year. Among problems that form obstacles to investment activity, difficulty in finding experts and skilled labour, as well as in finding investment goods, is mentioned.

Industry will Survive 1977

122. In 1977 private industrialists in the manufacturing sector expect a general upward trend in sales, production, imports, exports etc. However the percentage of those who expect rises in costs is much bigger than the percentage of those who expect rises in revenue raising items. Investment expenditures, in the meantime, are not expected to rise but to remain more or less at the 1976 level.
123. These replies, when compared to the ones given in previous years are nevertheless pessimistic, especially where exports and investments are concerned.

TABLE 36

PRODUCTION PROBLEMS in ORDER of IMPORTANCE

1974	1975	1976
1. Credit	1. Energy Shortage	1. Energy Shortage
2. Raw Material Shortage	2. Credit Shortage	2. Labour Problems
3. Energy Shortage	3. Raw Material Shortage	3. Insufficient Demand
4. Irregular Demand	4. Price Control	4. Raw Material Shortage
5. Labour	5. Irregular Demand	5. Credit Availability
		6. Price Control

VI. HIGHLIGHTS of the HEAVY INDUSTRY PACKAGE

124. The Government introduced a new heavy industry package in 1976 aimed at changing the structural set-up of Turkish industry from consumer or intermediate goods to investment goods. This program is called a Heavy Industry Package.
125. This Package consists of establishment of new institutions and rapid realization of certain basic investment projects.
126. The Ministry of Industry and Technology has been given the main responsibility for implementation of this program. There are seven State Economic Enterprises affiliated with the Ministry. These are:
1. Cement Industries of Turkey Inc.
 2. Sugar Factories of Turkey Inc.
 3. Nitrogen Industries Inc.
 4. Iron and Steel Works of Turkey
 5. SEKA (Cellulose and Paper Works)
 6. Sümerbank
 7. MKEK (Mechanical & Chemical Industries)

In addition to these, the following new enterprises have recently been affiliated with the Ministry.

1. TUSAŞ - Aircraft Industries of Turkey Inc.
2. TUMOSAN - Turkish Engine Industries & Commerce, Inc.
3. TAKSAN - Machine Tools Industries and Commerce of Turkey Inc.
4. TEMSAN - Electromechanical Industries and Commerce of Turkey Inc.
5. TESTAŞ - Electronics Industries of Turkey Inc.
6. TELESAN - Communications Industries of Turkey Inc.
7. OSB - Organized Industrial Regions
8. DESIYAB - State Industrial and Workers' Investment Bank

Of these enterprises, TUMOSAN, TAKSAN, TEMSAN and TESTAŞ are outside the scope of Law No:440 DESIYAB has a law regarding its establishment with the status of a special public investment bank.

The large scale investments in this package and to be realized in the years ahead can be grouped as follows:

1. Industrial plants	218
2. Power Plants	29
3. Mining Operations	29
4. Irrigation Networks	58
5. Transportation Networks	<u>19</u>
TOTAL	383 Projects

TABLE 37
THE NEW INVESTMENT PACKAGE of THE ENTERPRISES AFFILIATED
with
THE MINISTRY of INDUSTRY and TECHNOLOGY

NAME of ENTERPRISE	Number of Projects	Inv. Mill. \$	Production Mill. \$	Employment Workers	Exports Mill.\$	Import Subst. Mil. \$
Cement Industries Inc.	18	635	204	6,480	41	204
Nitrogen Ind.	12	2156	1234	30,150	204	2156
Sugar Ind. Inc.	13	781	387	17,742	114	287
MKEK (1)	28+ 4	164	1594	77,926	458	1588
Sümerbank (2)	12+28	130	153	7,588	49	153
Iron&Steel Works Inc.(3)	7	3735	2247	27,250	165	2353
SEKA (4)	6	1231	460	7,069	47	306
Sub-Total	96	10312	6279	174,565	1078	7044
TUSAŞ	1	588	353	5,000	29	294
TÜMOSAN	13	588	588	20,000	118	353
TAKSAN	4	235	206	8,000	47	441
TEMSAN	3	588	735	15,000	88	882
TESTAŞ	2	118	117	3,000	18	235
TELESAN	1	50	59	1,600	9	118
Sub-Total	23	2167	2059	52,600	309	2323
Organized Industry Zones	38	294	2235	400,000	1176	-
GRAND TOTAL	157	12773	10573	627,165	2563	9367

- Notes: 1. Excluding the 4 additional plants planned by MKEK.
2. Excluding the 28 additional plants planned by SÜMERBANK.
3. Including extensions by private companies, and the pelletizing plants. Extension of ERDEMİR will cost \$ 1300 Million.
4. Including plants that are under construction or planned.

TABLE 38
PRODUCTION and CONSUMPTION FIGURES
for THOSE ENTERPRISES AFFILIATED with
THE MINISTRY of INDUSTRY and TECHNOLOGY

NAME of ENTERPRISE	Number of Existing Plants	Number of Plants to be built	Production 1000 tons		Consumption 1000 tons	
			1976	1982	1976	1982
Cement Industries Inc.	23	18	13371	22028	10918	19677
Fertilizer Industries Inc.	5	12	13300	17000	10900	20000
Sugar Industries Inc.	18	13	1044	1550	920	1450
MKEK (Machinery & Chemicals)	18	28				
Sümerbank (Textiles)	38	12				
Iron & Steel Works	3	7	2810	8000	3745	8000
SEKA (Cellulose & Paper)	4	6	397	823	458	737

PROJECT RUN-DOWN ON HEAVY INDUSTRY

TUMOSAN:

The Turkish Motor Industry and Trading Corporation has so far concluded 3 agreements: with FIAT for the manufacture of 80.000 tractors and 140.000 diesel engines for tractors in Konya (licensing agreement); with MERCEDES BENZ for the manufacture of diesel engines for medium-size trucks, and with VOLVO of Sweden for the manufacture of diesel engines for heavy-duty trucks. TUMOSAN is capitalized at TL 100m. Capital will be raised to TL 500m. It is considering handling 13 projects with combined cost of TL 10.000m. It will turn out TL 10.000m worth of goods annually; import substitution TL 6.000m. (It may compete with big business in Istanbul, especially in the manufacture of motors for cars.) TOFAŞ, the FIAT-KOC owned car plant, is under obligation to use TUMOSAN-made motors in its cars within the next few years.

TAKSAN:

The Turkish Machine Tools Industry is building plants in Kayseri, Erzincan, Tokat and Yozgat for the mass-production of automatic machine tools, heavy machine tools, universal type tools, and gear-boxes. TAKSAN, capital TL 100m, is handling four projects with a combined cost of TL 4.000m. Annual production volume TL 3.500m. Import substitution TL 7.500m.

TEMSAN:

The Turkish Electromechanical Industries Corp. will manufacture equipment and components for energy transmission lines, hydraulic steam and gas turbines and deep-well pumps, transformers, alternators and steam boilers in Elazığ, Malatya, Diyarbakır and Yozgat. TEMSAN is capitalized at TL 100m; is handling two projects with a combined cost of TL 10.000m. Annual production is valued at TL 12.500m. Import substitution TL 15.000m.

TESTAŞ:

The Turkish Electronics Industry has tentatively prepared plans to mass-produce professional and consumer electronics in Aydın and Erzurum. TESTAŞ is capitalized at TL 100m; is handling two projects with a combined cost of TL 2.000m. Annual production valued at TL 2.000m. Import substitution TL 4.000m.

TELESAN:

The Turkish Telecommunications Industry Corporation is yet to be officially constituted and has made no plans so far.

SEKA (Cellulose & Paper)

Location	Type of Investment
1. Afyon	Paper Mill
2. Balıkesir	Paper Mill
3. Mersin (Silifke)	Paper Mill
4. Kastamonu	Paper Mill
5. Artvin	Paper Mill
6. Samsun	Paper Mill

SÜMERBANK

Location	Type of Investment
1. Kars	Integrated Textile Printing Plant Weaving and Finishing Plant
2. K. Maraş	
3. Erzurum	
4. Kars	Shoe Manufacturing Plant
5. Erzurum	Shoe Manufacturing Plant
6. Van	Shoe Manufacturing Plant
7. Bolu	Chipboard Plant
8. Isparta	
9. Malatya	Textile Machinery Plant
10. Gaziantep	Textile Machinery Plant
11. Kirşehir	Ready-Made Clothes Plant
12. Çanakkale	Ready-Made Cloths Plant
13. Adiyaman	Ready-Made Clothes Plant

NITROGEN INDUSTRIES INC.

Location	Type of Investment
1. İçel	Fertilizer Plant
2. Manisa	Fertilizer Plant
3. Siirt	Fertilizer Plant
4. Mardin	Fertilizer Plant
5. Sivas	Fertilizer Plant
6. Konya	Fertilizer Plant
7. Erzurum	Fertilizer Plant
8. Yozgat	Fertilizer Plant
9. Tekirdağ	Fertilizer Plant
10. Trabzon	Fertilizer Plant
11. Kars	Fertilizer Plant
12. Aydın	Fertilizer Plant

IRON & STEEL WORKS

Location	Type of Investment
1. Sivas	The fourth Iron & Steel Plant
2. Sivas (Divriği)	Pelletized Iron Plant
3. Sivas (H. Çelebi)	Iron Ore Dressing Plant
4. Bolu (Gerede)	
Extension Investments	Steel Construction
5. Antakya (Iskenderun)	Extension of Iskenderun Steel Plant
6. Zonguldak (Ereğli)	Extension of Ereğli Steel Plant
7. Zonguldak (Karabük)	Extension of Karabük Steel Plant

CEMENT INDUSTRIES Inc.

Location	Type of Investment
1. Diyarbakir	Cement Plant
2. K. Maraş	Cement Plant
3. Adiyaman	Cement Plant
4. Samsun	Cement Plant
5. Bingöl	Cement Plant
6. Siirt	Cement Plant
7. Denizli	Cement Plant
8. Antalya	Cement Plant
9. Kayseri	Cement Plant
10. Tekirdağ	Cement Plant
11. Kastamonu	Cement Plant
12. Edirne	Cement Plant
13. Muğla	Cement Plant
14. Bitlis	Cement Plant
15. Manisa	Cement Plant
16. Kütahya	Cement Plant
17. Malatya	Cement Plant
18. Urfa	Cement Plant

MKEK (Machinery & Chemicals)

Location	Type of Investment
1. Yozgat	Large-scale Textile Mill
2. Kütahya	Large-scale Press Manufacturing Plant
3. Afyon	Large-scale Forging Plant
4. Kütahya	Annealing Furnaces Manufacturing Plant
5. K. Maraş	Annealing Furnaces Manufacturing Plant
6. Adiyaman	Cement Mill Machinery Plant
7. Gaziantep	Battling Machinery Plant
8. Giresun	Packaging Machinery Plant
9. Kirşehir	Cutting Tools Plant
10. Tokat	Cutting Tools Plant
11. Kayseri	Cutting Tools Plant
12. Gümüşhane	Cutting Tools Plant
13. Ankara (Haymana)	Die Manufacturing Plant
14. Ankara (Kalecik)	Die Manufacturing Plant
15. Ankara (Keskin)	Die Manufacturing Plant
16. Ankara (Beypazar)	Die Manufacturing Plant
17. Çorum	Heavy Machinery Manufacturing Plant
18. Konya	Heavy-duty construction Machinery
19. Amasya	Heavy Machinery and Paper Mills
20. Isparta	Heavy Machinery and Fertilizer Plants
21. Trabzon	Hydraulic Machinery Plant
22. Konya	Flour Mills Machinery Plant
23. Bilecik	Ball-bearings Manufacturing Plant
24. Ordu	Ball-bearings Manufacturing Plant
	Oil Refinery
25. Ankara (Polatli)	Construction and Excavation Machinery Plant
26. Çankiri	Heavy Industries Equipment Plant
27. Elazığ	Quality Steel Plant

SUGAR INDUSTRIES Inc.

Location	Type of Investment
1. Corum	Sugar Refinery
2. Konya	Sugar Refinery
3. Muş	Sugar Refinery
4. Samsun	Sugar Refinery
5. K. Maraş	Sugar Refinery
6. Kars	Sugar Refinery
7. Konya	Sugar Refinery
8. Ağrı	Sugar Refinery
9. Mardin	Sugar Refinery
10. Denizli	Sugar Refinery
11. Niğde	Sugar Refinery
12. Urfa	Sugar Refinery
13. Van	Sugar Refinery

TUMOSAN (Engines)

<u>Location</u>	<u>Type of Investment</u>
1. Konya	Tractor Plant
2. Niğde	Truck Engines Plant
3. Sakarya	Heavy-duty Truck Engines Plant
4. Bursa (Inegöl)	Gasoline Engines Plant
5. Eskişehir	Locomotive Engines Plant
6. Rize	Marine Engines Plant
7. Konya	Tractor Engines Renewing Plant
8. Uşak	Car Engines Renewing Plant
9. Nevşehir	Transmission Parts Plant
10.	Truck Engines Plant
11. Konya	Tractor Plant
12. Mardin	Tractor Plant
13. Burdur	Tractor Plant

TAKSAN (Machine Tools)

<u>Location</u>	<u>Type of Investment</u>
1. Kayseri	Automatic Machine Tools
2. Erzincan	Heavy - duty Machine Tools
3. Tokat	Universal Machine Tools
4. Yozgat	Gears Manufacturing Plant

TEMSAN (Electromechanics)

<u>Location</u>	<u>Type of Investment</u>
1. Elazığ	Power Transmission Lines Equipment, and Wire Drawing Plant
2. Diyarbakir	Water, Steam and Gas Turbines, Pumps and Deep-well Pumps Plant
3. Malatya	Transformer, Alternator, Motor Plant
4. Yozgat	Boiler Manufacturing Plant

TESTAŞ (Electronics)

Location	Type of Investment
1. Erzurum	Electronics Plant
2. Aydın	Electronics Plant

ORGANIZED INDUSTRY ZONES

Type of Investment	Location
1. EXISTING	
Bursa	Konya
Manisa	Eskisehir
2. UNDER CONSTRUCTION	
Gaziantep	Izmir
Erzurum	Kirşehir
Çerkezköy	Malatya
3. PLANNED	
Adana	Mardin
Ankara	Sakarya
Bolu	Tokat
Bursa (Inegöl)	Artvin
Denizli	Çanakkale
Edirne	Çorum
Elazığ	Giresun
Hatay	Kahramanmaraş
Istanbul (Deri-Kösele)	Ordu
Istanbul (Kurtköy)	Samsun
Kars	Sinop
Kayseri	Sivas
Kütahya	Trabzon
Zonguldak (Bartın)	Urfa
Afyon	Van
Antalya	Nevşehir
Bilecik	
Burdur	
Diyarbakir	

In addition to these investments, construction of 27 meat combines and 7 filter cigarette plants have also been planned.



CHAPTER IV

GNP PRODUCTION—SECTORAL DEVELOPMENTS

I. A BRIEF RETROSPECTIVE on the DEVELOPMENT of the TURKISH ECONOMY

Overall Growth Performance: 1950-1976

127. 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 (1963-1976) 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.
128. 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 (Table 39).
129. The largest deviations are in 1951 with a 19,8% increase, in 1954 with a 13.9% decrease. In 1971 there was an increase equal to 13.2% followed in 1973 by the second large decrease equal to 10%. As agriculture continues to be an important sector of the economy, its fluctuations are reflected in the gross national product.
130. The period 1950-1962 has been more successful with an average growth rate of 5.2% versus 3.5% for the period 1963-1975. Ex-

pansion 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.

- 131. Industrialization continued during the period at a rather even pace with the exception of 1951, 1960 and 1970 and cyclical fluctuations of limited amplitude and short duration.
- 132. The average growth rate of the industrial sector is 9.1% with 8.3% during the pre-plan period, and, 10% 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.
- 133. Construction has increased at an average rate of 7.2%, 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.
- 134. Gross national product increased by 6.6 percent on the average during these 26 years, only three decimal points below the average during 1950-1962 and three decimal points above the average during 1963-1976; the same is true for the gross domestic product.
- 135. The discrepancies between GDP and GNP arise from fluctuations in income from the rest of the world. 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).
- 136. Agricultural value added increased by 170.7% in 27 years or at 4% per year, Industry at 10%, Construction at 6.6% and both gross domestic product and gross national product at 6.8%.

The index for 1976 with 1950=100 is as follows:

	<u>1976</u>
Agriculture	270,7
Industry	1,181,0
Construction	530,2
Gross Domestic Product	552,6
Gross National Product	560,5

Recent Developments in Economic Aggregates

- 137. 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. The growth rate of the gross national product 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 exceeded planned rates in Services, Housing and during the Second Plan period in Transportation too.

TABLE 39

The GROWTH PERFORMANCE of the TURKISH ECONOMY in 1950-1976
(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
1951	19,8	2,6	10,3	12,8	12,8
1952	9,5	10,9	17,2	12,0	11,9
1953	8,7	19,2	22,4	11,2	11,2
1954	-13,9	9,2	8,0	-2,9	-3,0
1955	9,8	11,3	7,4	8,1	7,9
1956	5,0	9,6	7,0	3,3	3,2
1957	6,5	10,7	24,6	7,9	7,8
1958	9,2	5,6	-9,6	4,6	4,5
1959	0,3	3,6	0,3	4,6	4,1
1960	2,3	0,4	4,6	2,9	3,4
1961	-4,9	11,7	-1,6	1,7	2,0
1962	5,0	3,5	0,8	6,1	6,2
1963	9,6	12,0	9,4	9,4	9,7
1964	-0,4	11,2	11,1	4,1	4,1
1965	-3,9	9,5	3,5	2,6	3,1
1966	10,7	15,2	13,9	11,7	12,0
1967	0,1	8,2	2,9	4,5	4,2
1968	1,5	11,1	11,1	6,7	6,7
1969	1,2	12,0	2,8	5,3	5,4
1970	2,3	0,4	8,3	4,9	5,8
1971	13,2	9,0	-4,5	9,1	10,2
1972	-0,5	10,3	7,2	6,6	7,4
1973	-10,0	12,1	7,3	4,4	5,4
1974	10,3	7,7	6,1	8,8	7,4
1975	10,4	9,0	8,5	7,8	7,9
1976	3,9	10,7	8,4	8,1	7,2
1950-1962	5.2	8.3	7.4	6.3	6.3
1963-1976	3.5	9.9	7.9	6.7	6.9
1950-1976	4.3	9.1	7.2	6.5	6.6

Source: State Institute of Statistics

138. The first four years of the Third Five-Year Plan shows the same tendencies—GNP has lagged behind and the average growth rate for 1973-1976 is 7%, much below the 7.9% target. But the target growth rate for gross domestic product has been exceeded. The difference between these two aggregates has been created by considerable decreases in 1974 and 1976 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.
139. The ownership structure and share in GDP of fixed investment showed interesting and systematic variations.
140. Investments in fixed capital lagged behind targets; it amounted to 21.8% of GDP. The target rate is 23.4%. Private investments exceeded plan targets considerably in the First and Third Plans. The public sector lagged behind fixed investments during the First and Third Plans and attained plan targets in the Second Five-Year Plan.
141. The structure of investment moved differently than the Plan target. Housing and Transport always exceeded the share foreseen in the Plan. Agriculture, social sectors and other services lagged behind. Investment targets for agriculture were realized in the four years of the Third Plan.
142. Industry increased its share from the foreseen one during the Second Plan period, but stayed below the planned target during the four years of the Third Five-Year Plan.
143. Consumption grew at a higher rate during the Second Plan, and attained plan targets during the four years of the Third Plan.
144. The yearly growth rates of national savings were always lower than the Plan targets in the Second and Third Five-Year Plans. The gap between the target and the actual rate becomes more serious in the four years (1973-1976) 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 17.3% in the four years of Third Plan period. It was foreseen to be 20.8% and 23.3% of GNP, respectively.

TABLE 40
STRUCTURE of RESOURCES and THEIR USES
(% of GNP at current market prices)

	1950	1960	1970	1976
GNP Current Market Prices	100.0	100.0	100.0	100.0
Imports	9.3	5.4	7.1	13.1
Exports	8.2	3.0	4.4	4.9
Resource Gap	1.1	2.4	2.7	8.2
Net Factor Income	-	0.6	1.3	2.6
TOTAL Resources	101.1	103.0	101.4	105.5
Fixed Investment	10.3	15.4	18.6	22.3
Public	4.1	7.5	9.8	11.8
Private	6.2	7.9	8.8	10.5
Change in Stocks	-	-	1.3	1.9
Consumption	90.8	87.6	81.4	81.3
Public	12.4	10.3	12.0	13.5
Private	78.4	77.3	69.4	67.8
National Savings	9.2	12.4	18.6	18.7

Distribution of Economically Active Population is as below:

(15-64 years, 1975)

Agriculture	60.5%
Industry	12.7
Construction	3.8
Commerce	5.1
Transportation	4.0
Services	13.0
Unknown	0.9
	100.0

145. The structure of the Turkish Economy has changed considerably in the last 26 years. The share of agriculture has decreased from 47.8% in 1950 to 27.2 in 1976, while industry and construction increased from 15.5 in 1950 to 27.7% in 1976. Services increased to a lesser extent from 36.7% in 1950 to 45.1% in 1976.

TABLE 41
 STRUCTURE of GROSS DOMESTIC PRODUCT
 (1950-1975)
 as PERCENT of GDP at FACTOR COST, CURRENT PRICES

	1950	1960	1970	1976
Agriculture	47.8	40.4	30.7	27.2
Industry	12.9	16.6	20.6	22.4
Construction	2.6	5.8	7.7	5.3
Transport	4.8	6.2	6.8	8.8
Housing	3.5	5.8	5.3	4.3
Government Serv.	10.9	8.7	10.8	10.9
Other Services	17.5	16.4	20.6	21.1

II. GNP

146. The following table indicates annual growth rates achieved in 1974, 1975 and 1976 (at factor 1968 prices), following the recent revision of State Institute of Statistics.

	Average Plan Target	Actual 1974	Actual 1975	Actual 1976
1. Agriculture	3.7	10.3	10.9	3.8
2. Industry	11.2	8.3	9.0	11.5
3. Services	7.7	7.8	10.8	8.9
4. GDP	7.5	8.8	10.0	8.2
5. GNP	7.9	7.5	7.9	7.2

147. The share of agriculture as well as of industry remained fairly stable during 1974-1976. Further decreases in the share of agriculture were not realized in 1974-1975 due to record crops.

TABLE 42
ORIGIN of GROSS NATIONAL PRODUCT
(in %)

	Current Prices			Constant Prices		
	1974	1975	1976	1974	1975	1976
Agriculture	24.7	25.4	25.1	21.3	21.8	21.2
Industry	17.9	17.5	17.4	19.5	19.6	20.4
Construction	4.4	4.6	4.8	5.7	5.7	5.8
Trade	12.2	12.0	12.0	12.4	12.7	13.0

148. The share of industry, which was fairly stable during 1973-1975 period, showed some increase in 1976. This is due to slightly over realization of industrial growth compared with 1976 Program target. The realization of industrial growth in 1976 is estimated to be 11.5% for which the Program target was 11.2% in constant prices.

The GNP at constant and current prices and per capita GNP figures since 1968 are as follows:

Years	Gross National Product		% Real Increase	Midyear Population (thousands)	Per capita GNP		% Real Increase
	Current (bil.TL)	Constant (bil.TL)			Current TL.	Constant TL.	
1968	112.5	112.5	6.7	33.854	3.323	3.323	4.0
1969	124.9	118.6	5.4	34.722	3.597	3.416	2.8
1970	147.8	125.4	5.8	35.605	4.126	3.518	3.0
1971	192.6	138.2	10.2	36.581	5.250	3.788	7.7
1972	240.8	148.5	7.4	37.536	6.415	3.956	4.4
1973	309.8	156.5	5.4	38.491	8.048	4.065	2.7
1974	427.1	168.0	7.4	39,478	10.818	4.278	5.2
1975	535.1	181.5	8.0	40.197	13.311	4.515	5.5
1976	649.5	194.5	7.2	41.200	15.765 ¹	4.721	4.6

¹Approximately \$ 901 at \$ 1= TL. 17.5 and \$ 985 at \$= TL. 16.

149. Appreciable increases were realized in real percapita income in 1974-1976 period, due mainly to record crops, while in 1973 percapita GNP increased by only 2.7% due to an absolute decrease in agricultural production. The rates of increase in percapita income for 1975 and 1976 are respectively, 5.5% and 4.6%.
150. According to national income accounts published in November, 1976 real GNP has grown at a rate of 7.2% in 1976.

The rates of growth over the past four years are given below:

GNP & GDP at CONSTANT FACTOR PRICES

	1973	1974	1975	1976
GNP	5.2	7.5	7.9	7.2
GDP	4.1	8.8	10.0	8.2
Agriculture	-10.1	10.3	10.9	3.8
Industry	11.3	8.3	9.0	11.5
Manufacturing	12.1	6.9	8.1	11.8
Construction	7.3	6.1	8.5	8.4
Trade	11.5	10.9	10.1	9.1

151. 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 43
EXPENDITURES on GROSS NATIONAL PRODUCT
(million TL. in 1976 prices)

	1975	1976	% Change
GNP	606.612	649.524	7.2
Net Balance of Payments			
Deficit on Current Account ¹	30.170	28.802	4.5
Total Available Resources	636.182	678.326	6.6
Total Gross Investment	145.843	156.586	7.4
-Private	68.775	69.458	1.0
-Public	77.068	87.128	13.1
Gross Fixed Capital Formation	127.743	144.486	13.1
-Private	64.175	67.958	5.9
-Public	63.568	76.528	20.4
Stock Changes	18.100	12.100	-
-Private	4.600	1.500	-
-Public	13.500	10.600	-
Consumption	490.339	521.740	6.4
-Private ²	419.809	437.125	4.1
-Public	70.530	84.615	20.0

Source: SPO

¹Sum of (exports-imports) & net factor income from the rest of the world.

²Residual

TABLE 44
GROSS NATIONAL PRODUCT by ORIGIN
(at constant 1968 factor prices)

	1974	1975	1976	Chain Index		
				1974	1975	
1. Agriculture	35,761.5	39,674.6	41,173.1	110.3	110.9	103.8
a. Farming	34,658.0	38,352.3	39,867.5	110.4	110.7	104.0
b. Forestry	793.6	981.4	930.7	108.1	123.7	94.8
c. Fishing	309.9	340.9	374.9	110.0	110.0	109.9
2. Industry	32,687.9	35,614.9	39,709.4	108.3	109.0	111.5
a. Mining	2,699.7	3,017.2	3,138.5	121.4	111.8	104.0
b. Manufacturing	27,911.6	30,165.0	33,715.8	106.9	108.1	111.8
c. Electricity, gas, water	2,076.6	2,432.7	2,855.1	111.8	117.1	117.4
3. Construction	9,503.6	10,310.3	11,174.9	107.7	108.5	108.4
4. Trade	20,965.5	23,071.9	25,169.6	108.7	110.0	109.1
5. Transport, Communication	15,063.6	16,261.8	18,336.8	108.7	108.0	112.8
6. Financial Institutions	3,613.6	3,852.1	4,141.0	109.1	106.6	107.5
7. Ownership of Dwellings	7,047.9	7,484.5	7,976.3	106.5	106.2	106.6
8. Private pro. & Services	7,599.9	8,257.9	8,947.7	108.7	108.7	108.3
9. Total Industries	132,243.5	144,557.6	156,628.7	109.0	109.3	108.4
10. Public Services	14,625.0	15,470.6	16,558.2	106.0	105.8	107.0
11. Gross Domestic Product	146,868.5	160,028.1	173,186.9	108.7	109.0	108.2
12. Income from the rest of the World	4,775.6	3,622.6	2,246.3	-79.2	75.9	62.0
13. Gross National Product (at factor cost)	151,644.1	163,650.7	175,433.2	107.5	107.9	107.2
14. Minus Subsidiaries	1,128.3	1,138.7	1,745.3	-	-	-
15. Indirect Taxes	17,497.1	18,941.4	20,820.1	107.1	108.4	109.9
16. Gross National Product (at market prices)	168,012.9	181,473.5	194,508.0	107.4	108.0	107.2

(Million TL.)

TABLE 45
GROSS NATIONAL PRODUCT by ORIGIN
(at current factor prices)

	(Million TL.)					
	1974	1975	1976	Chain Index		
	1974	1975	1976	1974	1975	1976
1. Agriculture	105.511.6	136.116.1	162.838.1	144.2	129.1	119.6
a. Farming	102.628.2	132.413.4	158.742.2	145.2	129.0	119.8
b. Forestry	2.136.4	2.755.6	2.894.9	111.3	128.9	105.0
c. Fishing	747.0	947.2	1.201.0	139.1	126.8	126.8
2. Industry	76.710.2	93.530.6	112.837.0	143.7	121.9	120.6
a. Mining	5.208.7	5.936.8	7.120.3	141.6	113.9	119.9
b. Manufacturing	66.069.7	79.845.5	95.624.1	143.1	120.8	112.7
c. Electricity, gas, water	5.431.8	7.748.3	10.092.6	153.7	142.6	130.3
3. Construction	18.828.8	24.620.6	30.304.9	127.4	130.7	125.5
4. Trade	52.265.0	64.119.5	77.808.0	149.1	122.7	121.3
5. Transport, Communications	35.538.5	43.196.1	52.892.1	140.3	121.5	122.4
6. Financial Institutions	10.092.0	12.602.2	18.885.8	153.4	124.8	149.8
7. Ownership of Dwellings	13.279.4	17.887.2	21.747.1	121.4	134.7	121.6
8. Private Pro. & Services	19.343.7	25.047.0	30.957.2	136.7	129.5	123.6
9. Total Industries	331.569.2	417.119.3	508.870.3	142.1	125.8	122.0
10. Public Services	38.203.2	50.546.6	66.477.5	118.3	132.3	131.5
11. Gross Domestic Product	369.772.4	467.665.9	575.347.8	139.2	126.5	123.0
12. Income from the rest of the World	17.351.3	16.597.7	9.877.5	121.1	95.6	59.5
13. Gross National Product (at factor cost)	387.123.7	484.263.6	585.225.3	138.3	125.1	120.8
14. Minus Subsidiaries	2.172.0	2.500.8	5.042.5	-	-	-
15. Indirect Taxes	42.145.8	53.291.7	69.340.9	132.7	126.4	130.1
16. Gross National Product (at market prices)	427.097.5	535.054.5	649.523.7	137.8	125.3	121.4

TURKEY'S Growth Rate Continues to be the
Highest Among OECD Countries

152. Turkey's growth rate of Gross National Product attained 7.2% in 1976 while the average for OECD countries has not exceeded 5%. Compared with individual OECD countries, Turkey has the highest growth rate.
153. From the viewpoint of growth in industrial production the comparison is more impressive. Industrial production decreased in 1975 for OECD countries while Turkish industrial production showed an increase of 9% in 1975 and 11.5% in 1976. As for 1977 forecasts show a rate of increase of 3.75% for OECD countries and 13.4% for Turkey.

TABLE 46
GROWTH of GNP in OECD COUNTRIES

	1975	1976	1977
Canada	0.6	4.75	3.50
U.S.A.	-1.8	6.25	4.50
Japan	2.1	6.00	6.00
France	-1.2	5.00	3.00
Germany	-3.2	5.50	3.50
Italy	-3.7	4.50	-0.50
England	-1.8	1.00	1.50
TOTAL	-1.3	5.50	4.00
Other OECD Countries	-0.6	2.50	2.75
OECD Total	-1.2	5.00	3.75
Turkey	8.0	7.20	8.20

154. As can be seen from the table 46 according to estimates for 1977 Turkey continues to keep the first rank among OECD countries.
155. Another growth indicator, total investment attained TL. 156 billion in 1976 and affected positively employment, production and exports.

TURKEY and Developing Countries

156. Turkish economy performed the highest rate of growth among OECD countries in 1975 and 1976. But also, during 1970-1975 period, Turkish growth rate (7.8%) was ranked as fourth among world economies, which included developed countries and developing countries as well. It should be interesting to note that most of the countries ranked before or near Turkey, have obtained this high rate of growth from the export of a single product as petroleum or else. But the Turkish economy although has serious problems of balance of payment, its growth rate is the indication of a high performance in industrial, agricultural and services sectors.
157. The Turkish experience proves also that a high rate of economic growth can be realized under democracy. Sometimes it is stated that for some South American countries for instance, it could be much easier to deal with economic problems as these countries have a more authoritarian regimes. The table below proves that economic aims and the democracy are not conflicting targets.

COUNTRIES	Population (mill.)	GNP 1975 (\$ bill.)	GNP 1971-1975 Average %	Inflation Rate 1975 %
Turkey (Democracy)	40	37.1	7.8	10
Argentina (Military-right)	25	37.0	3.2	184
Brazil (Military-right)	107	100.0	9.3	31
Dominican Republic (Democracy)	5	3.8	9.9	14
Ecuador (Military-right)	7	4.3	8.0	16
Guatemala (Military-civil right)	6	3.6	5.5	18
Colombia (Democracy)	26	12.7	6.5	24
Mexico (Single party-right)	61	78.7	5.6	17
Peru (Military-left)	16	8.8	6.0	23
Chile (Military-right)	11	6.8	-1.4	375
Venezuela (Democracy)	12	2.7	4.7	3

Income Distribution

158. Income distribution in Turkey is determined on the basis of data collected for demographic purposes by the Institute of Population Studies of Hacettepe University. Thus, data was not collected with the aim of determining income distribution per se, but experts at the SPO were determined to do their best with whatever was available.
159. The first available income distribution study in Turkey was undertaken by the SPO in 1963. The second of such studies was undertaken in 1968 by a group of academicians, again within a demographic survey. This study had draw-backs because questions were inserted into a "fertility" survey with limited respondents.
The latest survey on the subject has been conducted by the State Planning Organization in 1973.
160. This study gives income distribution in Turkey by geographical regions, settlement areas, industrial regions, sources of income, sectors, occupational groups, and social strata. It is however, little more than a rigorous exercise aimed at maximum possible results that could be derived from the survey.
161. Because this document confirmed what was already clear to the naked eye, it was not enthusiastically received. It is however, academically and scientifically a valuable document for the social researcher. Those familiar with Turkey will appreciate the importance of filling in the gaps. Now, at least, there are two comparable studies to show whether income distribution is improving or not.
162. The more favorable results of the 1973 study are attributed to improved calculation methods rather than reflecting facts. The state personnel law in 1971, however, has made a difference in the distribution of income in Turkey, whereby the share government employees got from total income increased significantly. According to the study, the advantage has fast eroded due to severe price rises in the ensuing years (i.e. between 1971 and 1973).
163. The general picture reveals that 4.1 percent of the households within the lowest income bracket (TL. 6-2500/yr) get 0.3 percent of total income while 0.6 percent of the households within the highest income bracket (TL. 200,000 +/yr) get 10.2 percent of total income in Turkey. When the findings are compared internationally, Turkey fares worst among eleven countries (namely, United Kingdom, Sweden, Norway, Pakistan, Greece, USA, Denmark, Finland, Sri-Lanka and India.)-- with a higher portion of her population receiving a smaller portion of the country's total income.

TABLE 47

INCOME DISTRIBUTION by INCOME BRACKET, TURKEY 1973

Income Bracket	% of Households	% of National Income
0 - 2,500	4.1	0.3
2,500 - 5,000	8.1	1.2
5,000 - 10,000	17.8	5.4
10,000 - 15,000	20.0	10.1
15,000 - 25,000	22.5	17.9
25,000 - 50,000	18.1	25.4
50,000 -100,000	6.8	18.6
100,000 -200,000	1.9	10.8
200,000 +	0.6	10.2

Gini coefficient: 0.51489

Source: SPO, Income Distribution, 1973

III. PRODUCTION-SECTORAL DEVELOPMENTS

Agriculture

164. The climate and agricultural possibilities of Turkey show such a great variety that many different agricultural products, a few tropical ones, can be cultivated.
165. 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.
166. 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.
167. 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 48) gives data on agricultural production in recent years.

168. 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 64.0 percent of the total exports in 1976.

TABLE 48
AGRICULTURAL PRODUCTION

	1975	1976	1977 (estimated)	1976 1975	1977 1976
CEREALS					
Wheat	14.750	17.000	14.000	+15.3	-17.6
Barley	4.500	5.000	5.000	+11.1	-
Maize	1.100	1.220	1.250	+10.9	+ 2.5
Pulses	768	770	810	-	+ 5.2
INDUSTRIAL CROPS					
Cotton	480	490	600	+ 2.0	+22.4
Tobacco	198	270	250	+40.0	- 7.4
Sugar Beets	7.000	7.600	8.500	+ 8.6	+11.8
OIL SEEDS					
Sun flower	488	480	550	-	+14.6
Cotton seed	760	760	960	-	+26.3
OTHERS					
Potatoes	2.490	3.304	3.500	+32.7	+ 6.1
Hazelnuts	320	250	270	-22.0	+ 8.0
Olives	588	1.100	600	+87.0	-45.0
Tea	205	260	260	+26.8	-

A comparative evaluation of the recent years' crop for selected agricultural goods shows an impressive outcome.

Natural Resources and Energy

169. 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.
170. 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 optimum production.
171. Turkey produces about 2.6-3.5 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.
172. According to public authorities the oil reserve of Turkey is around 10 billion metric tones.
173. The pipe-line project to transport Iraque oil to Turkey recently completed is expected to make a considerable contribution to the country's economy and balance of payments.
174. However the amount of petroleum produced in Turkey has decreased and dependence on imports has increased.

PRODUCTION, CONSUMPTION
AND IMPORT OF CRUDE OIL

Metric Tons (1000)	Domestic Production	Consumption	Import	Domestic Production Consumption %
1969	3.599	6.486	2.870	55
1970	3.542	7.219	3.845	49
1971	3.550	8.950	5.470	40
1972	3.388	10.953	7.969	31
1973	3.511	12.981	9.306	27
1974	3.308	13.772	10.464	24
1975	3.095	13.046	9.634	24
1976	2.600 ¹	14.110 ¹	11.510 ¹	18

¹Estimated

175. TPAO and ERSAN, the two Turkish companies produced 1.05 million tons in 1976, a decrease of 5.8% in comparison to 1975 production of 1.11 million tons, in spite of the increase in the production of ERSAN.

DOMESTIC PRODUCTION
OF CRUDE OIL

Production	1976	(Metric tons)		1975 1974	1976 1975
		1975	1974		
TPAO	1.035.500	1.101.598	1.111.251	-0.8	-6.0
ERSAN	13.700	12.681	26.207	-106.6	+8.0
Total Turkish Companies	1.049.200	1.114.279	1.137.458	-2.1	-5.8
Mobil	236.200	282.634	325.313	-15.1	-16.4
Dorchester Gas	59.100	69.635	80.192	-15.1	-15.1
Mobil & Dorchester TOTAL	295.300	352.269	405.505	-15.1	-18.6
Shell	1.260.400	1.628.938	1.765.999	-8.4	-18.6
TOTAL Foreign Comps.	1.555.700	1.981.207	2.171.504	-9.6	-21.5
GRAND TOTAL	2.604.900	3.095.486	3.303.962	-6.9	-15.8

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 390 Kwh in 1975. The table below indicates electricity generation in Turkey between 1923-1975.

(million kilowatt/hrs)

Years	1923	1933	1943	1953	1963	1973	1974	1975	1976 ¹
Electricity generation	50	151	457	1.201	3.983	12.361	13.477	15.631	16.527

¹11 months production.

176. 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.

The break down of electricity generation into various resources

can be traced in the following table:

SHARE in TOTAL OUTPUT
(GWH and %)

Kind of Resources	1 9 7 4		1 9 7 5		1 9 7 6 (Estimated)	
	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
TOTAL	13477	100.0	15500	100.0	18400	100.0

177. As can be noted from the above table, the largest part of electricity generation is provided through petroleum which under the present circumstances does not seem a rational choice. However mention must be made that the current governmental policy is to shift towards hydro-electric plants.

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 Industry

178. Since the adoption of economic development programmes in 1963, industrialization has been the key factor. Accordingly, investments in manufacturing have doubled in the period of 1963-1975 from 1.4 billion dollars to 3.1 billion dollars in 1975, measured in constant 1975 prices.

According to State Planning Organization the increase in production in manufacturing sector and in its subsectors in 1976, is as below:

TABLE 49
 PRODUCTION IN MANUFACTURING INDUSTRY (1975 Prices)
 (Million TL.)

	1 9 7 5	1 9 7 6	% Incr.	1 9 7 7 Program	% Incr.
MANUFACTURING INDUSTRY	320.910.4	364.154.7	13.5	412.458.7	13.3
<u>Consumer Goods Industry</u>	157.347.7	173.861.9	10.6	191.031.6	10.0
Food	97.684.5	104.729.5	7.2	115.047.7	9.9
Beverages	4.906.0	5.131.0	4.6	6.048.3	17.9
Tobacco	9.137.2	13.695.4	49.9	15.288.6	11.6
Textile and clothing	45.620.0	50.306.0	10.3	54.647.0	8.6
<u>Intermediate Goods Industries</u>	114.108.1	131.796.9	15.5	152.669.5	15.8
Forest Products	10.057.0	10.944.3	8.8	12.179.8	11.1
Pulp and Paper	3.070.8	2.969.5	-3.3	3.533.9	19.0
Printing	1.904.0	2.317.8	21.7	2.738.1	18.1
Hides and Leather	9.318.8	10.338.5	10.9	11.549.0	11.7
Rubber	2.728.8	2.977.6	9.1	3.586.0	20.4
Plastics	3.483.0	3.985.0	14.4	4.500.0	12.9
Chemicals	13.847.0	15.889.9	14.8	17.690.4	11.3
Petrochemicals	4.358.8	6.958.5	59.6	9.114.4	31.0
Petroleum Products	26.394.0	29.619.8	12.2	31.427.2	6.1
Fertilizers	4.764.7	6.696.2	40.5	8.011.0	19.6
Cement	4.302.0	4.882.2	14.8	5.530.0	13.2
Clay and Cement Products	3.846.3	4.303.3	11.9	4.853.2	12.8
Glass	1.903.8	2.347.8	23.3	2.679.2	14.1
Ceramics	928.1	1.080.2	16.4	1.247.9	15.5
Iron and steel	17.664.2	19.736.1	11.7	24.401.9	23.6
Non ferrous Metals	5.536.8	6.750.2	21.9	9.627.5	42.6
<u>Investment Goods</u>	49.454.6	58.495.9	18.3	68.757.6	17.5
Metal Products	9.150.0	10.975.0	19.9	13.250.0	20.7
Machinery	10.535.7	12.961.9	23.0	15.727.0	21.3
Agricultural Machinery	(4.891.6)	(5.254.7)	(7.4)	(6.044.0)	(15.0)
Electrical Machinery	6.185.0	7.500.0	21.3	9.000.0	20.0
<u>Controlling Appliances</u>	194.1	273.7	41.0	393.3	43.7
Electronics	3.180.0	3.665.0	15.2	4.250.0	15.9
Road Vehicles	13.146.0	14.612.8	11.2	16.297.0	11.5
Railway Vehicles	1.132.6	1.407.8	24.3	1.680.3	19.4
Ship Building	1.039.0	1.845.0	77.6	2.116.0	14.7

Source: SPO

- a. The increase in production in manufacturing industry is 13.5 for 1976, in real terms. Another increase of 13.3 is expected in 1977.
- b. It must be noted that the performance of Investment Goods industry is the highest in 1976:18.3%.
- c. Increase in Consumers' Goods Industry is 10.6 and the increase in Intermediate Goods Industry is 15.5 in 1976.
- d. Thus, the share of investment goods in the manufacturing industry showed an upward trend between 1962-1976.

TABLE 50
The BREAKDOWN of INDUSTRIAL PRODUCTION
1962 - 1976

Production	1962	1967	1973	1976
Consumer Goods	62.3	52.9	53.5	47.7
Intermediate Goods	27.8	35.4	32.5	36.2
Investment Goods ¹	<u>9.9</u>	<u>11.7</u>	<u>14.0</u>	<u>16.1</u>
	100.0	100.0	100.0	100.0

¹Inclusive of consumer durables.

The production of industrial goods in 1973-1975, and in 1976 (for eleven months or less- according to the availability of data) are shown in the table

179. Main Developments in the Subsectors of Manufacturing Industry

a. Paper Industry

The increase in demand in 1976 is 15.6% over 1975. Due to delays in the completion of continuing investments in this sector, the domestic production did not cope with demand and imports were necessary in 1976. In 1977, the demand is expected to increase at a rate of 7.2 and with the completion of new capacities, some exports are expected.

b. Textile and Clothing Industry

The cotton yard exports in 1976 have stimulated the capacity utilization in this sector. Thus the capacities which were

not utilized fully at 1975, have performed nearly at full capacity in 1976.

In 1977 exports are expected to increase at a rate of 14%.

c. Cement Industry

The fast growth of this industry has continued in 1976. The demand is expected to increase 13% in 1977 which will be met with now operating capacities. With the completion of several expansion investments in existing plants, the expected increase in cement production in 1977 is about 1 million tons, allowing almost an equal amount of exports.

d. Iron-Steel Industry

According to reports from the Ministry of Industry officials, the steel production of Turkey has reached 2,500,000 tons in 1976. The steel production, according to the 3rd Five-Year Development Plan, should reach 3,956,000 tons in 1977 while only 2,937,000 tons of production will be realized according to the Ministry of Industry report on the subject. The expected setback is attributed to the delays in the Erdemir and Isdemir Investments.

The iron and steel consumption has fallen 4% short of the programmed consumption in 1975 and 2% in 1977, while in 1977, the consumption level is expected to go over the programmed amount by 12%. The iron and steel imports, on the other hand have shown considerable discrepancies compared to the programmed goals of the 3rd Five-Year Development Plan. The import figure has reached 1,860,000 tons in 1975 compared with 809,000 tons programmed while in 1976, the imports increased to 1,719,000 tons which was a figure quite over the 623,000 tons programmed for that year.

e. Chemical Industries

The demand in 1976 has increased at a rate of 12.3%, reaching a value of TL. 21.7 billion TL. The production has increased at 14.8 reaching a value of only TL. 15.9 billion. In this sector, half of the production is obtained from consumption goods such as soaps, cosmetics, pharmaceuticals, ... so forth.

In 1977, it is expected that Antalya Carbite Factory and some soda and perborate installations will come into operation which will increase exports in this sector from TL. 431.4 million in 1976 to TL. 589.5 million in 1977.

f. Fertilizers

The construction of 13 new factories are started in 1976. The

demand in 1976 was TL. 10.6 billion. This is expected to increase at a rate of 16% in 1977. The total production is expected to reach 732.420 tons in 1977.

g. Machinery

45% of the demand is met with domestic production. In Power machines this ratio is 40%, in metal and wood working machines 25%, in calculators and office machines 40%, in some special order machines 15%, and the remaining 65%.

h. Electrical Machinery

This branch has recorded considerable production increases in the last 20 years both in terms of quantity and in variety of manufactured electrical machinery and equipment.

i. Railway Vehicles

In 1975 and 1976 the production in this sector has perfectly met the plan targets. In 1975 52 each, and in 1976, 50 each locomotives were produced. Passengers and merchandise wagon and car productions were 1016 in 1975 and 1490 in 1976. The plans for 1977 are 60 each diesel locomotives, 50 each passenger cars and 1500 each several type of merchandise wagons.

j. 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 is as follows:

Communication Equipment	12.7 %
Industrial Equipment	3.1
Consumer Equipment	81.6
Circuit Elements	2.6
TOTAL	100.0

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

k. 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 and the local content ratio in the manufacture of motor vehicles is gradually increasing. Next year, the following ratios are planned to be attained in this sector:

- agricultural tractors	75%
- trucks-pick-up trucks	75%
- minibuses	75%
- field trucks	60%
- low-trucks (pullers)	57.5%
- tourist-type buses	80%
- municipal-type buses	75%
- small-type buses	75%
- passenger cars	90%
- combines	60%

The number of automotive vehicles manufactured in recent years is shown below:

Automotive Vehicles	Numbers of Production							1977 Prog.
	1970	1971	1972	1973	1974	1975	1976	
Tractors	7.921	15.789	23.138	24.794	25.790	34.281	37.036	51.000
Trucks	6.054	5.003	8.711	11.721	10.354	13.721	19.761	24.320
Light weight trucks	4.374	5.927	6.029	8.583	11.529	18.010	19.240	23.240
Mini-bus	1.101	1.930	3.778	4.550	4.584	5.461	4.910	5.600
Bus	711	606	908	1.256	1.324	1.284	1.376	3.008
Automobile	3.660	13.138	30.084	46.856	59.908	67.291	62.992 ^{1/}	62.130

^{1/} Renault : 30.060

Murat 124: 25.931(with Fiat motor)

Anadol : 7.001(with Ford motor)

62.992

1. 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 sowing machines, harvest machines and various equipment and tools.

m. Construction

Construction activity is a critical sector of the economy characterized by pervasive backward and forward linkages in the intersectoral structure.

Its development favorably affects the subsectors supplying a variety of construction inputs. Its fluctuations constitute a mirror image of economic slowdowns and upturns.

In 1975 and 1976 construction activity showed a marked increase in comparison with 1974. This development has affected favorably the subsectors supplying inputs to the construction sector.

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%.

There is a notable increase in the construction of industrial buildings in the first 8 months of 1976 (for which data are available) showing the high rate of industrial activity in the country.

TABLE 51

INDUSTRIAL PRODUCTION

(metric tons)

	1 9 7 3	1 9 7 4	1 9 7 5	% 75/74	1 9 7 6
A. Capital Goods					
Pig Iron	984.339	1.206.119	1.191.136	- 1.2	1.212.223
Steel Ingots	1.163.127	1.336.733	1.448.339	+ 8.3	1.457.213
Rolled Products	1.024.727	1.197.628	1.117.704	- 6.8	1.153.527
Sheets	274.362	273.381	181.298	-33.7	190.372
Coke	939.859	1.241.135	1.241.434	-	1.936.404
Cement	8,947.680	8,975.662	10.692.268	+19.1	12.382.236
Glass and Bottles	83.515	70.771	71.630	+ 1.2	129.627
Paper and Cardboard	178.134	202.893	222.196	+ 9.5	216.250
Newsprint	83.361	96.030	87.392	- 9.0	79.607
Artificial Fertilizer	546.264	698.585	917.135	+31.3	299.659 ¹
Electricity(million Kw/Hrs)	12.298	13.478	15.631	+16.0	18.246
Window glass	88.883	77.857	80.811	+ 3.8	111.563
B. Consumption Goods					
Sugar	873.229	757.760	664.676	-12.3	982.327
Tea	1.085	-	-	-	-
Cigarettes	46.419	53.119	57.301	+ 7.9	52.954
Packed tobacco	3.023	3.107	3.213	+ 3.4	2.710
Alcohol (1000 lt.)	9.727	9.894	8.219	-16.9	11.696
Beer (1000 lt.)	57.715	42.384	48.328	+14.0	59.627
Raki (1000 lt.)	12.059	14.789	16.652	+12.6	18.737
Other Liquors (1000 lt.)	7.874	8.502	8.394	- 1.3	5.413
Cotton Fabrics(1000 meters)	218.780	209.947	214.395	+ 2.1	188.243 ¹
Woolen Fabrics(1000 meters)	4.468	5.525	6.575	+19.0	6.950 ¹
C. Mineral					
Iron Ore	2.119.888	2.243.493	2.246.757	+ 0.1	2.209.653 ²
Chrome(ungraded product)	234.281	244.532	256.891	+ 5.1	278.660
Copper	25.727	29.085	24.933	-	28.099
Boron	524.973	596.404	646.104	+ 8.3	619.404
Coal (ungraded product)	7.841.257	8.505.907	8.100.557	- 4.7	8.068.282
Lignite(ungraded product)	7.536.873	7.666.257	8.432.905	+10.0	9.906.621
Crude Petroleum	3.504.427	3.311.906	3.095.486	- 6.5	2.604.900
Benzine	1.875.241	1.940.507	2.090.404	+ 7.7	1.939.989
Kerosene	582.393	515.901	411.571	-20.2	521.308
Motorine	3.033.083	2.932.032	3.176.163	+ 8.3	3.221.390
Fuel Oil	5.537.240	5.323.670	5.344.034	+ 0.3	5.809.606
Asphalt	230.356	721.063	307.962	-57.3	255.600
D. Selected Consumer Durables					
Refrigerators (1000 each)	293	332	409	+23.2	402 ³
Washing machines (1000 each)	97	130	163	+24.7	210 ¹
Television sets (1000 each)	138	370	570	+54.0	682

¹ 11 months

² 10 months

³ 9 months

TABLE 52

SUPPLY PROGRAMME OF BASIC COMMODITIES

	1 9 7 6	Production Estimate	Total Domestic Supply	Demand	Import Requirement
	Stock				
Sugar	636 th.tons	1044 th.tons	1680 th.tons	960 th.tons	--
Rice	40.8 th.tons	195 th.tons	235.8 th.tons	186.5 th.tons	20 th.tons
Margarine	Not available	195 th.tons	195 th.tons	195 th.tons	-
LPG	1.0 th.tons	524 th.tons	525 th.tons	660 th.tons	136 th.tons
Truck	None	18.600 ea.	18.600 ea.	18.830 ea.	350 ea.
Tractors	None	40.000 ea.	40.000 ea.	50.000 ea.	10.000 ea.
Cement	182.997 tons	10.849.656 t.	11.832.653 t.	9953.141 tons	-
Newsprint	--	75.758 tons	75.758 tons	116 th.tons	40.242.th.tons
Tyres	47.5 th.	2628 th.	2675.5 th.	3336 th.	708 th.
Agr.Pesticides	--	46.900 tons	46.000 tons	59.600 tons	13.200 tons
Sulphur	8306 tons	12.000 tons	20.306 tons	21.736 tons	10.000 tons
Copper sulphate	892 tons	2250 tons	4124 tons	2250 tons	--
Fuel Oil	--	6.1m tons	6.1m tons	6.5m tons	426.000 tons
Nitrogenous fertilizers:					
21% N	369.000 tons	1.198.430 t.	1.567.430 t.	2.5m t.	932.570 tons
Phosphate fertilizers:					
18% F205	851.000 tons	2.087.000 t.	2.878.500 t.	2.1m tons	--
Iron-steel	712.000 tons	2.810.000 tons	3.522.000 tons	3.745.000 tons	893.000 tons
Rods-blooms import					450.000 tons
Sheets					150.000 tons

CONSTRUCTION ACTIVITY

	1975		1976		1976/1975	
	1000 m ² Value Mil.Tl.	January - August Value 1000 m ² Mil.Tl.	1000 m ² Value Mil.Tl.	January - August Value 1000 m ² Mil.Tl.	% 1000 m ²	Value Mil.Tl.
Based on Occupancy Permits						
Apartments and Houses	9.399	5.749	5.820	6.183	7.5	14.2
Commercial Buildings	1.223	766	719	964	25.8	39.8
Industrial Buildings	613	380	360	500	31.6	40.8
Social and Cultural Buildings	170	71	87	68	-4.2	-1.1
Others	164	64	64	61	-4.7	34.4
T O T A L	11.569	7.030	7.050	7.776	10.6	18.2
Based on Construction Permits						
Apartments and Houses	18.196	12.727	12.303	15.045	18.2	26.6
Commercial Buildings	2.286	1.591	1.484	2.146	33.4	43.0
Industrial Buildings	1.709	1.043	1.223	1.218	16.8	74.9
Social and Cultural Buildings	566	318	439	451	41.8	67.4
Others	591	381	460	403	5.8	10.2
T O T A L	23.348	16.060	15.909	19.263	19.9	32.5

CHAPTER V

MONEY, BANKING AND CREDIT

180. Banking is one of the most dynamic sectors of the Turkish economy. The banks and foreign banks or their branches in Turkey are subject to the provisions of the Law on Banking.
181. The banks in Turkey can be classified in the following manner:
1. Central Bank (1930)
 2. State Banks
 - a. Investment and Development Banks
 1. State Investment Bank (1964)
 2. Workers Investment Bank (1976)
 - b. Specialized Banks
 1. Maritime Bank (1952)
 2. Mining Bank (1935)
 3. Municipalities Bank (1933)
 4. Sümerbank (Bank for textile, ceramic and hides and skin) (1933)
 5. Turizm Bank (1962)
 6. Agriculture Banks (1863)
 7. Real Estate Credit Bank (1927)
 8. People's Bank (1938)
 9. Foundations Bank (1974)
 3. Other Banks
 - a. Investment and Development Banks
 1. Industrial Development Bank of Turkey (1950)
 2. Industrial Investment and Credit Bank (1963)
 - b. Commercial Banks (26)
 - c. Local Banks (6)
 - d. Foreign Banks (5)
 1. Banca Komerziale Italyana (1919)
 2. Banko di Roma (1911)
 3. Holantse Bank-Uni (1921)
 4. Ottoman Bank (1888)
 5. International Investments and Trade Bank (1888)
 - e. Foreign Bank Representation Offices
 1. Deutsche Bank
 2. Citicorp (Citibank)
 3. Dresdner Bank
 4. Barclays Bank
 5. Berliner Disconto Bank A.G.
 6. Saarlandische Kreditbank A.G.
 7. American Express Co.
 - f. Joint venture
 1. Bank of America (Turkish Foreign Trade Bank)

- g. Banks that participate in the Turkish Banking System
1. Algemene Bank Nederland N.V.
 2. Banca d'Americae d'Italia-Milano
 3. Marine Midland Overseas Corporation
 4. Fininvest
 5. Banque de L'union Europeenne

General

182. The chief sources of local funds are briefly, the big commercial banks such as İş Bankası, Yapı ve Kredi Bankası, Akbank, Ticaret Bankası, Garanti Bankası. For investment financing the Industrial Development Bank of Turkey (TSKB) is in a position to provide both foreign-exchange and local-currency finance.
183. TSKB provides technical assistance to its customers. It has a highly qualified professional staff and actively promotes projects, especially in the less developed regions of Turkey.
184. The smaller Industrial Investment and Credit Bank (SYKB) provides both working capital and investment credits. The TSKB 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.
185. An investment company has recently been formed for the purpose of promoting projects by taking up equity interest and acting as an intermediary in the capital market by underwriting share issues for companies which do not have adequate access to financial markets. This company which will soon start operation has been established with an initial capital of TL. 300 million supplied by private banks. This newly formed company will have the support of the partner banks as well as the Turkish government in mobilizing additional resources. It will be a totally new experience in the development of a Turkish financial system.

Interest Rates

186. The interest rates applied to deposits and credits in Turkey are determined by decrees. The rediscount rate of the Central Bank is presently 9%. The interest of credits vary between 11.5% and 14% (for medium and long-term credits). Interest rates on discount, deposits and credits of various terms are as follows:

a. Central Bank Discount Rates	%
1. General	9.0
2. Agricultural Credits	8.0
3. Small Scale Industry-Artisanal Credits	8.0
4. Export Credits	8.0
5. Medium Term Credits for Industry	10.5

b.	Bank Deposits Interest Rates	
1.	Demand or time deposits of up to three months	3.0
2.	Time deposits between three months and one year (Inclusive)	6.0
3.	Time deposits between one year and two years (Inclusive)	9.0
4.	Time deposits, more than two years	negotiable
c.	Bank Credits Interest Rates	
1.	Short Term	
a.	General	11.5
b.	Agricultural Credits	10.5
c.	Small Scale Ind.-Artisans Credits	10.5
d.	Export Credits	9.0-10.5
2.	Medium Term Credits	
a.	General	14.0
b.	Agriculture	10.5
c.	Small Scale Industry-Artisans Credits	10.5
d.	Priority Sectors	12.5
e.	Credits more than 5 years	negotiable

Bank Deposits

187. Bank Deposits reached TL. 147.0 billion by the end of 1976 creating an increase equal to TL. 14.6 billion or 11.0 %.

BANK DEPOSITS

	(Billion TL.)			
	1973	1974	1975	1976
	Dec.	Dec.	Dec.	Dec.
Commercial Sight Deposits	16.1	22.6	32.4	37.5
Other Deposits	10.6	11.8	17.4	19.0
Sight Saving Deposits	33.1	39.9	52.8	58.8
Time Saving Deposits	20.6	24.7	30.1	31.7
Total Deposits	80.4	99.0	132.4	147.0

188. In 1975 and 1976 savings deposits constituted 62.6% and 58.9% of total Bank deposits; of this 36.3% and 34.6% were in the form of time deposits, respectively.

DISTRIBUTION OF BANK DEPOSITS

	1975		1976	
	Value	Composition %	Value	Composition %
Total Deposits	132.374	100.00	160.548	100.00
Sight	98.4	74.32		
Time	33.0	25.68		
Of Which				
Savings Deposits ¹	82.866	62.60	94.587	58.92
Sight	52.770	39.86	61.891	38.55
Time	30.096	22.74	32.696	20.37
¹ Percent composition of:				
Saving Deposits		100.0		100.00
Sight		63.7		65.43
Time		36.3		34.57

TABLE 53

BANK DEPOSITS

(Million T.L.)

	1974	Chain		1975	Chain		1976	Chain	
		Index	Index		Index	Index		Index	Index
End of Previous Year	80.392	100.0	-	99.068	100.0	-	132.374	100.0	-
January	78.963	98.2	98.2	94.661	95.5	95.5	126.925	95.9	95.9
February	80.007	99.5	101.3	97.384	98.3	102.9	128.609	97.2	101.3
March	81.740	101.7	102.7	99.462	100.4	102.1	132.022	99.7	102.6
April	82.108	102.1	100.5	99.922	100.9	100.5	133.409	100.8	101.1
May	81.200	101.0	98.9	99.862	100.8	99.9	131.748	99.5	98.7
June	82.292	102.4	101.3	103.519	104.5	103.7	132.992	100.5	100.9
July	81.007	100.8	98.4	108.595	109.6	104.9	135.646	102.5	102.0
August	80.067	99.6	98.8	109.573	110.6	100.9	137.271	103.7	101.2
September	82.329	102.4	102.8	113.660	114.7	103.7	139.975	105.7	102.0
October	85.183	106.0	103.5	118.572	119.7	104.3	142.342	107.5	101.7
November	87.188	108.5	102.4	119.420	120.5	100.7	144.300	109.0	101.4
December	99.068	123.2	113.6	132.374	132.7	110.1	160.548	121.3	111.3

Source: Central Bank

Bank Credits

189. Bank credits increased by TL. 41.1 billion in 1976 raising total bank credits to TL. 180.0 billion. The rate of increase is 29.6%, a much lower rate than in 1975 which was 45.1%.
190. 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%.

<u>VOLUME OF CREDIT</u>				
	<u>End of Year Balances</u>			(Billion T.L.)
	1974	1975	1976	
Bank Credits	75.068	95.749	138.953	
Direct Credits of the Central Bank	13.767	22.638	32.530	
TOTAL	88.835	118.387	171.483	
<u>Yearly Changes</u>				
Bank Credits		20.681	43.204	
Direct Credits of the Central Bank		8.871	9.892	
TOTAL		29.552	53.096	

TABLE 54

BANK CREDITS

	1974	Index	Chain	1975	Index	Chain	1976	Index	Chain
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
End of Previous Year	75.068	100.0	-	95.749	100.0	-	138.953	100.0	-
January	73.493	97.9	97.9	94.348	98.5	98.5	136.476	98.2	98.2
February	73.910	98.5	100.6	98.352	102.7	104.2	139.116	100.1	101.9
March	75.049	100.0	101.5	100.362	104.8	102.0	143.228	103.1	103.0
April	75.360	100.4	100.4	102.373	106.9	102.0	147.296	106.0	102.8
May	76.262	101.6	101.2	104.399	109.3	102.0	149.385	107.5	101.4
June	78.176	104.1	102.5	107.681	112.5	103.1	152.681	109.9	102.2
July	77.717	103.5	99.4	111.927	116.9	103.9	153.193	110.2	100.3
August	76.858	102.4	98.9	113.510	118.5	101.4	152.604	109.8	99.6
September	81.045	108.0	105.4	119.963	125.3	105.7	160.316	115.4	105.1
October	85.326	113.7	105.3	124.022	129.5	103.4	166.544	119.9	103.9
November	89.020	118.6	104.3	128.623	134.3	103.7	170.960	123.0	102.7
December	95.749	127.5	107.5	138.953	144.0	107.2	180.030	129.6	105.3

Source: Central Bank

Bank Credits by Economic Sectors

191. 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 12.5% in 1975 and to a lesser extent in industry where they decreased from 28.4% to 25.1%. The share of total credits allocated to production sectors declined from 46.4% in 1971 to 40.9% in 1975.
192. The latest figures available for 1976 reveal that the share of agricultural credits has risen up to 13.9% while that of industry has slightly gone up to 26.1%. At the end of August 1976 the share of total credits for production sectors has reached up to the level of 1973 (44.1%), which is a remarkable increase.
193. The Credits allocated to distribution activities rose sharply from 27.3% in 1971 to 34.7% in 1975. There is a sharp increase in credits allocated to exports from 11.7% to 19.8%, a limited increase in internal trade from 8.8% to 10.1% and a decrease in credits allocated to imports from 6.4% to 4.5% in the same period.

194. In 1976, the credits for distribution activities has started to decline (becoming 29.5%) as well as the credits for exports. The slight increase in internal trade continued in 1976 (10.8%) while a similar tendency started in credits allocated to imports (4.9%).
195. Credits allocated to housing decreased considerably from 12.5% in 1971 to 7.6% in 1975, which became 7.3% in 1976.
196. An increase has taken place in undistributed credits from 13.8% in 1971 to 16.8% in 1975. The trend continued in 1976 and reached 19.1%.

TABLE 55

BANK CREDITS AND THEIR DISTRIBUTION

(% Share)

	1971	1972	1973	1974	1975	1976 August
Production Sectors	<u>46.4</u>	<u>45.8</u>	<u>44.0</u>	<u>43.3</u>	<u>40.9</u>	<u>44.1</u>
Industry	<u>28.4</u>	<u>29.3</u>	<u>28.1</u>	<u>28.2</u>	<u>25.1</u>	<u>26.1</u>
Industrial Banks	5.5	5.0	5.0	4.4	3.8	4.0
Other Banks	22.9	24.3	23.1	23.8	21.3	22.1
Mining	<u>0.6</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>0.5</u>	<u>0.5</u>
Agriculture	<u>14.4</u>	<u>12.7</u>	<u>12.3</u>	<u>11.4</u>	<u>12.5</u>	<u>13.9</u>
Agricultural Credit	4.7	4.3	3.6	3.1	12.3	13.7
Other producers Coops.	9.7	8.4	8.7	8.3	0.2	0.2
Artisans	<u>3.0</u>	<u>2.8</u>	<u>2.6</u>	<u>2.7</u>	<u>2.8</u>	<u>3.6</u>
Housing	<u>12.5</u>	<u>11.0</u>	<u>9.5</u>	<u>7.6</u>	<u>7.6</u>	<u>7.3</u>
Residential Const.	3.9	3.1	2.5	2.1	2.1	2.0
Local Authorities	5.5	4.7	3.9	3.6	3.2	2.9
Natural Disasters	1.6	1.4	1.3	1.1	0.9	0.8
Other	1.5	1.8	1.8	0.8	1.4	1.6
Public Financial Sector	<u>0.0</u>	<u>0.0</u>	<u>0.1</u>	<u>0.0</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>34.7</u>	<u>29.5</u>
Exports	<u>11.7</u>	<u>10.5</u>	<u>12.1</u>	<u>18.8</u>	<u>19.8</u>	<u>13.4</u>
Agricultural Sales Coop.	7.6	6.1	7.9	15.5	15.7	10.2
Other Export Credits	4.1	4.4	4.2	3.3	4.1	3.2
Tourism	<u>0.4</u>	<u>0.3</u>	<u>0.3</u>	<u>0.6</u>	<u>0.3</u>	<u>0.4</u>
Imports	<u>6.4</u>	<u>6.7</u>	<u>5.6</u>	<u>4.2</u>	<u>4.5</u>	<u>4.9</u>
Internal Trade	<u>8.8</u>	<u>10.4</u>	<u>9.4</u>	<u>9.8</u>	<u>10.1</u>	<u>10.8</u>

(Continued.)

	1971	1972	1973	1974	1975	1976 August
Undistributed	<u>13.8</u>	<u>15.3</u>	<u>19.0</u>	<u>15.7</u>	<u>16.8</u>	<u>19.1</u>
Credits less than 25 thous.	3.2	3.0	2.5	2.2	1.8	1.7
Mortgage credits	0.9	0.9	0.8	0.6	0.4	0.5
Others	9.7	11.4	15.7	12.9	14.6	16.9
Total Credits	100.0	100.0	100.0	100.0	100.0	100.0

Source: Central Bank

Medium-term Credits

197. 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 plan 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. Investment in underdeveloped regions qualify for credit rates one point lower than normal rates.
198. 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.
199. 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.

200. 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.
201. 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.
202. Medium term credit as implemented in the commercial banking system has shown considerable expansion in 1970 following the change in the Central Bank Law. The Central Bank has been instrumental in initiating this implementation but under the rising pressure of Public credits it gave less and less resources to medium term credit.

	<u>Outstanding Credit Balance</u>	<u>Yearly Increase</u>
1971	148	148
1972	496	348
1973	2.792	2.257
1974	3.324	571
1975	2.278	-1.046
1976	4.311	2.033

203. The Commercial Banking System on the other hand has increasingly moved to medium term credit.

TABLE 56

MEDIUM-TERM CREDITS OF BANKS

(Million TL)

	1975 Dec.	1976 Nov.
Industrial Credits	15.764	24.552
2 Banks ¹	5.232	6.279
Other	10.532	18.273
Artisans-Small Scale Ind.	1.418	2.396
Agricultural	6.580	7.057
Mortgage	4.114	4.377
Municipalities Bank	3.806	3.722
Mining	509	338
Transportation	372	340
Tourism	538	635
Other	2.776	3.437
TOTAL	35.877	46.857

¹ Industrial Development Bank of Turkey (IDBT) and Industrial Investment and Credit Bank (IICB)

Central Bank Credits

204. By the end of 1976 Central Bank Credits have increased by 76.8% over the end of 1975. This increase is apparently very high compared to the 19.5% increase during 1975. However, it has to be considered that a credit consolidation for State Economic Enterprises amounting to 14.315 million TL has not been included here. With the inclusion of this amount Central Bank Credits reach 69.071 million TL at the end of December 1975 and the rate of increase in 1976 becomes 50.8%.
205. The composition of credit distribution by the Central Bank changed from being primarily directed to private industry and commerce to being in favor of the public sector. Total Central Bank Credits have increased by 18 and 9 billion TL in 1974 and 1975 respectively. Both increases were allocated to the public sector. However, the private sector, having access to funds outside Central Bank resources, had not been deprived of financial resources. About 10 billion TL of the 42 billion TL increase in Central Bank credits in 1976 have been used by the private sector while 30 billion TL has gone to the public sector.
206. The significance of the size of Central Bank credit is easily understood when the amount is contrasted with national income figures. On Dec. 31, 1976, total Central Bank credit amounted to approximately 16% of gross national product. Such credit to the agricultural sector was 13.4% of total agricultural income.
207. Parallel to an increase in the size of the public sector, indicated by budget bills and state economic enterprise (SEE) investment budgets, the share of Central Bank credit to this sector has grown. At the end of 1974, the public sector received 52.2% of total Central Bank credit. This rose to 59.5% by the end of 1975, and to 59.5% by February 18, 1977. Central Bank credit to the agricultural sector declined between 1974 and 1976 — from 30.1% to 20.3% of the total. On February 18, 1977, credit to the agricultural sector constituted 21.3% of the Central Bank total. The credit to private industry and commerce (including the commercial banking system) constituted 13.8% at the end of 1974, 14.5% at the end of 1975, 20.3% at the end of 1976.

TABLE 57
SECTORAL DISTRIBUTION OF
CENTRAL BANK CREDITS

	(Million T.L.)			
	1973	1974	1975	1976
<u>Public Sector</u>	<u>14.462</u>	<u>23.894</u>	<u>32.594</u>	<u>62.673</u>
Treasury	7.844	12.484	16.761	21.739
Monopolies	2.259	2.270	2.180	7.000
Sumerbank	695	1.094	64	880
Soil Products Office	2.700	6.700	6.000	12.200
Sugar Industry	729	976	1.371	3.577
Others	235	370	168	2.740
Special Credit (Budget law art. 78)	-	-	6.050	14.641
Agricultural Sales Cooperatives	<u>3.855</u>	<u>11.155</u>	<u>11.971</u>	<u>13.320</u>
<u>Private Sector</u>	<u>9.569</u>	<u>10.311</u>	<u>10.191</u>	<u>20.727</u>
Industry	1.128	1.534	3.094	6.681
Artisans Credits	421	341	441	1.202
Agriculture	2.540	3.181	790	2.531
Export	1.841	1.119	2.162	3.324
Medium term credit	2.792	3.556	2.415	4.311
Short term credit	847	1.198	1.289	2.622
<u>Total</u>	<u>27.886</u>	<u>45.816</u>	<u>54.756</u>	<u>96.825</u>
<u>Uses from Deposit Reserve Requirement</u>				
State Economic Enterp.	650	6.487	11.089	13.956
Agricultural Credits	650	650	4.000	6.400
Treasury	-	5.837	7.069	7.556
<u>Grand Total</u>	<u>28.536</u>	<u>52.303</u>	<u>65.826</u>	<u>110.780</u>

TABLE 58

CENTRAL BANK CREDITS

	Chain			Chain			Chain		
	1974	Index	Index	1975	Index	Index	1976	Index	Index
End of Previous Year	27,886	100.0	-	45.816	100.0	-	54.756	100.0	-
January	26.611	95.4	95.4	43.335	94.6	94.6	52.422	95.7	95.7
February	26.825	96.2	100.8	44.409	96.9	102.5	54.738	100.0	104.4
March	28.841	103.4	107.5	45.188	98.6	101.8	53.961	98.5	98.6
April	28.391	101.8	98.4	47.529	103.7	103.7	55.189	100.8	102.3
May	29.434	105.5	103.7	48.218	105.2	101.4	56.355	102.9	102.1
June	31.630	113.4	107.5	48.135	105.1	99.8	66.490	121.4	118.0
July	36.272	130.0	114.6	54.930	119.9	114.1	78.054	142.5	117.4
August	35.910	128.7	99.1	54.447	119.1	119.1	80.859	147.7	103.6
September	35.228	126.3	98.2	47.667	104.0	87.3	87.701	160.2	108.5
October	40.694	145.9	115.5	49.682	108.4	104.2	89.250	163.0	101.8
November	41.978	150.5	103.2	50.233	109.6	101.1	96.880	176.9	108.5
December	45.816	164.3	109.1	54.756 ¹	119.5	109.0	96.825	176.8	99.9

Source: Central Bank

¹ 14.315 million credit consolidation in 1975 is not included.

TABLE 59

SUMMARY OF CENTRAL BANK STATEMENTS

(Million T.L.)

As s e t s	Changes from/end of 1972	Changes from/end of 1973	Changes from/end of 1974	Position on Dec. 26, 1975	Position on Dec. 31, 1976	Changes from/end of 1975
Net gold and foreign exchange (Convertible)						
Treasury guaranteed bonds	+ 9.948	- 5.032	- 8.327	14.976	35.636	20.660
a. Annexed budget administrations	+ 520	-	+ 95	2,330	7,000	4,670
b. Soil Products Office	- 650	-	+ 35	10,027	28,636	18,609
Short term advances to the treasury	+ 496	4,000	+ 4,805	16,988	21,739	4,751
Commercial bills	+ 6,144	4,218	+ 1,478	20,874	30,393 ¹	9,519
Agricultural bills	+ 515	8,597	2,933	221	2,718	2,495
Other advances	+ 2	639	+ 1,790	2,056	6,233	4,177
Bank's Liquidation Fund	- 28	217	- 40	168	105	63
Agricultural financing	-	-	27 + 3,350	4,000	6,400	2,400

(Continued)

A s s e t s	Changes from/end of 1972	Changes from/end of 1973	Changes from/end of 1974	Position on Dec. 26, 1975	Position on Dec. 31, 1976	Changes from/end of 1975
Other assets	- 3.463	4.685	+29.577	44.698	67.742	22.444
T o t a l	+13.484	+17.262	+33.122	116.338	186.318	69.980
L i a b i l i t i e s	Changes from/end of 1972	Changes from/end of 1973	Changes from/end of 1974	Position on Dec. 26, 1975	Position on Dec. 31, 1976	Changes from/end of 1975
Banknotes in circulation	- 5.213	8.210	7.575	41.052	52.061	11.009
Deposits						
Official Deposits	- 22	- 173	- 646	1.829	2.268	439
Counterparts of bank deposits	2.818	- 4.938	- 9.917	31.272	39.350	8.078
Miscellaneous deposits	11	- 63	- 339	1.313	847	- 466
Counterparts of interna- tional institutions and foreign aid	- 2	- 2	- 1	27	2.387	2.360
Balance of guarantees for imports	- 138	- 227	- 847	1.844	11.481	9.637
Other foreign exchange accounts (net)	- 4.176	- 3.173	-12.435	31.052	63.766	32.714
Other liabilities	- 1.506	- 1.280	- 2.042	7.949	14.133	6.209
TOTAL	-13.484	17.262	-33.122	116.338	186.318	69.980

¹TL. 13.3 billion of Commercial Bills were rediscounted in 1976 through the Agricultural Bank for the financing of the exports of Agricultural Sales Cooperatives.

Money Supply

208. Bank-notes in circulation went up to TL 52 billion by the end of 1976 thus increasing the volume of banknotes in circulation by TL 11 billion or by 26.8%. The rate of increase for 1976 is relatively over the rate for 1975 which happens to be 24.9%.
209. The money supply increased by 23.8 billion TL or by 20.1% during 1976; the rate of increase in money supply was 31.6% in 1975 and 27.6% in 1974.

TABLE 60
COMPOSITION OF MONEY SUPPLY

(Million T.L.)

	1973	1974	1975	1976
Banknotes and Coins in Circulation	20.700	26.151	32.905	45.398
Deposit Money	49.828	63.894	85.565	96.872
Money Supply	70.528	90.045	118.470	142.270
<u>Changes</u>				
Banknotes and Coins in Circulation		5.451	6.754	12.493
Deposit Money		14.066	21.671	11.307
Money Supply		19.517	28.425	23.800
% Change in Money Supply		27.6	31.6	20.1

TABLE 61
VOLUME OF BANKNOTES ISSUED

	Chain			Chain			Chain		
	1974 (1)	Index (2)	Index (3)	1975 (4)	Index (5)	Index (6)	1976 (7)	Index (8)	Index (9)
End of Previous Year	25.332	100.0	-	32.860	100.0	-	41.052	100.0	-
January	24.294	95.9	95.9	31.278	95.2	95.2	40.118	97.2	97.2
February	24.335	100.2	96.1	32.564	99.1	104.1	41.536	101.2	103.5
March	25.470	104.7	100.5	31.661	96.4	97.2	40.134	97.8	96.6
April	24.975	98.5	98.0	33.438	101.8	105.6	41.080	100.1	102.4
May	22.385	88.4	98.6	32.358	98.5	96.8	40.565	98.8	98.7
June	26.823	105.9	119.8	33.671	102.5	104.1	41.480	101.0	102.3
July	31.193	123.1	116.2	38.677	117.7	114.8	48.428	118.0	116.8
August	32.766	129.3	105.0	38.798	118.1	100.3	48.681	118.6	100.5
September	33.079	130.6	101.0	40.375	122.8	114.3	54.282	132.2	111.5
October	33.916	133.9	102.5	42.753	130.1	105.8	53.298	129.8	98.2
November	32.663	128.8	96.2	40.847	124.3	95.5	56.021	136.5	105.1
December	32.860	129.7	100.6	41.052	124.9	100.5	52.061	126.8	92.9

Source: Central Bank

TABLE 62
MONEY SUPPLY

	1974	Chain	Chain	1975	Chain	Chain	1976	Chain	Chain
	Index	Index	Index	Index	Index	Index	Index	Index	Index
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
<u>End of Previous Year</u>	<u>70.528</u>	<u>100.0</u>	<u>-</u>	<u>90.045</u>	<u>100.0</u>	<u>-</u>	<u>118.470</u>	<u>100.0</u>	<u>-</u>
January	69.883	99.1	99.1	87.194	96.8	96.8	115.955	97.9	97.9
February	71.063	100.8	101.7	90.528	100.5	103.8	119.679	101.0	103.2
March	71.956	102.0	101.3	89.043	98.9	98.4	116.925	98.7	97.7
April	71.782	101.8	99.8	90.381	100.4	101.5	119.609	101.0	102.3
May	72.567	102.9	101.1	90.378	100.4	100.0	117.619	99.3	98.3
June	73.426	104.1	101.2	91.993	102.2	101.8	117.978	99.6	100.3
July	76.142	108.0	103.7	100.941	112.1	109.7	128.447	108.4	108.9
August	79.190	112.3	104.0	103.637	115.1	102.7	130.285	110.0	101.4
September	79.383	112.5	100.2	107.040	118.9	103.3	137.678	116.2	105.7
October	84.122	119.3	106.0	112.299	124.7	104.9	140.213	118.3	101.8
November	84.689	120.1	100.7	112.120	124.5	99.8	142.314	120.1	101.5
December	90.045	127.7	106.3	118.470	131.6	105.7	142.270	120.1	100.0

Source: Central Bank

Capital Market

210. The insufficiency of medium and long-term bank funds encourages incorporated enterprises to resort to borrowing on the corporate bond market. The present interest limit on corporation bonds is 18%. The bond market is undergoing change in an effort to attract savings into bond purchases. Banks and corporations compete for the limited funds which are available on the market. As income and economic growth increases, Turkey's capital market activity gains an impetus worth mentioning. In fact, the natural growth of capital market activity has reached a point where the market merits legal organization. Since the late sixties, the State Planning Organization and the Ministry of Finance, have been trying to legally organize a capital market, submitting several draft bills to Parliament to that end. By now, the nucleus of the capital market can be said to have formed and there is much to be gained by its legal organization.
211. The increasing activity in the capital market, especially in the sale of private sector securities, reveals that more potential investors are moving away from simply placing their money in banks, and toward dealing in securities. Not all investors command enough to invest in real-estate, although that is still a most attractive form of investment. Although a major part of the securities on the market continue to be

state bonds, the increased growth rate of the private sector bond market merits special attention.

212. Content and quality of share certificated supplied to the public through the medium of press showed a considerable change, as compared with the previous year. Especially the supply of share certificates for investment partnerships that reach high dimensions in 1974 shows important decreases in 1975. However, it is known that there was an important supply of share certificates even though it did not appear in the press, both in various regions of the country, and in foreign countries where workers corporations were established. A similar decrease continues in 1976 in the sale of stocks.

TABLE 63
SHARES OFFERED TO THE PUBLIC¹
(TL Million)

	Total	Industrial Companies	Investment Companies and Holdings
1972	180
1973	800
1974	1.900	1.200	700
1975	841	691	150
1976	301	261	40

¹
Estimate

213. 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.
214. 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.

TABLE 64
STOCKS AND BONDS ISSUED

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

<u>Year</u>	<u>Bonds</u>	<u>Stocks</u>	(In Mil.TL)
			<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	1.430	841	2.271
1976 ¹	1.578	301	1.879

¹ Provisional

TABLE 65
PRIVATE SECTOR BONDS GUARANTEED BY BANKS

<u>Years</u>	<u>Total</u> (Millions of TL)	<u>Share of bonds</u> <u>guaranteed</u> <u>by banks (%)</u>
1971	136	47.8
1972	275	44.0
1973	649	27.2
1974	619	26.2
1975	1.430	7.6
1976 ¹	1.578	..

¹ Provisional

215. Of the total bonds issued, those having bank guarantees have constituted a smaller percentage than in the past, but possibilities for future increases in their interest rates or for transferring them to cash in the future were items observed more frequently than before.

TABLE 66
DISTRIBUTION OF TREASURY BONDS BY PURCHASERS

(Million TL)

Years	Total	Banks	Savings Institutions	Private Firms	Individuals	Unpurchased
1971	800.0	406.7	114.2	50.6	228.5	-
1972	4.000.0	1.907.1	1.296.1	156.3	640.5	-
1973	3.000.0	597.2	1.376.3	131.3	826.6	68.5
1974	4.485.0	521.3	2.263.9	94.9	1.662.6	1.457.3
1975	8.904.0	2.898.0	3.457.3	152.7	2.396.2	95.8
1976	9.405.0	(..)	(..)	(..)	(..)	(..)

216. Government bonds have recently become an attractive way of investing in the Capital market not only for Banks and Saving Institutions but for Individuals as well. The advantages provided by government bonds are due to the tax exemption of the interest, to the fact that they can be easily sold without loss of passed interest and to different other facilities like being accepted as counterpart for money guarantees.

TABLE 68
DIRECT PREMIUM COLLECTIONS
OF INSURANCE COMPANIES
1975 (000 TL.)

	Life	Fire	Trans- por- tation	Accident	Machine and Mount- ing	Agri- cul- ture	TOTAL
TURKISH COMPANIES							
Aksigorta	928	38.896	18.026	40.271	3.921	-	102.044
Anadolu	28.176	134.679	34.358	35.393	6.013	-	238.620
Ankara	3.973	39.304	41.735	15.310	8.966	3.926	113.215
Atlantik	-	3.116	888	3.857	287	-	8.148
Başak	16.931	109.987	26.419	59.966	7.071	13.312	233.687
Birlik	2.031	4.954	4.137	4.962	-	-	16.086
Doğan	10.298	26.498	9.057	89.614	2.003	-	137.471
Emek	-	427	585	10.836	164	-	12.013
Genel	11.489	8.093	10.761	22.428	176	-	52.948
Güneş	4.058	28.479	29.479	-	10.960	875	191.329
Güven	1.536	38.076	27.416	17.854	8.829	-	93.712
Halk	1.221	32.886	27.886	23.387	2.601	-	87.982
İmtaş	4.273	33.060	11.915	27.006	291	-	76.545
İnan	-	1.310	8.486	4.020	144	-	13.960
Istanbul Umum	3.091	16.687	8.334	18.180	12.217	-	58.510
Oyak	2.719	6.522	15.319	13.755	668	-	38.984
Ray	40	15.223	78.548	101.854	654	-	196.320
Şark	836	22.357	10.397	16.951	3.458	-	53.999
Şeker	11.249	40.421	27.873	51.829	4.235	19.133	154.741
Tam	-	28.878	9.037	55.325	167	-	93.409
Tam Hayat	78.561	-	-	948	-	-	79.509
TOTAL 1975	181.415	629.856	400.662	659.227	72.828	37.246	1.981.234
1974	184.829	462.277	374.209	483.669	45.566	23.527	1.574.079
1973	165.901	365.157	263.275	407.743	32.516	15.420	1.250.013
1972	151.848	272.700	196.473	280.569	24.919	19.389	936.899
1971	94.678	232.064	156.681	194.956	16.022	10.647	705.049
FOREIGN COMPANIES							
American Home	-	9	10.282	-	-	-	10.292
Assicurazioni Generali	27	4.216	2.094	1.866	-	-	8.203
Bankers and Traders	-	-	-	-	-	-	-
British and Foreign	-	-	295	-	-	-	295
British Oak	-	-	-	-	-	-	-
London Assurance	-	3.794	449	1.610	-	-	5.854
Guardian	-	4.165	388	-	-	-	4.553
Labaluaz	-	3.732	521	-	-	-	4.263
Lafonsyer	-	1.559	468	106	-	-	2.134
Lakonkord	-	241	-	-	-	-	241
Lasuisse	-	2.602	474	-	-	-	3.077
Magdeburger	-	3.311	505	8.341	-	-	12.157
Manhaym	-	2.925	270	-	-	-	3.195
Nordstern	-	4.059	781	10.787	89	-	15.717
Riunione Adriatica	-	1.440	703	-	-	-	2.143
Ünyon Hayat	741	-	-	-	-	-	742
Ünyon Yangın	-	8.652	95	780	-	-	9.527
TOTAL 1975	769	40.706	17.328	23.491	89	-	82.384
GRAND TOTAL							
1975	182.183	670.563	417.990	682.719	72.917	37.246	2.063.619
1974	185.606	493.254	387.627	496.862	45.598	23.527	1.632.476
1973	166.869	392.767	273.791	417.450	32.519	15.420	1.298.816
1972	152.816	296.749	205.799	288.121	24.953	10.389	978.828
1971	95.883	253.518	166.054	201.634	15.975	10.647	743.712

TABLE 67
TURKISH BANKING INSTITUTIONS
1975

(000 000 TL.)

	Paid Ca- pital and Reserve Funds	Consolidated Deposits	Credits
Banks Founded by Special Laws			
Denizcilik Bankası	447	793	766
Etibank	2.904	2.269	2.395
İller Bankası	1.440	59	4.914
Istanbul Emniyet Sandığı	10	932	557
Sümerbank	2.352	371	2.931
TC Turizm Bankası	536	—	376
TC Ziraat Bankası	1.533	33.276	44.795
T.Emlak Kredi Bankası	782	4.296	5.366
T.Halk Bankası	384	4.734	5.637
T.Öğretmenler Bankası	66	1.312	671
T.Vakıflar Bankası	171	4.958	4.218
TOTAL	10.630	53.004	72.631
Investment and Development Banks			
Devlet Yatırım Bankası	1.939	—	38.531
Sınai Yatırım ve Kredi B.	49	—	1.202
T.Sınai Kalkınma Bankası	474	—	4.076
TOTAL	2.463	—	43.811
Foreign Banks			
Banka Komerciyale İtalyana	13	282	241
Banko di Roma	13	186	144
Holantse Bank-Üni N.V.	7	156	85
Osmanlı Bankası	124	3.634	3.127
Uluslararası End.ve Ticaret B.	38	927	760
TOTAL	197	5.187	4.360
Commercial Banks			
Afyon Terakki Servet B.	1	1	2
Akbank	600	15.879	11.004
Anadolu Bankası	52	1.332	888
Çaybank	1	6	2
Demirbank	11	150	83
Denizli İktisat Bankası	11	21	20
Egebank	8	49	36
Elazığ İktisat Bankası	5	20	10
Eskişehir Bankası	17	175	91
Istanbul Bankası	66	1.436	742
İşçi Kredi Bankası	6	62	32
Kocaeli Bankası	5	73	41
Milli Aydın Bankası	9	44	33
Pamukbank	55	1.100	762
Şekerbank	113	1.800	1.275
Türk Dış Ticaret Bankası	42	549	513
Türk Ticaret Bankası	224	7.437	4.675
T.Bagcılar Bankası	1	34	16
T.Garanti Bankası	189	4.749	3.502
T.İmar Bankası	54	285	229
T.İş Bankası	1.177	36.514	25.204
T.Tütüncüler Bankası	11	144	113
Yapı ve Kredi Bankası	610	18.688	12.008
TOTAL	3.277	90.557	61.292
GRAND TOTAL	16.568	148.749	182.096

Source: The Bank Association of Turkey

CHAPTER VI

PRICES

217. There was a marked slowdown in wholesale prices at the end of 1975 both in comparison with 1974 as well as with early expectations in 1976. However, an increase of 15.6% was registered in 1976.

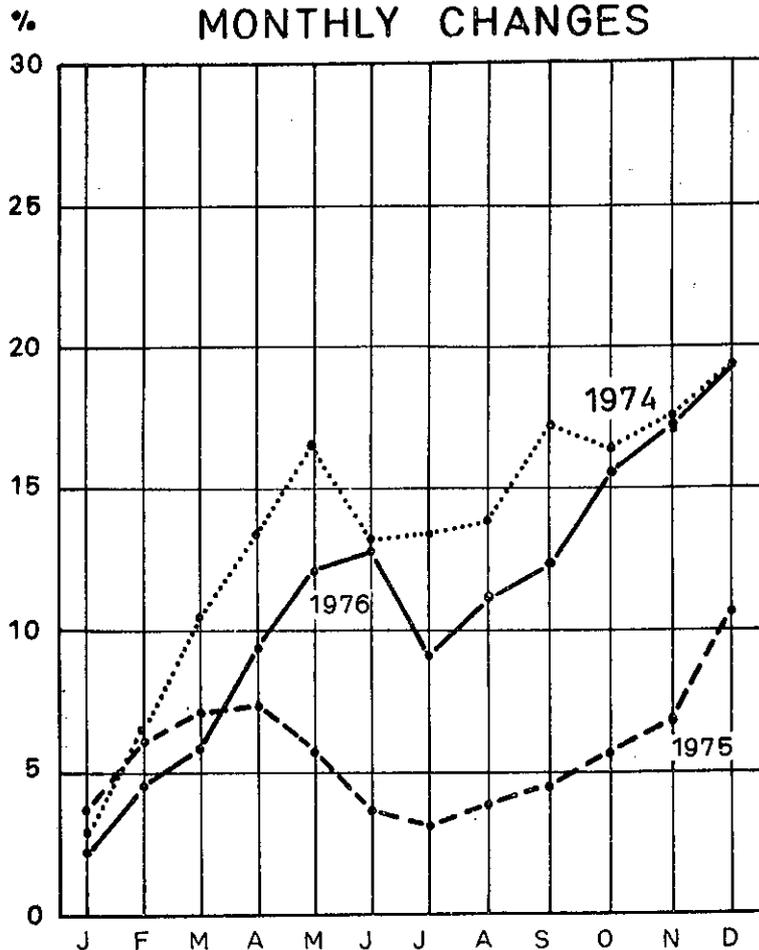
TABLE 69

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

Wholesale Price Index

<u>Years</u>	<u>General</u>	<u>Food</u>	<u>Industrial Raw Materials</u>	<u>Istanbul Wage Earners Cost of Living Index</u>
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
1976	15.6	15.0	16.6	16.9

WHOLESALE PRICE INDEX YEAR - END MONTHLY CHANGES



ISTANBUL CONSUMER PRICE INDEX

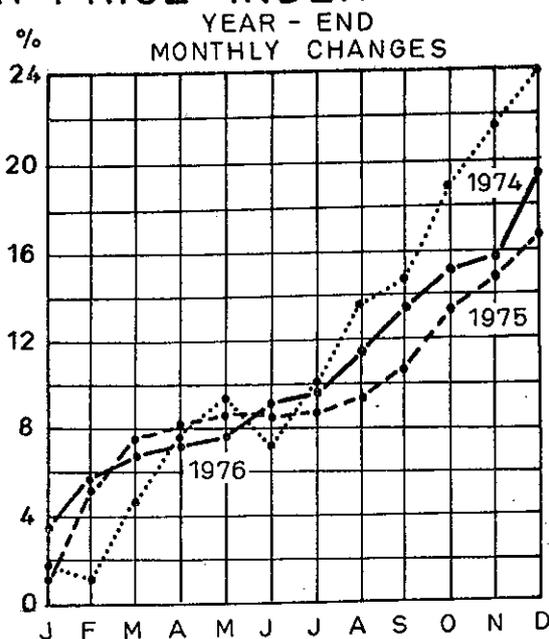
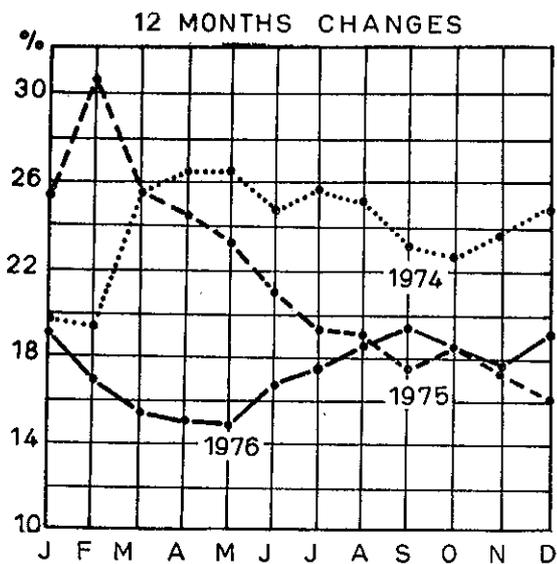


TABLE 70

WHOLESALE PRICE INDEX

Ministry of Commerce
(1963=100)

<u>Months</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>% Change</u>		
					<u>1974/73</u>	<u>1975/74</u>	<u>1976/75</u>
January	213.4	281.0	339.1	369.1	31.7	20.7	8.8
February	223.8	289.7	346.7	377.1	29.5	19.7	8.8
March	225.6	303.1	350.2	381.3	34.4	15.5	8.9
April	227.6	311.8	350.7	393.8	37.0	12.5	12.3
May	230.7	320.7	346.1	404.0	39.0	7.9	16.7
June	231.6	310.4	339.5	407.7	34.0	9.4	20.1
July	235.5	310.8	336.8	393.4	32.0	8.4	16.8
August	240.9	312.3	338.7	400.4	29.6	8.4	18.2
September	251.6	321.5	340.3	407.0	27.8	5.8	19.6
October	258.3	320.3	345.1	415.4	24.0	7.7	20.4
November	262.0	321.8	347.6	424.0	22.8	8.0	22.0
December	274.4	326.7	360.7	429.7	19.0	10.4	19.1
Annual Average	240.1	311.8	343.2	396.6	29.9	10.1	15.6

TABLE 71

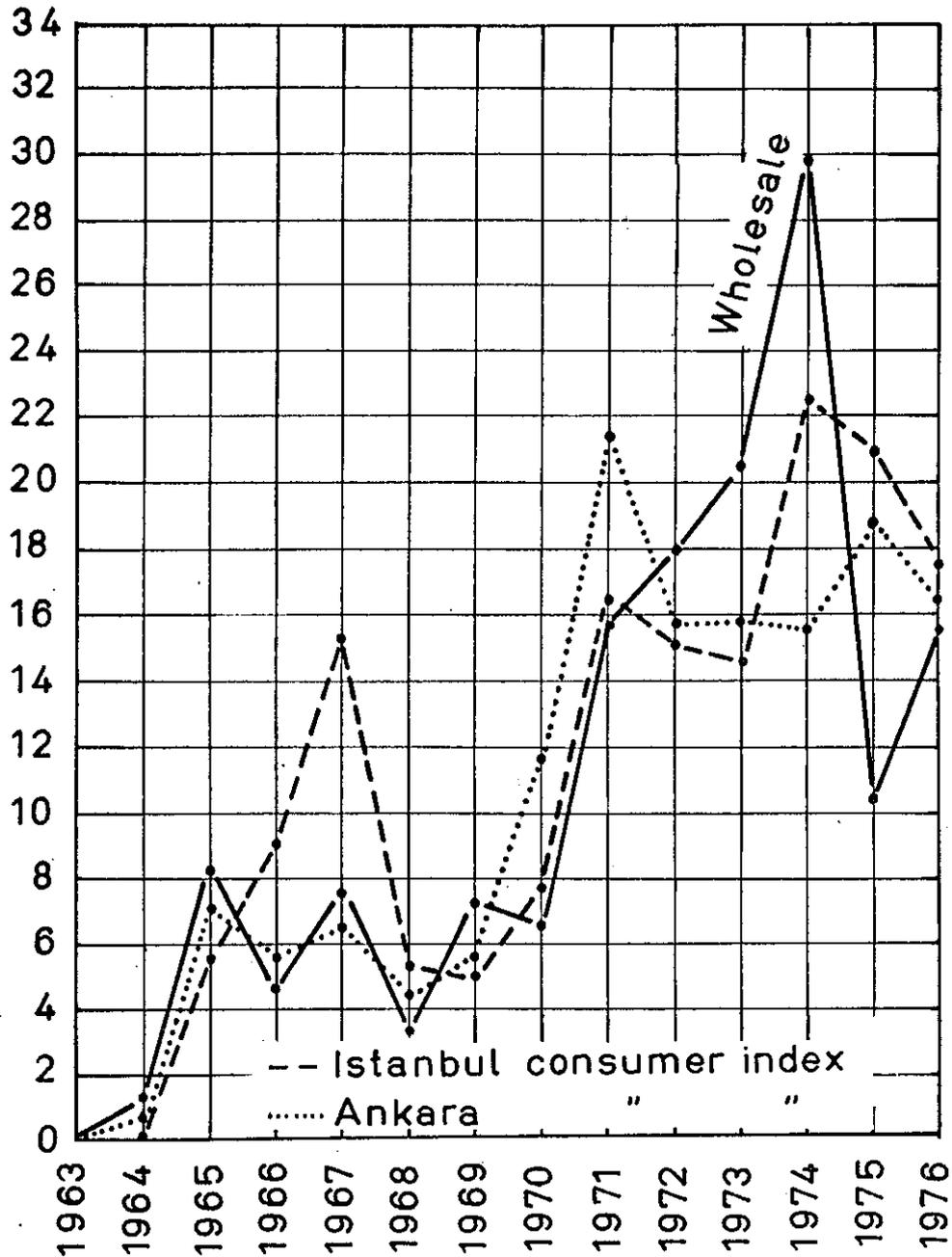
WHOLESALE PRICE INDEX

Istanbul Chamber of Commerce
(1963=100)

<u>Months</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>% Change</u>		
					<u>1974/73</u>	<u>1975/74</u>	<u>1976/75</u>
January	205.0	261.7	320.6	353.9	27.7	22.5	10.4
February	206.8	268.3	330.8	361.0	29.7	23.3	9.1
March	209.9	281.9	334.9	364.9	34.3	18.8	9.0
April	214.3	287.4	339.0	375.3	34.1	18.0	10.7
May	218.9	294.0	334.1	381.5	34.3	16.2	14.2
June	219.0	293.1	334.4	386.7	33.8	14.1	15.6
July	223.3	294.4	328.0	394.0	32.1	11.2	20.1
August	229.9	296.0	332.2	399.3	28.7	12.2	20.2
September	238.1	300.2	331.6	408.2	26.1	10.5	23.1
October	242.1	300.7	334.3	414.7	24.2	11.2	24.1
November	245.4	306.3	338.9	420.5	24.8	10.6	24.1
December	248.3	310.1	344.0	430.6	24.9	10.9	25.1
Annual Average	236.7	300.4	334.6	392.6	26.9	11.4	17.5

PRICE INDICES

% (AVERAGE ANNUAL CHANGES)



218. In the case of the index prepared by the Ministry of Commerce the annual average rate of increase was only 10.1% in 1975, while it attained 29.9% in 1974. Again it rose up to 15.6% in 1976.

TABLE 72

WHOLESALE PRICE INDEX
Ministry of Commerce
(1963=100)

	<u>General</u> <u>Index</u>	<u>%</u> <u>Change</u>	<u>Food and</u> <u>Feed</u>	<u>%</u> <u>Change</u>	<u>Ind. Raw</u> <u>Materials</u>	<u>%</u> <u>Change</u>
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
1976	396.6	15.6	411.6	15.0	371.6	16.6

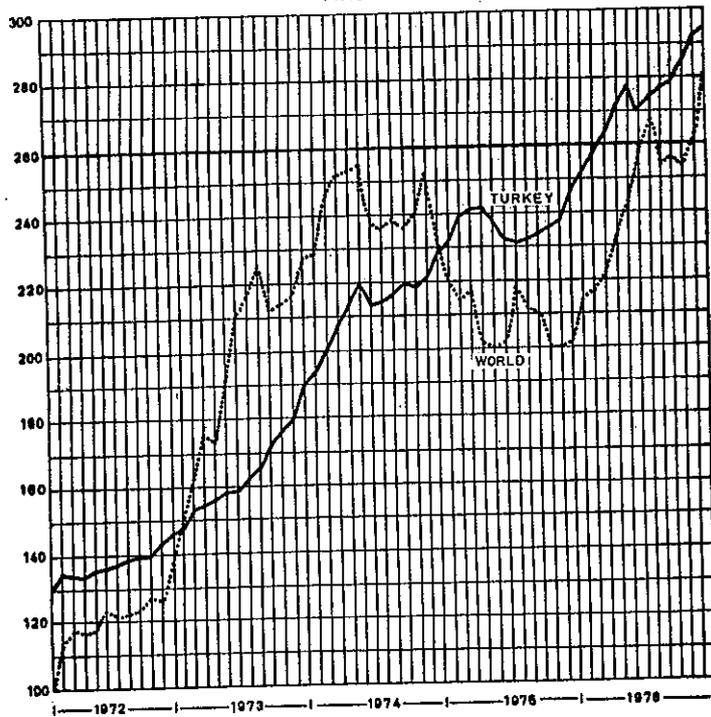
219. Another wholesale price index is published by the Istanbul Chamber of Commerce. According to it, the annual average rate of increase in 1975 amounted to 14.8%, while it was equal to 29.4% in 1974. This index similarly increased to 17.5% in 1976.

TABLE 73

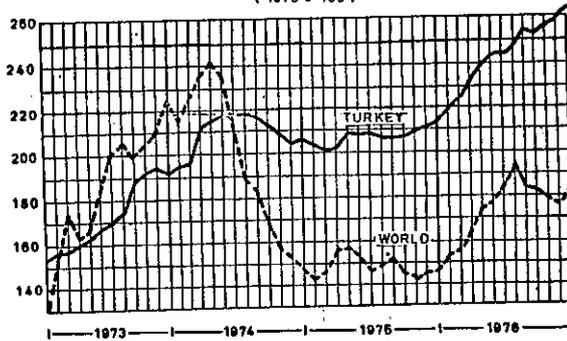
WHOLESALE PRICE INDEX
Istanbul Chamber of Commerce
(1963=100)

	<u>General</u> <u>Index</u>	<u>%</u> <u>Change</u>	<u>Food and</u> <u>Feed</u>	<u>%</u> <u>Change</u>	<u>Raw</u> <u>Materials</u>	<u>%</u> <u>Change</u>
1973	236.7	21.0	221.1	24.5	271.3	33.8
1974	300.4	26.9	281.4	27.3	320.6	18.2
1975	334.6	11.4	337.5	11.9	336.4	4.9
1976	392.6	17.3	391.5	16.0	445.0	32.3

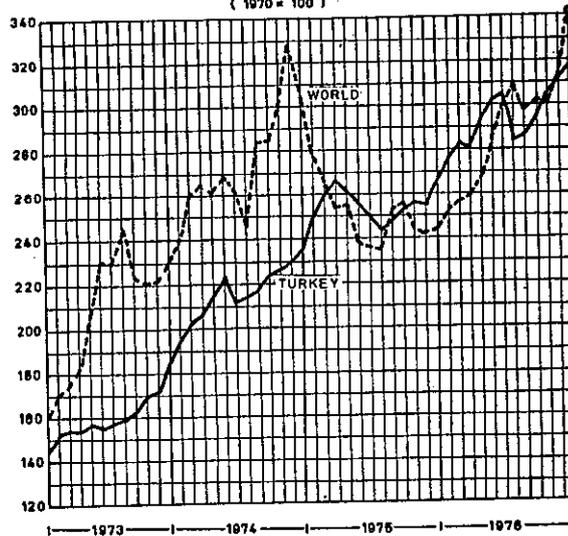
WORLD AND TURKEY'S WHOLESALE PRICE INDICES (1970 = 100)



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



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



220. 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.
221. 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 (Broken down to 15)	a) Vegetables
-- Coal	b) Animal products and fodder
-- Ores	-- Industrial raw materials (Broken down to 7)
-- Gas (city)	
-- Electricity	

TABLE 74

WHOLESALE PRICE INDICES
(1963=100)
Monthly

	<u>O L D</u>		<u>N E W</u>	
	<u>Index</u>	<u>% Change</u>	<u>Index</u>	<u>% Change</u>
<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
<u>1976</u>				
January	369.1	2.3	345.8	2.8
February	377.1	2.2	353.0	2.1
March	381.3	1.1	357.9	1.4
April	393.3	3.3	364.3	1.8
May	404.0	2.6	371.1	1.9
June	407.7	0.9	374.9	1.0
July	393.4	-3.5	376.1	0.3
August	400.4	1.8	380.0	1.0
September	407.0	1.6	383.5	0.9
October	415.4	2.1	390.0	1.7
November	424.0	2.1	399.4	2.4
December	429.7	1.3	404.3	1.2

TABLE 75
WHOLESALE PRICE INDICES
(1963=100)
(Annual Average)

	O L D		N E W	
	Index	% Change	Index	% Change
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
1976	396.6	15.6	373.5	16.2

TABLE 76

ISTANBUL WAGE EARNERS COST OF LIVING INDEX

Istanbul Chamber of Commerce
(1963 = 100)

Months	1973	1974	1975	1976	% C h a n g e		
					1974/73	1975/74	1976/75
January	200,8	236,0	297,7	354.8	17,5	26,1	19.2
February	202,0	240,0	308,8	361.2	18,8	28,7	17.0
March	203,9	251,0	314,5	365.3	23,1	25,3	16.2
April	205,0	261,4	324,5	371.4	27,5	23,1	14.4
May	209,6	263,4	324,2	375.3	25,7	24,1	15.8
June	213,8	265,7	326,0	378.9	24,3	22,7	16.2
July	217,0	271,7	325,2	374.7	25,2	19,7	15.2
August	218,7	272,0	329,2	378.8	24.4	21,0	15.1
September	224,7	278,2	331,9	389.0	23,8	19,3	17.2
October	228,5	284,5	340,2	397.0	24,5	19,6	16.7
November	232,3	290,4	345,7	411.2	25,0	19,0	18.9
December	233,5	293,9	347,7	421.2	25,9	18,3	21.1

ISTANBUL COST OF LIVING INDEX

Ministry of Commerce
(1963=100)

Months	1973	1974	1975	1976	% C h a n g e		
					1974/73	1975/74	1976/75
January	226.5	271.1	337.6	402.9	19.7	24.5	19.3
February	227.6	270.9	352.7	411.8	19.0	30.2	16.8
March	228.0	286.0	360.0	416.2	25.4	25.9	15.6
April	230.3	290.4	361.4	416.9	26.1	24.5	15.4
May	234.2	295.3	364.1	418.7	26.1	23.3	15.0
June	240.7	300.2	363.5	424.2	24.7	21.1	16.7
July	241.4	303.9	363.9	427.5	25.9	19.7	17.5
August	244.1	306.4	365.1	433.5	25.5	19.2	18.7
September	255.2	314.1	369.8	441.3	23.1	17.7	19.3
October	261.5	320.5	378.6	448.0	22.6	18.1	18.3
November	264.4	327.4	383.7	450.4	23.8	17.2	17.4
December	268.9	334.6	389.0	464.2	24.4	16.3	19.3

TABLE 77

COST OF LIVING INDICES
(1963=100)

Annual Averages		Food		Light and Fuel		Clothing		Other		
	General Index	% Change	Food	% Change	Light and Fuel	% Change	Clothing	% Change	Other	
I. ANKARA										
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
1976	385.9	16.4	375.0	19.7	349.8	5.5	417.8	14.9	416.6	9.5
II. ISTANBUL										
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
1976	429.6	17.4	458.5	21.3	461.2	23.4	340.8	5.4	370.8	5.3

222. Cost of living indices for Istanbul and Ankara indicate that the annual average increases in 1976 are lower for both cities compared to 1975. However the index for Ankara had increased while that for Istanbul had decreased in 1975 compared to 1974.
223. Consumer price indices 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. But they fell in all of them in 1976.

CONSUMER PRICE INDICES
(Yearly Average Increases)

Province	1970	1971	1972	1973	1974	1975	1976
Ankara	8.1	16.3	12.9	16.6	18.7	20.1	15.3
Istanbul	6.8	15.7	11.8	15.4	15.8	19.2	17.3
İzmir	7.8	19.7	14.8	16.7	17.5	20.9	16.5
Samsun	7.3	15.9	17.2	16.2	22.6	20.9	16.3
Eskişehir	7.4	14.7	13.0	15.0	16.9	21.3	17.0
Antalya	8.7	15.1	15.0	17.5	22.0	21.4	13.9
Diyarbakır	8.2	16.3	17.1	15.7	18.9	19.3	18.6
Ordu	10.5	16.5	11.3	13.8	22.5	17.6	16.7

224. 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.

TABLE 78
% CHANGE IN CONSUMER PRICES

Countries	1974	1975	1976 ^{1/}
U.S.A.	11.0	9.1	5.0
Canada	10.8	10.8	5.6
Japan	24.5	11.8	9.3
Federal Germany	7.0	6.0	3.7
France	13.7	11.7	10.1
Italy	19.1	17.0	21.3
England	16.0	24.2	15.0
Belgium	12.7	12.9	7.6
Holland	9.6	10.2	8.5
Luxemburg	9.5	10.7	8.3
Ireland	17.0	20.9	18.9
Denmark	12.7	12.8	12.8
Turkey ^{2/}	25.9	18.3	18.3
^{3/}	24.4	16.3	15.8
TOTAL OECD	13.4	11.2	8.1
OECD EUROPA	13.1	13.1	11.0
EEC	12.7	12.9	10.6

^{1/} 12 months increase as of Nov.1976

^{2/} Index of the Istanbul Chamber of Commerce

^{3/} Index of the Ministry of Commerce

CHAPTER VII

FOREIGN ECONOMIC RELATIONS - TRADE REGIME AND FOREIGN TRADE

I. FOREIGN ECONOMIC RELATIONS

225. Turkey's trade agreements can roughly be grouped as general international agreements like GATT, regional agreements like with the EEC, RCD and bilateral agreements with individual countries. Trade with developed countries of the West come under either general international or regional agreements. Turkey's trade with developing countries and the centrally planned economies of the eastern bloc has, historically, been regulated through bilateral clearing or adhoc trade agreements. This has been so despite the fact that some of the bilateral agreement countries were founding signatories of GATT like, for example, Czechoslovakia.
226. Turkey follows the principle of establishing foreign relations with a large number of countries. This aspect of its foreign policy has been reflected in its foreign economic relations through a series of multilateral and bilateral agreements.
227. During the last ten years while the share of the Threes, the Six and the whole EEC has shown a certain stability, the share of Arab countries as well as RCD countries has shown a continuous rise. In fact the share of these countries in Turkish exports has risen from 5.51 % in 1966 to 12.65 % in 1976. On the other hand the share of these countries in Turkish imports has risen from 6.43 % in 1966 to 21.29 % in 1976.

Major trading partners in 1976 were as follows (as % of total):

<u>Countries</u>	1 9 7 6	
	<u>Imports(000 \$)</u>	<u>%</u>
West Germany	945.589	18.4
U.S.A.	437.879	8.5
Italy	386.119	7.5
United Kingdom	409.875	8.0
Switzerland	292.442	5.7
France	308.695	6.0
Japan	227.742	4.4
Holland	168.025	3.3
Belgium-Luxemburg	103.274	2.1
EEC	2.342.031	45.7

Countries	1 9 7 6	
	Exports (000 \$)	%
West Germany	376.720	19.2
U.S.A.	191.410	9.8
Switzerland	179.613	9.2
Italy	171.511	8.8
United Kingdom	137.599	7.0
France	108.351	5.5
U.S.S.R.	80.991	4.1
Holland	63.742	3.2
EEC	958.929	48.9

TABLE 79
GEOGRAPHICAL DISTRIBUTION OF EXPORTS

	(000 000 \$)						Total
	The 6	The 3	EEC	USA	Arab and RCD Countries ^{1/}	Others	
1966	171	55	227	80	27	156	490
1967	176	44	220	92	27	210	552
1968	164	41	205	72	36	181	496
1969	214	36	251	59	39	186	536
1970	239	44	283	56	54	194	588
1971	266	42	309	68	78	219	676
1972	347	57	404	103	97	279	884
1973	493	118	611	130	179	395	1.317
1974	619	97	717	144	225	445	1.352
1975	530	85	615	147	235	403	1.401
1976	806	152	958	191	248	561	1.960
							As (%)
1966	34	11	46	16	5	31	
1967	31	8	40	16	5	38	
1968	33	8	41	14	7	36	
1969	40	6	46	11	7	34	
1970	40	7	48	9	9	33	
1971	39	6	45	10	11	32	
1972	39	6	45	11	11	31	
1973	37	8	46	9	13	30	
1974	40	6	46	9	14	29	
1975	37	6	43	10	16	28	
1976	41	7	48	9	12	28	

^{1/} Bahrain, Qatar, Mascherone and Oman, Saudi Arabia, Morocco, Kuwait, Egypt, Tunisia, Algeria, Libya, Sudan, Jordan, Iraq, Lebanon, Syria, Yemen, Arab Rep., Iran and Pakistan

TABLE 80
GEOGRAPHICAL DISTRIBUTION OF IMPORTS

(000 000 \$)

	The 6	The 3	EEC	USA	Arab and RCD Coun. ^{1/}	Others	Total
1966	236	82	318	175	46	177	718
1967	237	91	329	122	46	186	684
1968	281	104	386	120	60	195	763
1969	284	99	384	154	52	209	801
1970	325	96	421	206	63	257	947
1971	455	116	571	171	106	320	1.170
1972	652	177	829	191	134	406	1.562
1973	923	231	1.155	185	222	523	2.086
1974	1.419	288	1.708	350	735	983	3.777
1975	1.962	375	2.338	425	844	1.130	4.738
1976	1.911	430	2.342	437	1.091	1.256	5.128
						As (%)	
1966	32	11	44	24	6	24	
1967	34	13	48	17	6	27	
1968	36	13	50	15	7	25	
1969	35	12	47	19	6	26	
1970	34	10	44	21	6	27	
1971	38	9	48	14	9	27	
1972	41	11	53	12	8	26	
1973	44	11	55	8	10	25	
1974	37	7	45	9	19	26	
1975	41	7	49	8	17	17	
1976	37	8	45	8	21	24	

^{1/} Bahrain, Qatar, Mascherone and Oman, Saudi Arabia, Morocco, Kuwait, Egypt, Tunisia, Algeria, Libya, Sudan, Jordan, Iraq, Lebanon, Syria, Yemen, Arab Rep., Iran and Pakistan

EEC

228. Turkey and the EEC signed an agreement on Nov.23, 1970 providing for Turkey's association membership, 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 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.

229. 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 equal rights for Turkish workers in EEC countries, the need for harmonization of Turkish economic and agricultural policies with those of the EEC and provides development loans.
230. 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.
231. Commercial concessions allow Turkey to export her industrial products to EEC with no 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 debates on cotton yard exports together with very restrictive measures taken against Turkish textile exports in 1976, confirm this fact.
232. 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.
- 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.
- Under the provisions of articles 17 and 18 of the Annex Protocol, Turkey is committed to align the tariffs applicable to third countries to the level of the EEC's common external tariff.
233. As of January 1, 1977, Turkey is merely required, for items in the 12 year list, to apply EEC common external tariffs to those items the current tariffs of which towards third countries do not show a difference of 15%, minus or plus, when compared with the EEC common external tariff. On all items which show a difference over 15% (minus or plus), she will reduce by 20% the difference that exists between the tariffs that she applied at the date of the signature of the protocol in 1970 and the EEC common external tariff.

234. This operation will cover 2,350 items in the 12 year list. As of January 1977, if the operation goes into effect, the tariffs on 93 items towards third countries will be levelled with the EEC common tariff, the tariffs on 105 items will have to go up and those on some 2,000 items will go down.
235. Turkey has always been a faithful follower of the 1970 Additional Protocol and the subsequent Supplementary Protocols. At the beginning of 1976, customs tariffs on EEC-originated goods were reduced, for the second time, by 10% for items in the 12-year and by 5% for items in the 22-year list. Thus the reductions attained 20% for 12-year list items and 10% for 22-year-list items. In addition Turkey has increased by 5% the volume of liberalized items consolidated to the EEC. In other words, in spite of its current balance of payments difficulties, Turkey has strictly abided by the provisions of the Supplementary Protocol and lived up to its commitments arising from the agreed timetable, in full compliance with the Additional Protocol.

TABLE 81

TIMETABLE ON TURKEY'S COMMITMENTS TOWARDS THE CUSTOMS UNION

	Tariff reductions to EEC %		Alignment with the EEC Common External Tariff (CET) ^{1/}		Liberalized items Consolidated to EEC ^{2/}	Import quotas Consolidated to EEC
	12-year list	22-year list	12-year list	22-year list		
1973	10	5				100
1974					35	
1975						
1976	10	5			40	x10% 110
1977			20			
1978	10					x10% 121
1979	10	5				
1980	10		20			x10% 133
1981	10				45	
1982	10		20			x10% 146
1983	10	5		20		
1984	10					x10% 161
1985	10	10	CET			
1986		10			60	x20% 193
1987						
1988		10		30		x20% 232
1989						
1990		10				x20% 278
1991		10		30	80	x20% 334
1992						
1993		10				
1994		10				x20% 401
1995		10		CET		

^{1/} As percentage reductions indicating the ratio of elimination of the difference between Turkish tariffs towards third countries and CET.

^{2/} As percent of the volume of Turkey's 1967 imports from EEC.

236. The new operation at the outset of the new year is expected to help develop Turkey's trade relations with the non-EEC countries, and as far as can be ascertained, will in no way represent a new tariff concession to the Common Market bloc.

RCD

237. Turkey is maintaining its membership, along with Iran and Pakistan, in the Regional Cooperation for Development organization (RCD).

The main targets of RCD can be outlined as follows:

- a. Liberalization of merchandise trade and increase of its volume.
 - b. Preparation and implementation of joint purpose projects for the three countries.
 - c. Establishing common ventures in the field of air and maritime transport.
 - d. Developing connections between the road and rail road systems.
 - e. Establishing cooperation in the fields of tourism and technical assistance.
238. The Heads of States of member countries have come together four times since the creation of the RCD, the last time on 21-22 March 1976 in Izmir.

The decisions made at this meeting are as follows:

1. An agreement determining the structure and the operating principles of RCD is to be prepared.
 2. Necessary preparations are to be made soon for the establishment of an RCD free trade area with the aim of reducing tariffs, and non-tariff restrictions.
 3. An RCD Investment and Development Bank is to be established.
 4. A closer cooperation is to take place in the field of Industry.
239. In its eleven 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. There are still hopes for its development into a "common market" that might ultimately embrace Arab countries. The member countries have agreed in principle on the setting up of some 60 major industrial projects that would serve the three markets.

The Middle East Countries

240. Turkey is conducting its foreign economic relations through 22 agreements based on convertible currencies, ten of them being with Arab and RCD countries.

The dates of these 10 agreements are shown below:

Turkey - Pakistan	18 December	1964
Turkey - Iraq	3 August	1964
Turkey - Jordan	28 July	1964
Turkey - Tunisia	17 July	1967
Turkey - Morocco	16 May	1972
Turkey - Saudi Arabia	May	1974
Turkey - Syria	17 September	1974
Turkey - Libya	5 January	1975
Turkey - Afghanistan	5 November	1975
Turkey - Egypt	20 April	1976

241. In principle imports and exports are paid with convertible currencies, and are subject to the national laws regulating foreign trade and payments in the participating countries.
242. Sometimes as in the case of the agreements with Egypt, a letter of protocol annexed to the agreement provides that the parties recognize each other credit facilities, within a certain limit, thereby giving the Agreement a nature similar to a clearing arrangement.
243. In addition to bilateral commercial and payment agreements Turkey has signed bilateral economic, technical and industrial cooperation agreements.

Turkey - Iran	6 June	1975
Turkey - Afghanistan	11 January	1976
Turkey - Iraq	7 February	1976
Turkey - Libya	5 January	1975
Turkey - Pakistan	20 November	1975
Turkey - Bangladesh		1976

244. The main features of the agreements are as follows:

1. The parties will cooperate in economic matters in addition to foreign trade relations.
2. There are clauses providing for transfer of technology and technical personnel.
3. Participation to the bidding of contracts is being encouraged.
4. The fields in which cooperation will be made are specified.
5. Mixed committees have been established to follow the implementation of the agreements and to determine bottlenecks. These committees are to meet once a year.

245. These agreements foresee cooperation in various economic areas of joint interest, mainly industry, agriculture and tourism, with the objective of encouraging and consolidating bilateral economic and technical cooperation. Under these agreements, the parties will undertake extensive studies to identify the opportunities for cooperation on concrete projects in industry, agriculture and tourism to be materialized either through capital investment or joint ventures or any other ways and means to be mutually agreed by the parties. The joint-venture enterprises will be oriented to satisfying the needs of both countries, and whenever possible, also aimed to the markets of third countries.

246. Additionally, the signatory countries will encourage and facilitate the participation of consulting, engineering and contracting services in the development projects of each other, including the building of infrastructure and tourist facilities; take all necessary steps to ensure the continuous and rapid flow of the other country's transit transport over

their own territories; recognize protection and guarantee of the investments; set up the required banking and insurance services with the objective of encouraging and enhancing bilateral economic relations; provide for each other's needs of food stuffs; encourage the development of technical cooperation between themselves.

The Islamic Conference

247. One of the main aims of the Islamic Conference which held its first meeting in Rabat (1969), and the last in Istanbul (1976), is delineated in its Charter as follows:

"To consolidate co-operation among member states in the economic, social, cultural, scientific and other vital fields of activities and to carry out consultations among member states in the international organizations."

Activities in the economic field enabled the establishment of two side organizations, the Islamic Development Bank and the Islamic Interdependence Fund.

The Bank's objective is described as "securing economic and social development of member countries as a group as well as individually within the principles of the Koran."

Among its obligations and responsibilities; a) financing of productive projects in member countries; b) support of social and economic infrastructural investments; c) securing technical aid; d) establishing special aid funds for the moslem minorities in non-member countries.

The Bank's establishment agreement was signed by 27 countries in August 1974. Turkey's participation was ratified on August 11, 1974.

Countries represented in the Islamic Conference are,

The Middle Eastern Countries:

(Algeria, United Arab Emirates, Bahrain, Egypt, Iran, Iraq, Jordan, Kuwait, Lebanon, Libya, Oman, Qatar, Saudi Arabia, Syria, Turkey, Yemen Arab Republic, Yemen Democratic People's Republic.)

Asian Countries:

(Afghanistan, Bangladesh, Indonesia, Malaysia, Pakistan, The Maldives)

African Countries:

(Cameroon, Chad, Gabon, Gambia, Guinea, Guinea-Bissau, Mali, Mauritania, Morocco, Niger, Senegal, Sierra Leone, Somalia, Sudan, Tunisia, Uganda, Upper Volta.)

Clearing Agreements

248. The clearing agreements contain detailed lists of commodities which will be traded within a given period. The balance is usually close to zero, as these agreements aim to prevent deficits for both parties. Trade under such agreements is carried out within credit margins recognised by the countries in question, which is subject to clearing at the end of a marginal period that exceeds the agreement date. As clearing agreements are converted to free trade agreements, a liquidation protocol is drawn to clear previous balances.

Countries Having Bilateral
Clearing Agreements With Turkey
(1970-1976)

Albania	1970-1971-1972-1973-1974-1975-1976
U.A.R.	1970-1971-1972-1973-1974-1975-1976
U.S.S.R.	1970-1971-1972-1973-1974-1975-1976
Czechoslovakia	1970-1971-1972-1973-1974-1975
East Germany	1970-1971-1972-1973-1974-1975
Hungary	1970-1971-1972-1973-1974-1975
Bulgaria	1970-1971-1972-1973-1974
Poland	1970-1971-1972-1973-1974
Romania	1970-1971-1972-1973
Yugoslavia	1970-1971
Israel	1970

Turkey's foreign trade with Eastern European Countries

249. Imports from Eastern European countries are mainly organic or inorganic chemicals, industrial raw materials and equipment, mechanical and manual tools. Exports to this region are generally confined to agricultural goods, mainly foodstuffs.
250. The table below indicates the trade balance structure with these countries during the last three years.

TABLE 82

Turkey's Foreign Trade Balance With
Eastern European Countries and Israel

(000 \$)

	1974	1975	1976
Czechoslovakia	.531	-20.398	- 8.122
East Germany	- .419	- 5.468	-10.369
Hungary	4.434	- 4.266	-10.851
Bulgaria	- 7.499	-19.477	-44.121
Poland	-19.672	-19.121	-11.486
Romania	-71.991	-53.027	-59.325
Yugoslavia	5.830	-10.139	- 9.978
Israel	- 2.599	-11.028	- 6.128

Turco-Russian Trade

251. Turkish-Soviet commercial relations are continuously increasing and are regulated by clearing agreements. The trade volume rose by 187.5 percent between 1965 and 1975. The new agreement that covers the period of April 1, 1976 - March 31, 1977 foresees a 41% increase in trade volume over the preceding period.
252. The composition of Turkish exports to the USSR is changing with more industrial goods entering the exports list. In addition to the traditional agricultural exports like raisins, hazelnuts, citrus, tobacco etc, Turkey has started to export aluminum, concentrated antimony and durable consumer goods to the USSR.
253. Turkish imports from the USSR are mainly chemical products, fertilizer, as bestos, minerals, electrical machinery, mineral processing equipment, internal combustion engines, pumps and some other industrial equipment. The share of machinery and equipment within total imports from the USSR is also growing.

TABLE 83
Turkish-Soviet Loan Agreements
(1960-1975)

Investment Area	Year	Amount of Loan (million \$)	Interest Rate	Term (Years)	Amount of Investment (million \$)
Seydişehir Alluminum Factory	1967	200	2.5	15	62
İzmir Aliağa Refinery					27
Bandırma Sulfuric Acid Factory					2.5
Artvin Sheet Factory					3.1
Iron and Steel Engineering Agreement					3
Seyitömer transmission line					4
Iron and Steel Factory ^{1/}					98
Iron and Steel Factory ^{1/}	1970	113.7	2.5	14	
Iron and Steel Factory ^{1/}	1970	45.4	2.5	15	
Agreement Frame	1975	700	2.5	11	

^{1/} Iskenderun Third Iron and Steel Complex (Completed as end of 1975)

254. The first meeting of the Turco-Russian economic Cooperation Mixed Commission was held in Moscow in 1976. The commission is currently studying on finding additional areas of cooperation for both of the countries. Two protocols "Economic Cooperation Development Agreement" and the "Scientific and Technical Cooperation Agreement" will assist in the opening of new perspectives and the realization of new joint projects.
255. The Soviet Union has proposed technical cooperation for the Black Sea oil refinery project, which will be handled by the National Oil Company of Turkey (TPAO).
256. After a decision is made on the seat of the project, the Soviet offer for technical cooperation will be considered.
257. A Turco-Russian agreement was signed in 1976 for the exchange of electricity. Under the accord, the Turkish Electricity Authority (TEK) will buy electricity from the Soviet Union (from the State Company ENERGO MASCHEXPORT) for distribution to the border provinces of Eastern Turkey.
258. Starting the first of July 1978, The Soviet State company "EME" will deliver 150 million kwh of electricity to Turkey until the end of 1978. Starting the first day of 1979, until the end of 1981, EME will guarantee the supply of 600 million kwh of electricity to Turkey. And until the end of 1986, EME will further guarantee the supply of 100 MW of electricity a year to Turkey.

Turco-Japan Trade

259. During the last ten years Japan has shown interest to invest in Turkey to participate as a contractor, to sell goods and provide loans to Turkey.
260. The table below shows different loans given by Japan to Turkey. Different Japanese firms are also interested to form common ventures with leading Turkish industrial firms. They consider Turkey to be a base for their export operations to EEC and Middle East markets. Below is a description of the main joint venture projects some of which were not realized.

TABLE 84
Loans Given By Japan

Project	Date	Amount (Mil.₯)	Int. Rate	Term Years	Period of grace Years
Aksu Paper Mill	1967	15.7	5.5	17	5
Etibank Mining Equipment	1971	1.526.5 (yen)	6	12	-
Hasan Uğurlu Dam.	1971	15.0	5	20	5
Haliç Bridge	1972	10.8	8	6	1
Purchase of Ships	1972	8.7	7.75	7	1
Purchase of Ships	1972	7.4	7.75	7	1
Purchase of Ships	1972	7.4	-	-	-
Hasan Uğurlu Dam.	1974	3.645.0yen	5	20	5
Hasan Uğurlu Dam.	1975	1.413.0yen	5	20	5
Machinery and Equipment for Road, Water, Electricity Department	1975	1.043.8 (yen)	7.5	6	1

261. A number of joint venture projects between Japanese and Turkish firms are in the operational stage and some of them under negotiation.

Joint Projects with Arab Countries

262. I. Kirkuk (Iraq) , İskenderun (Turkey) Pipeline Project

₯ 550m. and 981 kms. Kirkuk-İskenderun pipeline project is a major product of good-neighbourly relation and fruitful cooperation between Turkey and Iraq --was finalized late 1973. After the responsibility for the development and operation of the Turkish section of the project was assigned to BORU HATLARI İLE PETROL TAŞIMA AŞ. (BOTAS), a joint stock company 99.9% owned by the state-run National Oil Company (TPAO), a discreet approach was made to MERRILL LYNCH group in London to raise as much as ₯ 150m to help finance the system.

Construction works were completed by Consorsium Groups namely Mannesman of Germany, Ballast of Holland, CMP of France and Tekfen of Turkey at the end of 1976.

263. II. The Arab - Turkish Bank

Agreement between Republic of Turkey and the Libyan Arab Republic has been reached and ratified by the Turkish Government on July 18, 1976 to create a joint venture (a Bank) to promote and strengthen the economic and financial ties and assist in increasing the volume of foreign trade and other activities between the two countries.

264. Kuwait joined the Bank recently with a share of 20%. Thus the Bank's original nominal capital (§ 15m) previously shared by Turkey and Libya as 50% each, fell to 40% each, the remaining to be owned by the State of Kuwait. The Kuwaiti share of § 3m will be contributed by the Kuwait Fund for Arabic Development. The capital may be increased or decreased by a decision of the share holders in accordance with articles of association.
265. The object of the establishment of this Bank is to undertake banking transactions, finance development projects and foreign trade, and procuring an increase in its resources by attracting deposits from Arab and international money markets in sufficient amounts in order to materialize and to secure good functioning of the Bank. The Bank shall however, give priority to develop and provide finance to projects of a joint venture character with the member countries participating in the share capital of this Bank. The Bank shall perform operations similar to those of merchant banks.
266. The Head Office of the Bank shall be in Istanbul. It may however, establish branches in or outside Turkey.
267. The signatories also agreed that for the sake of enlarging the operation of the Bank and thus enabling it to attract better resources, the partners shall accede an equal part of their participation to other Arab Institutions, however, the Libyan Arab Foreign Bank shall always maintain a reasonable percentage of the share capital.

International Transit Traffic

268. During 1975, 70.500 international lorries crossed Turkey, nearly 200% more than the previous year, carrying 1.5m tons of goods. The number is expected to reach 135.000 vehicles in 1976.
269. The increase in the number of TIR trucks crossing Turkey gives an idea of the magnitude of the transit traffic.

<u>Years</u>	<u>Number of TIR trucks crossing Turkey</u>	<u>Yearly % increase</u>
1972	10.261	..
1973	19.367	88.7
1974	24.205	25.0
1975	70.541	191.4
1976 ^{1/}	135.000	91.4

1/ Estimate



270. A recent study by the Ministry of Transport and Communications revealed that the material damage inflicted upon Turkey's roads by these vehicles was much more than the fee they paid to cross through Turkey.
271. Turkey had not raised the transit fees since 1967, and in the last nine years, the value of money decreased while the costs of repairing the roads had risen sharply.
272. Turkey is spending more than TL.1 billion each year for road repairs and maintenance and 70% of the damage was being inflicted by trucks en route to the Middle East .
273. Heavy-duty trucks carrying merchandise to the Middle East were involved in a total of 959 road accidents in 1975, leading to 192 deaths and 414 injuries. The material loss amounted to TL 48,8 million.
274. Turkey announced that the trucks of most of the countries would receive preferential treatment and be charged the same amount in transit fees as was levied on the trucks of other agreement countries. The preferential fee would be 25 krş.per kilometer/ton. (US ¢ 1.56)
275. A new ruling transmitted by the IRU suggests that only countries without a road transport agreement with Turkey will be charged the full rate of 40 kuruş a ton/kilometer as well as the fuel charges.(US ¢ 2.5)
276. Through bilateral agreements a number of countries got preferential treatment and obtained rates as low as 11 krs. per ton/kilometer.

277. In order to ease the transit traffic between Middle East countries and Turkey a number of feasibility projects were submitted to the closest neighbor, Iran. The projects included the following subjects:
1. The expansion of the Trabzon, Hopa, Mersin and Iskenderun ports
 2. The Trabzon-Erzurum-Doğu Beyazıt highway
 3. The Hopa-Kars-Gurbulak highway
 4. The Mersin-Gaziantep-Urfa-Hakkari-Esendere highway
 5. The Iskenderun-Gaziantep-Urfa-Hakkari-Esendere highway
 6. The Edirne-Istanbul-Adapazarı-Ankara-Ağrı highway
 7. The establishment of a joint transport company
 8. Two additional ferry-boats to Lake Van, and
 9. Construction of cold storage depots at specific loading centers.
278. Under the Turkish-Iranian economic cooperation agreement, Turkey has undertaken to maintain open and ready for service at all seasons ports and roads from which Iran benefits regularly in its transit transport with Europe. The most important project of all these is the Trabzon-Iran transit road, which is progressing smoothly. The project involves increasing the capacity and improving the quality of the national road, which links Trabzon with Gurbulak crossing point on the Turkish-Iranian border over Gumushane, Ağrı and Erzurum. Both sides will cooperate to repair, expand and improve this national road so that it could serve the interests of Iran, as well as those of Turkey, better.
279. To shorten the road, Turkey has started to construct a major tunnel across the Zigana Mountain, which will be 1.690 meters long. It will lower the road elevation to allow passage during all seasons of the year. The Kop Mountain, northwest of Erzurum will be by-passed thanks to the construction of an alternative road. A second by-pass road will be built when the national highway reaches Tahir Mountain, a few km. south of Horasan. This will be a great relief for heavy-duty vehicles, which are presently experiencing great difficulties to climb the steep mountains.

Free Zones And Ports

280. One possible move to encourage foreign trade is the creation of "free zones and ports" in Turkey. The Ministry of Customs and Monopolies, under a bill drafted by a committee of experts, has proposed the creation of such zones at Mersin, Istanbul and Turkish Thrace. The inflow of all capital and goods into Free Zones and Ports will be exempt from all taxes, duties and charges and imports from these zones into proper Turkey will be subject to the rules and regulations of the Import Regime.

281. The idea is to empower the State to operate free ports and zones, but private corporation may also be given the same rights under control.
282. Persons entering free ports and zones will not be subject to any passport control at all.
283. The proposed plan is intended both as a contribution to Turkey's balance of payments position and creating new job opportunities.

II. TRADE REGIME

Import Regime

284. 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, in order to counter inflation.
285. 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.
286. 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. "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 \$ 3.2 billion was allocated for imports of goods on Free Lists I and II. Free Lists I and II account for about 60% of all imports.
287. 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.
288. The fourth list, the EEC Consolidated Free List, includes almost the same items as List I ; these goods are free of quantitative restrictions.

289. 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.
290. Used machinery may not be imported without specific authorization from the Ministry of Commerce.
291. 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.
292. Relief from duty and/or the payment of duty in installments is often authorized in the case of priority (foreign and local) industrial projects.
293. Tariffs on EEC imports began to be reduced as of September 1971.
1977 Import Regime
294. In the 1977 import regime, the controversial EEC lists -the list of liberalized items consolidated to the European Economic Community- were omitted.
295. But as it is known that the rate of liberalization had been changed in 1976 under the provisions of the Additional Protocol and was not due for a new change until 1978.
296. Turkish Government declare that Turkey will continue to adhere to the commitments under the Additional Protocol and will adhere to the Protocol in general.
297. According to the Ministry of Commerce, the main principle in imports, especially under the Liberalized items list II, would be the price advantage. Goods would have to be imported from whichever country supplied them at the cheapest price.
298. The omission of the EEC lists did not mean a thing as far as the practical application of the import rules was concerned. The EEC lists simply reflect tariff preferences of EEC-origin goods, but are not binding on the importers. No single importer can be forced to import a certain commodity from an EEC country when the similar commodity is available at a discount price from elsewhere.

1977 Import Allocations

299. The 1977 imports are programmed as \$ 5.800 million. The breakdown is:

- Program imports \$ 4.890 million
- Non-program imports \$ 910 million

300. Of the program imports, \$3.200 million will be spent for imports under the liberalized items lists, \$1.600 million for imports under the Quota list and the remaining \$90 million for imports from Bilateral Agreement countries.

301. The changes in import regulations and rules in 1977 are as follows:

- The validity of foreign exchange allocations for imports under the Liberalized items list II has been extended from 2 to 4 months
- The limit on emergency imports has been raised from \$500 to \$1.000
- Authorized banks are allowed to extend the time limit within which an import transaction has to be completed for two months seeking compulsory reasons.
- Importers foregoing their rights to import goods up to the value of \$ 1.000 will have their deposits refunded (the previous limit was \$ 500).
- For tractor imports, the deposit (down payment) rate has been lowered from 10% to 1%. The move is aimed at increasing tractor imports from all available sources.
- Deposits for imports from the Turkish Cypriot Federal State have been entirely waived.
- Industrialists' quotas are to be announced twice instead of once a year.
- The misbehaviour of industrialists and importers (i.e. illegally turning over their import rights to third parties) will be made public through notices in the Official Gazette.

Export Regime

302. The exporter has to be registered with a trading organisation and have a commercial title. He then has to obtain an exporter's document from the General Directorate of Evaluation of the Ministry of Commerce which is to be endorsed every three years in April or May to continue to be valid.

303. Application for exports is made to the related ministry within ten days after sales agreement is confirmed. These documents are then forwarded to the Ministry of Commerce within 2 workdays.

304. In certain cases application for exports are subject to registration by professional organisations. Approval is then given by the professional organization and one copy of each document is sent to the Ministry of Commerce.
305. Exports subject to registration are:
1. Exports from Eastern and Southeastern borders,
 2. Exports to which tax rebates are given,
 3. Exports of commodities for which forward sales are allowed by the Ministry.
 4. Exports on the license list,
 5. Exports for which encouragement measures are utilized,
 6. Exports on consignment or joint account,
 7. Exports to bilateral agreement countries, and those under other special schemes.
 8. Exports to free ports and customs-free storage units.
306. Exports subject to licensing are listed every year. The reason for this kind of price and quantity control is to prevent export of important foodstuffs and/or strategic minerals and forestry products when shortages at home become threatening, and to prevent wide fluctuations and speculations of these goods.
307. In principle, Registration Authorities are Professional Associations.

Professional Associations: may be delagated authority by the Ministry of Commerce to secure harmony between export prices and domestic and foreign prices.

A foreign bank's guarantee is required to permit exports on credit. A list of goods to be exported on credit is prepared in collaboration with the Ministry of Finance annually.

Goods have to be shipped within 30 days for short-term and, maximum, 90 days for long term exports starting the day registration or licensing is communicated to the exporter. This period can be one year for industrial goods and minerals on the condition that sales agreements contain no contrary clause.

In case of forward sales maximum period is 90 days starting the date of first harvest. The "export period" is written on the documents of each party of goods to be exported. Extension to these periods is allowed up to 6 months is general and another year for industrial goods.

There is as yet no export insurance system.

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

Tax Rebate on Exports

309. 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.
310. 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 45% for exporters whose annual sales (all commodities) exceed \$ 1.8 million annually, from nil to 30% for those with smaller turnovers.
311. A decree published in Official Gazette at the end of 1976 removed the distinction for tax rebate rates for exporters destined to clearing agreement countries which versed formerly those for free trade countries.
312. Two decrees published in 1975 had ruled that tax rebates on exports to clearing agreement countries be half the rate recognised for exports to free trade countries. The new decree, in essence, was a readjustment of the old one whereby all distinction of "convertible currency versus non convertible currency" was removed.

TABLE 85
Tax Rebate Rates

<u>Maximum Rate(%)</u>	<u>Minimum Rate(%)</u>	<u>Export Value For max.rate(\$)</u>
45	40	1.800.000.-
40	35	1.800.000.-
35	30	1.800.000.-
30	25	1.800.000.-
25	20	1.800.000.-
20	15	1.800.000.-
15	10	1.800.000.-
10	5	1.800.000.-
As shown in the list		1.400.000.-
"	"	1.400.000.-
"	"	1.400.000.-

III. FOREIGN TRADE

General

313. Turkey has been facing severe balance of payments deficits due to declining export earnings and exploding import payments.
314. A summary table showing the development of the balance of payments from 1950 to 1976 is given below.

TABLE 86
BALANCE OF PAYMENTS
1950-1976

(Millions of ₺)

	1950	1960	1970	1975	1976
Imports	-286	-468	-948	-4739	-5128
Exports	263	321	588	1401	1960
Balance of Trade	- 23	-147	-360	-3338	-3168
Invisible Transaction	- 27	- 44	+181	+1375	+ 900
Current accounts bal.	- 50	-139	-171	-1880	-2253.8
External debt Repayment	- 15	- 65	173	- 118	- 119
Financing Requirements	- 65	-204	-344	-1998	-2372.8
Financing Req. as percent of Exports+Invisible Bal.	%27.5	%73.6	%44.7	%74.0	%82.9
Financing Requirements as percent of Imports+Debt.Rep.	%21.6	%38.3	%30.7	%41.1	%45.2

315. 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%, and in 1976 the imports reached 5,13 billion dollars, an increase of 8.2%.

TABLE 87
MAIN INDICATORS OF THE PATTERN OF TRADE
 (1950-1976)
 (in percent)

	1950	1960	1970	1975	1976
EXPORTS					
A. Commodity Composition	100.0	100.0	100.0	100.0	100.0
Agricultural and Animal Products	75.1	70.8	75.2	56.6	64.0
Cotton, hazelnuts and tobacco	51.7	46.9	57.6	39.5	45.4
Animal products and fisheries	8.6	9.9	5.7	4.1	3.8
Mining and quarry products	6.8	4.1	7.3	7.5	5.6
Industrial products	18.1	25.2	17.5	35.9	30.4
Food and beverages	6.5	9.7	7.0	8.3	4.4
Textiles	-	0.8	4.4	9.5	13.5
B. Geographical Distribution	100.0	100.0	100.0	100.0	100.0
EEC countries	34.8	33.5	40.7	43.9	48.9
EFTA	24.5	17.5	17.8	12.0	13.1
USA and Canada	17.5	18.4	9.8	11.0	10.1
Bilateral Agreements	6.3	18.0	16.8	7.0	5.0
Middle East Countries			11.6	16.8	12.2
IMPORTS					
C. By use	100.0	100.0	100.0	100.0	100.0
Investment Goods	46.0	52.1	47.1	41.4	43.6
Raw Materials	33.4	38.3	47.9	54.3	53.3
Consumption goods	20.6	9.6	5.0	4.3	3.0
D. Geographical Distribution	100.0	100.0	100.0	100.0	100.0
EEC countries	32.8	35.7	34.3	49.0	45.7
EFTA countries	17.4	17.0	17.4	15.0	9.0
USA and Canada	25.7	26.0	23.4	10.0	9.6
Bilateral Agreement C.	7.5	12.8	13.0	3.0	1.8
Middle East Countries			6.7	17.8	20.7

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

TABLE 88
FOREIGN ECONOMIC RELATIONS (₡)

	1974	1975	1976	% Change	
				1975/74	1976/75
I. Foreign Trade					
A. Imports					
Total Imports	3.777.559	4.738.558	5.128.647	25.4	8.2
1. Imports	3.719.715	4.640.398	4.993.124	24.8	7.6
2. Imports with waiver	57.844	98.160	135.523	69.0	38.0
B. Exports					
Total Exports	1.532.182	1.401.075	1.960.214	-8.6	40.0
1. Agricultural	851.866	792.630	1.254.407	-7.0	58.2
2. Minerals	78.991	105.567	110.016	32.9	4.2
3. Industrial	601.325	502.878	595.791	-16.3	18.5
C. Trade Deficit					
	2.245.377	3.337.483	3.168.433	48.6	-5.1
II. Workers					
1. Workers' Remittances					
	1.426.264	1.312.298	982.743	-8.2	-25.1
2. Number of workers going abroad					
	20.211	4.419	10.558		

317. Imports increased by only 8.2% in 1976 as compared to 25.4% in 1975. The increase in imports with waiver stayed below the considerable rate of increase in 1975.

318. Exports on the other hand increased by ₡559.139 or by 40% in 1976. Most of the increase took place in agricultural products which rose by ₡461.777 or by 58.2%. Exports of industrial products increased by ₡92.913 or by 18.5%.

319. Workers' remittances decreased by 25.1% or by ₡329.555.

TABLE 89
COMPARATIVE FOREIGN TRADE VALUES

(Million \$)

	1975				1976			
	Imp.s	Exp.s	Dif.	Exp/Imp	Imp.s	Exp.s	Dif.	Exp/Imp
Total	4.738	1.401	-3.337	29.6	5.128	1.960	-3168	38.2
I Agricultural Goods	202	792	+ 590	391.5	77	1.254	+1177	1628.5
II Minerals	795	105	- 689	13.3	1.086	110	-976	10.1
III Manufactured Goods	3.740	502	-3.237	13.4	3.964	596	-3368	15.0

Total exports were able to finance 38.2% of total imports in 1976 and only 29.6% in 1975.

Export/Import ratio of agricultural goods was 3.915 in 1975 and went up to 16.285 in 1976.

Export/Import ratio of minerals decreased from 0.133 in 1975 to 0.101 in 1976.

Export/Import ratio of manufactured goods increased from 0.134 in 1975 to 0.150 in 1976.

Exports

320. 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.
321. 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)

	1963	1973	1974	1975	1976
Agricultural	79.4	63.2	55.6	56.6	64.0
Manufactures	17.6	33.6	39.2	35.8	30.4
Minerals	3.0	3.2	5.2	7.6	5.6
	100.0	100.0	100.0	100.0	100.0

322. (Table 90) 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.
323. 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.
324. Export proceeds in 1976 have increased by 560 million dollars.
325. List of goods the export proceeds of which have shown a decrease:

Processed Agricultural Products	30	(\$ Million)
Cement	8	
Gasoline	16	
Olive Oil	14	

TABLE 90

SECTORAL BREAKDOWN OF TURKEY'S EXPORTS, 1975-1976

	1 9 7 5		1 9 7 6	
	(Ton)	(000\$)	(ton)	(000\$)
1. AGRICULTURE and LIVESTOCK		792,630		1,254,407
A. Plants		733,880		1,174,072
a. Cereals		807		37,690
- Barley	-		277,900	36,864
- Others	-	807	-	826
b. Pulses		27,376		32,890
- Chick-pea	20,488	5,824	24,280	8,456
- Soya-bean	389	357	941	778
- Lentil	37,870	20,197	49,749	23,123
- Others	-	998	-	533
c. Industrial Plants		4,183,307		713,048
- Tobacco	65,638	183,213	75,173	251,291
- Cotton (Raw)	241,700	225,224	380,742	434,245
- Lintern	24,868	5,123	33,005	3,852
- Others	-	4,747	-	23,660
d. Fruits and Vegetables		275,430		375,278
- Figs	26,906	18,919	28,535	20,614
- Dried grapes	72,435	45,527	98,882	52,629
- Hazelnut	92,567	154,075	138,384	203,761
- Antep nuts	2,523	7,702	4,445	13,104
- Other shelled fruits	2,753	3,397	4,289	6,103
- Orange, Tangerine	33,627	6,806	55,986	15,943
- Lemmon	65,468	20,576	98,762	30,789
- Other Citrus	6,144	1,060	6,727	1,114
- Other fruits	14,395	5,431	16,003	6,551
- Others	5,166	5,903	7,102	9,240
- Vegetables	38,886	6,034	59,542	16,030

(Continued)

(Continued)

	1 9 7 5		1 9 7 6	
	(Ton)	(000\$)	(Ton)	(000\$)
e. Seeds and oil seeds		11,374		14,531
f. Other plants		586		635
B. Animal and Animal Products		41,080		62,723
a. Livestocks		25,379		31,237
- Cattle (head)	13,828	2,719	9,247	1,790
- Sheep (head)	216,404	12,409	286,247	16,602
- Goat (head)	220,995	9,424	257,297	12,076
- Others		827		769
b. Animal Hair		11,606		26,301
- Mohair	2,667	11,282	5,486	26,104
- Others		324		197
c. Raw skins		3,874		4,830
d. Other Animal Products		221		355
C. Fishery Products		12,882		12,263
a. Edible fishery products		10,846		9,329
b. Others		2,036		2,934
D. Forestry Products		4,788		5,349
a. Lumber		1,821		1,094
b. Others		2,967		4,255
II. MINING & QUARRYING		105,566		110,016
A. Non-Metallic				
Quarrying Products		44,670		48,211
- Onyx	1,071	176	1,430	219
- Marble	10,954	717	12,738	897
- Magnesite	78,298	11,972	55,595	7,757
- Raw Borates	391,215	28,103	416,789	29,762
- Others	-	3,702	-	9,576
B. Ores		60,879		61,711
- Chromium Ore	648,484	51,676	608,435	54,943
- Zinc Ore	51,548	5,584	25,952	2,806
- Others	-	3,619	-	3,962
C. Fuels		17		48
D. Others		-		46
III. INDUSTRY SECTOR		502,879		595,791
A. Agriculture-based				
Processed Products		128,592		98,418
a. Food Ind. Products		87,049		65,795
b. Food Ind. Side-Products		29,598		20,953
c. Processed Tobacco pro.		9		8
d. Processed forestry Prod.		6,952		4,235
e. Processed textile fibres		4,984		7,427

(Continued)

(Continued)

	1 9 7 5		1 9 7 6	
	(Ton)	(000\$)	(Ton)	(000\$)
B. Processed				
Petroleum Products		36,053		16,161
- Gasoline	238,301	26,637	77,631	9,928
- Jet Fuel	82,332	9,335	55,857	6,220
- Others	-	81	-	13
C. Industrial Products		338,234		481,211
- Cement Industry		24,213		16,298
- Chemical Industry		32,801		44,173
- Rubber&Plastic Ind.		4,918		2,567
- Leather & Hide Ind.		64,886		59,895
- Forestry Pro. Ind.		2,104		1,387
- Textile Ind.		127,492		265,267
- Glass-Ceramics Ind.		17,874		20,884
- Steel Ind.		20,270		22,111
- Non-Ferrous Metals Ind.		12,682		16,888
- Metal Goods Ind.		3,491		4,393
- Machines Ind.		10,432		12,064
- Electrical Appliances Ind.		806		1,095
- Motor Vehicles Ind.		8,112		9,330
- Others		8,153		4,859
GRAND TOTAL		1,401,075		1,960,793

List of goods the export proceeds of which have shown an increase:

Vegetables	10	
Mohair	15	(\$ million)
Raw Cotton	209	
Hazelnut	50	
Textiles	138	
Orange, Tangerine, Lemon	19	
Chemicals	11	

1977 Exports

326. The State Planning Organization's merchandise export targets for the year 1977 are disclosed in the following table:

TABLE 91

1977 EXPORT TARGETS (\$ Mil.)	1977 Target
<u>Agriculture and Animal Husbandry</u>	1460
1. Agriculture	1360
a. Cereals & Legumes	150
b. Fruits and Vegetables	410
c. Industrial Plants	800
2. Forestry Products	10
3. Animal husbandry and fishery products	90
<u>Mining and Quarrying</u>	140
<u>Industry</u>	900
1. Tobacco and beverages	2
2. Food products	160
3. Textiles	350
4. Forestry products	10
5. Paper and printed materials	2
6. Leather and leather goods	100
7. Rubber-plastic products	4
8. Chemicals	75
9. Petroleum products	50
10. Glass, ceramic, bricks, tiles	25
11. Cement	25
12. Iron and Steel Products	30
13. Non-Ferrous metals	15
14. Metal goods	6
15. Machinery	20
16. Electrical equipment	1
17. Vehicles	15
18. Other industries products	10
TOTAL	2.500

327. 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 an increase in the proportion of exports made to the six EEC countries from 37.8% in 1975 to 41.1% in 1976, while exports to the U.S.A. decreased from 10.5% in 1975 to 9.8% in 1976.

328. Turkey made the choice of rapid 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 develop-

TABLE 92
TURKEY'S EXPORTS by DESTINATION

	1973	1974	1975	1976	
	Share (%)			\$ 000'	%
<u>OECD Countries</u>					
EEC (The Six)	37.5	40.5	37.8	806.235	41.1
EEC (The Three)	9.0	6.4	6.1	152.694	7.8
EEC (The Nine)	46.4	46.8	43.9	958.929	48.9
U.S.A.	9.9	9.4	10.5	191.410	9.8
JAPAN	1.3	1.2	2.0	35.998	1.8
Other Countries	14.4	13.2	13.9	296.910	15.2
OECD TOTAL	72.0	70.6	70.3	1.483.247	75.7
<u>BILATERAL Agreements</u>					
U.S.S.R.	3.8	5.1	5.3	80.991	4.1
Others	2	4	5	15.762	0.8
TOTAL	4.0	5.5	5.7	96.753	4.9
<u>FREE Currency</u>					
Eastern Europe	3.9	4.4	3.5	85.750	4.4
RCD Countries	1.3	1.1	2.7	35.476	1.8
Others	6.0	6.6	7.2	109.020	5.6
Total	11.2	12.1	13.4	230.246	11.7
Other Countries	12.7	11.8	10.6	149.968	7.6
Total	23.9	24.0	24.0	380.214	19.3
Grand TOTAL	100.0	100.0	100.0	1.960.214	100.0
<u>GROUPS</u>					
Arab Countries	12.3	13.6	14.1		
Industrial Countries					
Outside EEC	23.9	22.7	25.4		
Socialist Countries	11.7	12.4	9.4		
Eastern Countries	7.7	9.5	8.7		
EPU	60.3	59.3	57.3		
EFTA	20.5	16.1	17.9		
<u>CURRENCY Areas</u>					
Dollar	10.2	10.2	10.8		
Sterling	10.3	7.8	9.1		
French Francs	5.9	4.7	4.7		

ment 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.

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

TABLE 93

EXPORTS by SECTOR of PRODUCTION		
(Percent)		
	Agriculture Share %	Manufacturing Industry Share %
1964	77.8	18.5
1965	78.0	17.5
1966	79.5	15.7
1967	81.6	14.4
1968	81.5	13.3
1969	75.5	18.1
1970	75.2	17.6
1971	72.7	21.5
1972	68.6	27.4
1973	63.2	33.7
1974	55.6	39.2
1975	56.6	35.9
1976	64.0	30.4

330. In 1964, 77.8 percent of Turkey's export earnings were from agricultural exports as opposed to 18.5 percent from industrial exports. By 1976 these percentages were modified to 63.9 percent for agricultural and 30.4 percent for industrial exports.

Imports

331. Imports have increased from 4.74 billion dollars in 1975 to 5.13 billion dollars in 1976 approximately by 500 million dollars or by 8.2%.

TABLE 94

REGIONAL BREAKDOWN of TURKEY'S IMPORTS and EXPORTS, 1976

	EXPORTS		IMPORTS	
	\$000	%	\$000	%
OECD Countries, total	1483,247	75.7	3565,413	69.5
<u>EEC Countries, total:</u>	958,929	48.9	2342,030	45.7
a. Six countries, total	806,235	41.1	1911,702	37.3
West Germany	376,720	19.2	945,590	18.4
Belgium	85,913	4.4	103,273	2.1
France	108,351	5.5	308,694	6.0
Netherlands	63,741	3.2	168,025	3.3
Italy	171,510	8.8	386,120	7.5
b. Three countries, total	152,694	7.8	433,328	8.4
Denmark	11,985	0.6	19,443	0.4
United Kingdom	137,599	7.0	409,875	8.0
Ireland	3,110	0.2	1,010	0
Other OECD Countries,				
Total	524,110	26.7	1223,483	23.8
U.S.A.	191,410	9.8	437,879	8.5
Canada	5,679	0.3	55,037	1.1
Japan	35,999	1.8	227,792	4.4
Switzerland	179,613	9.2	292,442	5.7
Others	111,617	5.7	210,233	4.1
Bilateral Agreement				
Countries	96,753	5.0	90,883	1.8
Other Countries	380,214	19.4	1472,351	28.7
GRAND TOTAL	1960,214	100.0	5128,647	100.0

TABLE 95
IMPORTS by MAJOR GROUPS of COMMODITIES
(\$ m.)

			% Composition		% Chg.
	1975	1976	1975	1976	76/75
1. AGRICULTURE & LIVESTOCK	202.1	77.3	4.3	1.5	-61.8
2. MINING & QUARRYING	794.7	1086.5	16.8	21.2	36.7
Crude Oil	718.1	1002.5	15.2	19.5	39.6
3. INDUSTRY	3643.6	3829.3	76.9	74.7	5.1
4. IMPORTS with waiver	<u>98.2</u>	<u>135.5</u>	<u>2.1</u>	<u>2.6</u>	<u>38.0</u>
TOTAL	4738.6	5128.6	100.0	100.0	8.2

332. 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.

333. The table below shows Turkey's import estimates of some major commodities for 1976 and 1977.

TABLE 96
IMPORT ESTIMATES of MAJOR COMMODITIES

	1976 Estimate		1977 Estimate	
	tons 000	\$ m.	tons 000	\$ m.
Crude Oil	11,950	950	12,650	1,200
Iron & Steel Products	1,650	515	1,275	400
Fertilizers	800	70	1,000	90
Machinery & Mechanical Equipment	--	1,100	--	1,500 ¹
Electrical Equipment	--	250	--	300
Transport Equipment (including tractors)	--	500	--	550
Phosphate Rock	--	80	--	110
Others	--	1,535	--	1,650
TOTAL		5,000		5,800

¹ \$ 400 m. of this is for heavy industry investments which will be financed by foreign loans.

TABLE 97

BREAKDOWN of TURKEY's IMPORTS, 1975 and 1976

	1975		1976	
	tons	\$ 000	tons	\$ 000
I. Agriculture and Livestock		202,104		77,307
- Wheat	459,169	102,714		
- Rice	76,406	36,609	19,995	4,086
- Merino wool	8,184	21,767	8,680	19,700
- Skins	9,591	7,216	3,284	3,214
- Others		33,798		50,307
II. Mining		794,663		1,086,525
- Crude Oil	8,920,234	718,088	11,512,726	1,002,470
- Others		76,575		84,055
III. Industry		3,643,631		3,829,294
1. Agriculture-based processed prods.		226,728		146,689
-- Fibres	21,262	25,149	21,649	21,367
-- Soya bean oil	68,195	49,969	62,256	35,699
-- Others		151,610		89,623
2. Petroleum Prods.		88,144		104,086
-- Fuel oil	468,791	32,719	653,674	45,947
-- Lubricants	100,836	24,711	35,661	9,806
-- Others		30,714		48,333
3. Industrial Prods.		3,328,759		3,578,519
a. Cement		261		113
b. Chemicals		578,761		651,611
c. Rubber & Plastics				
Ind. Prods.		152,452		182,807
d. Leather and Hide		612		462
e. Forestry Prods.		1,943		2,363
f. Textiles		66,399		58,363
g. Glassware & Ceramics		25,943		24,765
h. Iron & Steel Ind. Prod.		679,133		545,729
i. Non-ferrous metals		101,835		89,488
j. Metal goods Ind. prods.		14,976		27,641
k. Machinery Ind. Prods.		984,244		1,069,791
l. Electrical appliances		272,653		274,181
m. Motor vehicles		332,175		517,769
n. Other Industry sectors		117,372		133,336
TOTAL		4,640,398		4,993,126
IMPORTS with waiver		98,161		135,521
GRAND TOTAL		4,738,559		5,128,647

TABLE 98
IMPORTS by USE/TYPE
(\$ million, %)

	1974		1975		1976	
	Value	%	Value	%	Value	%
<u>INVESTMENT GOODS</u>	<u>1,289</u>	<u>34.1</u>	<u>1,961</u>	<u>41.4</u>	<u>2,239</u>	<u>43.6</u>
- Construction Materials	197	5.2	291	6.2	243	4.7
- Machinery & Equipment	1,092	28.9	1,670	35.2	1,996	38.9
<u>RAW MATERIALS</u>	<u>2,331</u>	<u>61.7</u>	<u>2,574</u>	<u>54.3</u>	<u>2,733</u>	<u>53.3</u>
<u>CONSUMPTION GOODS</u>	<u>157</u>	<u>4.2</u>	<u>203</u>	<u>4.3</u>	<u>156</u>	<u>3.0</u>
GRAND TOTAL	3,778	100.0	4,738	100.0	5,128	100.0

TABLE 99
IMPORTS by SOURCE of FINANCING
(\$ million, %)

	1974		1975		1976	
	Value	%	Value	%	Value	%
<u>PROGRAM IMPORTS</u>	<u>3.443</u>	<u>91.1</u>	<u>4.243</u>	<u>89.6</u>	<u>4.554</u>	<u>88.8</u>
- Liberalization List	2.524	66.8	2.919	62.3	3.320	64.7
- Quota List	697	18.4	1.163	24.3	1.143	22.3
- Bilateral Agreements	222	5.9	161	3.4	91	1.8
<u>SELF-FINANCED IMPORTS</u>	<u>335</u>	<u>8.9</u>	<u>495</u>	<u>10.4</u>	<u>574</u>	<u>11.2</u>
- NATO Infrastructure	24	0.6	37	0.8	16	0.3
- Private Foreign Capital	16	0.4	143	3.0	24	0.5
- Project Credit-Related	236	6.3	219	4.6	398	7.8
- Imports with Waiver(*)	58	1.5	98	2.0	136	2.6
- Others	1		1			
<u>GENERAL TOTAL</u>	<u>3.778</u>	<u>100.0</u>	<u>4.738</u>	<u>100.0</u>	<u>5.129</u>	<u>100.0</u>

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

TABLE 100
TURKEY'S IMPORTS by COUNTRY of ORIGIN

	Share (%)			1976	
	1974	1975	1975	(\$ 1000)	Share %
EEC (The Six)	43.7	37.6	41.4	1.911.702	37.3
EEC (The Three)	11.1	7.6	7.9	430.328	8.4
ECC (The Nine)	54.8	45.2	49.3	2.342.030	45.7
U.S.A.	8.9	9.3	9.0	437.880	8.5
JAPAN	2.8	5.3	4.5	227.792	4.4
Other Countries	11.4	11.3	11.1	557.718	10.9
OECD TOTAL	77.9	71.0	73.9	3.565.420	69.5
<u>Bilateral Countries</u>					
U.S.S.R.	6.0	2.5	1.6	88.956	1.7
Other		.2		1.928	1.8
TOTAL	6.1	2.8	1.6	90.884	
<u>Free Currency</u>					
Eastern	2.3	4.3	5.2	318.984	6.2
RCD	0.7	1.1	0.6	114.147	2.2
Other	7.0	17.0	15.1	888.158	17.3
TOTAL	10.1	22.5	20.9	1.321.289	25.8
Others	6.0	3.8	3.6	151.054	2.9
TOTAL	16.0	26.2	24.5	1.472.343	27.7
GRAND TOTAL	100.0	100.0	100.0	5.128.647	100.0
<u>Groups</u>					
Arab Countries	9.9	18.3	17.2		
Developed Countries	23.2	26.0	24.9		
Socialist Countries	9.4	7.6	6.0		
Eastern Europe	8.4	6.8	5.2		
EPU	64.5	54.7	58.6		
EFTA	19.9	16.1	16.5		
<u>Currency Areas</u>					
Dollar Area	10.0	10.7	10.4		
Sterling Area	12.3	9.5	10.8		
French Franc Area	6.5	7.1	7.1		

334. There has been a major change in the composition of imports by use. Investment goods import went up to 43.6% of total imports in 1976 from 41.4% in 1975. 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 53.3% in 1976 from 54.3% in 1975, while consumption goods imports also decreased from 4.3% in 1975 to 3.0% in 1976.
335. There was no major change in the composition of imports by source of financing. There was a relative decrease in the importance of the third list or quota list from 24.3% of total imports in 1975 to 22.3% in 1976 and an increase in the liberalization list, as well as in the self financed imports.
336. Imports of machinery and equipment, mainly from Western European countries, accounted for one fifth of Turkey's global imports in 1976 and valued at \$1,069.7 m. Next came crude oil imports, which were valued at \$1,002,4 m. 1976 saw a considerable increase in the quantity of crude oil imported: compared with 8,920,234 tons imported in 1975, last year saw crude imports of 11,512,726 metric tons. So the bill naturally grew bigger, and it will be no surprize if the oil bill goes over \$ 1,300 m. this year, as a result of the price increases imposed by OPEC with effect from Jan. 1st.
337. While imports of industrial commodities rose from \$ 3,643,6 m. in 1975 to \$ 3,829,2 m. in 1975, agricultural imports plunged deeply. In fact, Turkey did not import a single bushel of wheat last year, because there was a bumper harvest for the first time in several years. Thanks to excellent weather conditions and a carefully-planned harvesting policy, the hard currency drain caused by wheat imports came to a virtual standstill. In the previous year, 1975, wheat imports had cost Turkey \$ 102.7 m. When wheat imports were discontinued, the bill for agricultural imports went down to \$ 77,307,000 in 1976, from \$ 202,714,000 in 1975.
338. Parallel to the increase in crude imports, refined oil products also rose last year and were valued at \$ 104 m., compared with \$ 88.1 m. a year ago. In the case of industrial commodities, imports of chemicals, plastics, forestry products, metalgoods, electrical appliances and motor vehicles rose, while those of cement, leather and hides, glassware, iron and steel, and textiles decreased.
339. A breakdown of imports by financial sources indicated that \$ 3,319 m. worth of goods were imported under the Liberation Lists last year, compared with \$ 1,143 m worth of imports under the Quota List. Imports from bilateral agreement countries, such as the Soviet Union, Egypt and Albania, amounted to only \$ 91,145 m., compared with \$ 161,339,000 in 1975. The decrease does not signify any dramatic decline in Turkey's

trade with the Eastern Bloc countries and others. It merely underlines a new Turkish policy of switching to free currency deals with most of its Eastern European trade partners. There was also a big decline in the inflow of private foreign capital; from \$ 141.7 m. in 1975, to \$ 24,169,000 in 1976. But project credits rose by \$ 82 m., and imports with waiver also increased.

"Acceptance Credit" for Imports

340. The Ministry of Finance introduced simplified procedures for imports on the so-called "acceptance credit" basis.
341. According to the new procedures, the 1% down payment by the intermediary banks in imports against commodity, will be deposited at the Central Bank, not for the entire amount of the imported goods, but immediately prior to the actual payment. Previously, the down payment for the entire amount of the imported commodity had been deposited at a special account of the intermediary bank.
342. Acceptance credit is mostly utilized for the importation of steel, fertilizer, tractor and trucks and their CKD parts. The new move is designed to simplify the rules and accelerate the pace of such imports. Previously, unnecessary delays in deposits were prolonging the transaction.

"Foreign Exchange Positions" Payments for the Importation of Basic Commodities Without Notifying the Central Bank

343. In a move designed to keep Turkey's foreign exchange reserves at a stable level in view of the country's declining foreign exchange income, the Ministry of Finance introduced a measure to pay for imports.
344. Under the measure, banks authorized to build up foreign exchange positions have been given the right to pay for the imports of certain basic commodities without notifying the Central Bank.
345. This means that eight banks authorized to build up foreign exchange positions are now free to affect payments for the imports of crude oil, gasoline, kerosene, fuel oil, diesel oil, LPG and mineral oil etc.
346. The eight banks in question - IS BANKASI, AKBANK, ZIRAAT BANKASI, VAKIFLAR BANKASI, OSMANLI BANKASI, YAPI ve KREDI BANKASI, TURK TICARET BANKASI and GARANTI BANKASI-- have so far built up around \$ 100 million in foreign exchange. But since each one of banks have not built up foreign exchange more than \$ 20 million, it remains to be seen how they will pay bulky sums for oil imports.

TABLE 101
COMPARISON of the 1977 and 1976 IMPORT PROGRAM
(\$ mil.)

	1976	1977	Program % Change 77 / 76	Actual Imports % Change 76/75
<u>Programmed Imports</u>	<u>4.450</u>	<u>4.890</u>	<u>9.8</u>	<u>7.3</u>
Liberalized Lists	2.900	3.200	10.3	13.7
Quota List	1.450	1.600	10.3	-1.7
Bilateral Agreement Countries	100	90	-10.0	-43.5
<u>Non-Programmed Imports</u>	<u>550</u>	<u>910</u>	<u>65.4</u>	<u>15.9</u>
NATO infrastructure	25	20	-20.0	58.5
Private foreign capital	125	40	-68.0	-82.9
Project credit imports	300	700	133.3	84.5
Imports with waiver	<u>100</u>	<u>150</u>	<u>50.0</u>	<u>38.1</u>
TOTAL	5,000	5,800	16.0	8.2

TABLE 102
COMPOSITION of IMPORTS by USE
(\$ mil. and Percent)

	1976 Program	1977 Program	Program % Change 77 / 76	(11 Months) (Jun.—Nov.) Actual % Change 76/75
Investment Goods	1,750	2,200	25.7	14.2
Intermediate Goods	3,000	3,325	10.8	3.5
Consumer Goods	<u>250</u>	<u>275</u>	<u>10.0</u>	<u>-25.7</u>
TOTAL	5,000	5,800	16.0	6.6

347. Imports of investment goods are programmed to increase by 25.7% during 1977, whereas they increased by 14.2% during 1976. The programmed increase in raw materials over the 1976 program is 10.8% in contrast to the actual annual increase of 3.5%. Imports of consumption goods which decreased by 25.7% in 1976 are programmed to increase by 10.0% in relation to the 1976 program.
348. A comparison of programmed figures for 1977 with actual figures for 1976 shows the need for an increase both in the total as well as in the raw material import figures. The programmed figures for raw material imports for 1977 represent an increase of 21.7% in comparison with realized imports in 1976. The actual rate of increase of such imports between 1975 and 1976 has been of the magnitude of 3.5%. The programmed figure for investment goods, represents a decrease of 1.8% in relation to the realized figure for 1976. The rate of increase between 1974 and 1975 in the realized figures has been 14.2%.
349. Consumer goods import which decreased by 25.7% in 1976, have been programmed to increase by 76.3% in relation to the actual imports of consumer goods of 1976.

Imports by Country of Origin

350. There has been a decrease of 44 points in the imports from OECD countries. The decrease has taken place in the imports from The Six, the share of which decreased from 41.4% to 37.3% of total imports.

The Share of the Public Sector in Imports

351. It is estimated that almost 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 103
SHARE of the PUBLIC SECTOR in FOREIGN TRADE
(as % of total)

Years	Imports	Exports
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

(Continued)

(Continued)

Years	Imports	Exports
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
1975 ¹	46.38	12.80
1976 ¹	47.14	13.72

¹ Preliminary Estimates.

Workers' Remittances

352. Workers' remittances decreased by 327,7 million dollars or by 25% in comparison with 1975. The number of workers sent abroad during 1976 has been 10,558.
353. 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 and 1976.

TABLE 104
WORKERS' REMITTANCES
(\$ mil.)

	1966	1969	1972	1974	1975	1976
January	9.0	8.6	38.4	122.0	143.9	70.9
February	6.1	6.7	41.7	78.9	73.2	57.3
March	8.1	8.1	40.1	88.7	69.1	58.5
April	5.1	7.6	34.5	61.2	80.9	59.3
May	4.8	7.8	45.0	107.8	68.3	66.1
June	10.5	10.4	51.0	106.7	81.9	87.4
July	10.5	16.9	109.0	209.1	183.1	110.9
August	16.6	16.4	119.1	204.8	171.7	109.3
September	7.3	12.3	75.6	135.8	139.4	98.8
October	8.7	10.6	55.9	95.0	111.8	86.4
November	11.5	13.9	49.6	84.4	89.7	81.8
December	17.1	21.3	80.1	131.8	96.5	95.9

(Continued)

(Continued)

	1966	1969	1972	1974	1975	1976
Total Workers Remittances	115.3	140.6	740.1	1426.2	1310.4	982.7
Cumulative number of workers abroad	152106	308232	611478	681122	685541	696099
Average Remittance	758.2	456.2	1210.7	2094.1	1911.5	1411.7
Rate of Change of Total Workers' Remittances	165.2	31.0	57.0	24.1	- 8.1	-25.0
Rate of change of Average Remittance	36.1	- 7.8	36.6	18.0	- 8.7	-26.1

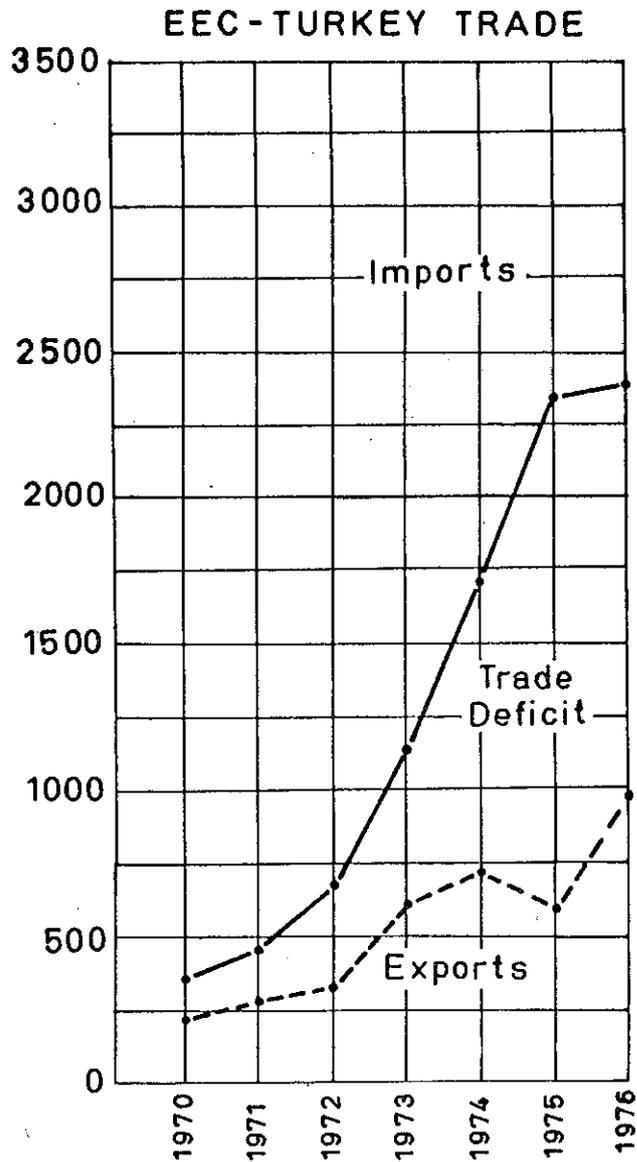


TABLE 105
TURKEY'S TRADE with EEC
(million \$)

	1 9 7 4		1 9 7 5		1 9 7 6				
	Value (1)	% (2)	Value (3)	% (4)	Value (5)	% (6)			
			Change (7)	% (8)	Value (9)	% (10)			
TURKEY's Total Export	1,532.2	100.0	16.3	1.400	100	-8.6	1.960	100.0	40.0
Exports to EEC	717.2	46.2	17.3	615	44	-14.2	958	49.0	55.7
Exports to the 6	619.9	40.5	25.6	530	39	-14.5	806	41.1	52.1
TURKEY's Total Imports	3,777.6	100.0	81.1	4,738	100	25.4	5,128	100.0	8.2
Imports from EEC	1,708.1	45.2	49.5	2,338	49	36.8	2,342	45.7	0.2
Imports from the 6	1,419.4	37.6	55.8	1,962	41	38.3	1,912	37.3	-2.6
Foreign Trade Deficit	2,245.4	100.0	191.9	3,337	100	48.6	3,168	100.0	-5.0
TURKEY-EEC Trade Deficit	990.9	44.1	86.7	1,723	52	73.9	1,384	43.6	-19.7
TURKEY- the 6 Trade Deficit	799.5	35.6	91.5	1,432	43	79.0	1,106	35.0	-22.8

TABLE 106

TURKEY'S TRADE WITH EEC
(1000 \$)

	I M P O R T S			E X P O R T S			I M P O R T S			E X P O R T S		
	1974	1975	Change %	1974	1975	Change %	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>	<u>1.911.702</u>	<u>1.911.702</u>	<u>- 2.6</u>	<u>806.237</u>	<u>806.237</u>	<u>52.1</u>
- West Germany	680.931	1.057.713	55,3	342.988	304.934	-11,1	945.589	945.589	-10.6	376.720	376.720	23.5
- Belgium-Luxembourg	106.651	129.247	21.2	67.565	30.274	-55,2	103.274	103.274	-20.0	85.913	85.913	183.8
- France	244.868	278.641	13.8	66.602	61.934	- 7,0	308.695	308.695	10.7	108.351	108.351	74.9
- Holland	116.200	138.877	19.5	52.437	50.829	- 3,1	168.025	168.025	20.9	63.742	63.742	25.4
- Italy	270.783	357.940	32.2	90.331	82.122	- 9,1	386.119	386.119	7.8	171.511	171.511	108.8
<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>	<u>430.329</u>	<u>430.329</u>	<u>14.6</u>	<u>152.272</u>	<u>152.272</u>	<u>79.0</u>
- Denmark	20.676	29.027	40,4	12.760	12.084	- 5,3	19.444	19.444	-33.0	11.563	11.563	-4.3
- United Kingdom	266.914	344.264	29.0	81.603	70.076	-14,1	409.875	409.875	19.1	137.599	137.599	96.4
- Ireland	1.152	2.510	117.9	2.984	2.886	- 3,3	1.010	1.010	-59.8	3.110	3.110	7.7
<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>	<u>2.342.031</u>	<u>2.342.031</u>	<u>0.2</u>	<u>958.509</u>	<u>958.509</u>	<u>55.8</u>
TOTAL	3.777.559	4.738.558	25.4	1.532.182	1.401.122	- 8.6	5,128.647	5,128.647	8.2	1.960.214	1.960.214	40.0

TABLE 107

TURKEY'S TRADE WITH EEC

	As % of total imports			As % of total exports			Exports/Imports		
	1974	1975	1976	1974	1975	1976	1974	1975	1976
<u>EEC (The 6)</u>	<u>37.6</u>	<u>41.4</u>	<u>37.3</u>	<u>40.5</u>	<u>37.8</u>	<u>41.1</u>	<u>43.7</u>	<u>27.0</u>	<u>42.2</u>
- West Germany	18.0	22.3	18.4	22.4	21.8	19.2	50.3	28.8	39.8
- Belgium-Luxembourg	2.8	2.7	2.1	4.4	2.2	4.4	63.3	23.4	83.2
- France	6.5	5.9	6.0	4.4	4.4	5.5	27.2	22.2	35.1
- Holland	3.1	2.9	3.3	3.4	3.6	3.2	45.1	36.6	37.9
- Italy	7.2	7.6	7.5	5.9	5.8	8.8	33.3	22.9	44.4
<u>EEC (The 3)</u>	<u>7.6</u>	<u>7.9</u>	<u>8.4</u>	<u>6.3</u>	<u>6.1</u>	<u>7.8</u>	<u>33.7</u>	<u>22.6</u>	<u>35.4</u>
- Denmark	0.5	0.6	0.4	0.8	0.9	0.6	61.7	41.6	59.5
- United Kingdom	7.1	7.2	8.0	5.3	5.0	7.0	30.6	20.4	33.6
- Ireland	-	0.1	-	0.2	0.2	0.2	259.0	115.0	207.9
<u>EEC (The 9)</u>	<u>45.2</u>	<u>49.3</u>	<u>45.7</u>	<u>46.8</u>	<u>43.9</u>	<u>48.9</u>	<u>42.0</u>	<u>26.3</u>	<u>40.9</u>
Ratio of Total Exports to Total Imports							<u>40.6</u>	<u>29.6</u>	<u>38.2</u>

IV. TOURISM

354. 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.
355. 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.
356. 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.
357. 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.
358. 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. 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.
359. Although tourism got off to a slow start, by 1973 the number of tourists and total earnings from tourism were above plan targets.

TABLE 108

INDICATORS OF PLAN PERFORMANCE

	<u>Total Foreign Arrivals</u>		<u>Total Earnings \$ Million</u>	
	<u>Plan/ Program</u>	<u>Actual</u>	<u>Plan/ Program</u>	<u>Actual</u>
1962	--	198,228 ^{1/}	--	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	1,540,904	264.0	201.0
1976	1,540,000	1,675,846	260.0	180.5

^{1/} Day excursions not included.

Net Income from tourism has decreased by 160% in 1976 while gross income has decreased 11.3% and expenditures on tourism increased by 34.2%.

<u>Net income from Tourism (Million \$)</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>
Income from Tourism			
Tourists	178.9	192.2	..
Others	14.8	8.7	..
Total	193.7	200.9	180.5
Expenditures on Tourism			
Tourists	92.7	97.4	..
Others	59.3	57.6	..
Total	152.0	155.0	208.0
Net balance	+41.7	+45.9	-27.5

TABLE 109
RECEIPTS FROM FOREIGN TRAVEL AND NUMBER OF FOREIGN ARRIVALS

Year	Travel Receipts		Number of Foreign Arrivals		Receipts per Traveller (\$)		
	(\$ Thous.) Total	% of Export Earnings	(\$ Thous.) From Tourists	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	200,961	14.3	192,200	1,540,904	1,240,000	131	156
1976	180,456	9.2		1,675,864		107	155

V. CHANGES IN THE RATES OF FOREIGN EXCHANGE

360. 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%.
361. The foreign exchange rates most relevant to Turkish exports are listed in following table:

TABLE 110
CHANGES in the PRICE of FOREIGN EXCHANGE
(1970—1977)

	Share in Turkish Exports (1975)%	10 Aug. 1970(TL.)	1 March 1977(TL.)	% Change
USA Dollar	10.50	14.85	17.50	17.8
German Mark	21.76	4.09	7.30	78.5
English Pound	5.00	35.94	30.00	-16.6
French Franc	4.42	2.69	3.50	30.1
Swiss Franc	6.84	3.46	6.80	96.5
Austrian Schilling	1.76	0.58	1.03	77.5
Belgium Franc	2.16	0.30	0.48	61.0
Duch Guilder	3.63	4.13	7.00	69.5
Norwegian Crone	0.34	2.09	3.32	58.8
Danish Crone	0.96	2.00	2.98	49.0
Swedish Crone	2.35	2.89	4.14	43.2
Italian Lirettes	5.96	2.39	1.98	17.2
Canadian Dollar	0.23	13.95	16.70	19.7
All Other Countries	34.29			

TABLE 111

CHANGES IN FOREIGN EXCHANGE

DATE	U.S. \$	German D.M.	English £	French FR.	Swiss FR.	Austrian Shill.	Belgium FR	Holland Guild.	Norway Crone	Denmark Crone	Sweden. Crone	Ital. Lire.	Canad. \$
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	--
June 30	--	5.25	--	--	--	--	--	--	--	--	--	--	--
July 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	--	--	--	--	--	--	--	--	--
June 21	--	--	32.32	3.48	--	--	--	--	2.85	2.57	--	2.21	--
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	--	--	--	--	--	--	--	--	--	--	--	--
December 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
October 27	16.50	6.85	26.40	3.33	6.80	0.96	0.44	6.50	3.12	2.80	3.90	--	16.95
1977 :													
March 1	17.50	7.30	30.00	3.50	6.80	1.03	0.48	7.00	3.32	2.98	4.14	1.98	16.70

VI. BALANCE OF PAYMENTS

362. As indicated in (Table 112) the overall financing requirements for 1975 and 1976 show a certain continuity when viewed from a longer perspective covering the period since 1950.
363. In fact total financing needs expressed as percent of imports plus repayment of foreign debts for 1975 and 1976 present an average of 43.2%. This rate happens to be exactly equal to the yearly average for the period 1960-1964 and slightly above the yearly average for the ten year period covering the years 1955-1964 which happens to be 41%.
364. On the other hand, 1975,1976 are in open contrast with the low rates of financing needs of the four years preceeding 1975. In fact, Turkey had four years of unusual favorable balance of payments in 1971-1974 due to a large extent to circumstances external to Turkey: high rates of economic growth in the West and its favorable impact on Turkish exports coupled with favorable shifts in Turkey's terms of trade was the main factor. To this should be added the increased demand for Turkish workers and rising wages in Europe.

TABLE 112
BALANCE of PAYMENTS of TURKEY
1950—1977

	1950/ 1954	1955/ 1959	1960/ 1964	1965/ 1969	1970/ 1974	1975	1976	1977
Imports	-451	-407	-565	-708	-1909	-4739	-5129	-5950
Exports	334	313	366	505	1001	1401	1960	2170
Balance of trade	-117	-94	-199	-203	-908	-3338	-3169	-3780
Current Accounts	-137	-103	-189	-156	-105	-1880	-2254	-2675
Repayment of debt	-30	-90	-97	-97	-153	-118	-119	-240
Total Financing Requirements	-167	-193	-286	-253	-258	-1998	-2373	-2915
Financing Requirements as percent of Imports & Repayment of Debt	34.7%	38.8	43.2	31.4	12.5	41.1	45.2	47.1

365. A further deterioration is expected to take place in 1977 as the financing needs are expected to rise to 47.1%.
366. More detailed analysis of the balance of payments for the last three years and estimates for 1977 are given below:

Balance of Payments: 1974-1977

367. The latest available data on Turkey's Balance of Payments shows, as expected, that 1976 closed with a growing Current Accounts Deficit. Despite a marked improvement in the Foreign Trade deficit, as a result of higher export figures, hard currency remitted by Turkish workers earning their living abroad declined, although the Government took a number of measures to attract their savings to home industries.

TABLE 113
BALANCE OF PAYMENTS
(1974-1977)

I. CURRENT ACCOUNT	Million Dollars			Estimates TUSIAD ² SPO ³	
	1974	1975	1976	1977	1977
A. Foreign Trade					
1. Exports (FOB)	1,532.2	1,401.1	1,960.2	2170	2500
2. Imports (CIF)	-3,777.5	-4,738.6	-5,128.6	-5950	-5800
<u>Foreign Trade Balance</u>	-2,245.3	-3,337.5	-3,168.4	-3780	-3300
B. Invisible Transactions					
1. Interest Payments	-102.4	-124.0	-217.3	-220	-220
2. Tourism & travel (net)	41.4	45.9	-10.0	25	60
3. Workers' remittances	1,426.3	1,312.3	982.7	975	1150
4. Profit transfers	-71.1	-36.3	-59.6	-70	-70
5. Payments for services from project credits	17.0	-15.0	-15.8	-25	-25
6. Other invisibles (net)	221.7	251.9	220.0	400	310
Invisible Transactions (net)	1,499.3	1,434.8	900.0	1089	1205
C. <u>Infrastructure and Off-Shore</u>	27.0	22.7	14.6	20	20
CURRENT ACCOUNT BALANCE	-719.0	-1,880.0	-2,253.8	-2675	-2075
II. CAPITAL TRANSACTIONS					
1. Debt repayments	-126.1	-117.5	-119.1	-240	-242
2. TL. grain imports	-	-	-	-	-
3. Private foreign capital	88.1	304.8	27.4	50	50
4. Project credits	268.5	286.8	365.0	600	850
5. Suppliers' credits					
6. Imports with waiver	57.9	98.1	135.5	150	150
7. Programme credits	2.4	5.2	6.5	10	7
Capital transactions balance	209.8	577.4	415.3	570	815

(Continued)

(Continued)

	Million Dollars				
				Estimates	
	1974	1975	1976 ¹	TUSIAD ² 1977	SPO ³ 1977
Overall balance	-428.2	-1,302.6	-1,838.5	-2105	-1260
III. Reserve movements (+ decrease)	+430.9	+417.0	+114.1	+500	-
IV. Short-term capital movements	60.0	608.4	1,500.0	1485	1140
V. Special drawing rights	-7.7	301.2	149.0	120	120
VI. Net errors and omissions	-55.0	-24.0	75.4	-	-

¹Realization estimate, according to most recent available data.

²Turkish Industrialists and Businessmen's Association.

³State Planning Organization.

368. Turkey's current account suffered a deficit of \$ 2,253.8 m in 1976, compared with \$1,880.0 m in 1975 and \$ 719 m. in 1974. The foreign trade gap (the difference between imports and exports) accounted for the dramatic increase in the current account balance. The trade gap amounted to \$ 3.163.1 m last year; slightly less than in 1975, when there was a gap of \$3.337.5 m.
369. During 1976 Turkey's exports and imports both increased; exports jumping to \$1960.2 m from \$ 1401.1 m in 1975, and imports rising to \$ 5128.6 m from \$ 4738.6 m a year ago. But because exports rose at a faster pace than imports, the foreign trade gap for 1976 went down to \$ 3168.4 m from the level of \$ 3337.5 in 1975.
370. Despite this positive developments, export revenues and other revenues withheld finance imports and other foreign payments suffered considerable setbacks, the most notable being tourism revenues. In contrast to the fair performance of the past few years, tourism expenditure wiped out what Turkey gained from tourist receipts in 1976, mainly because of the excessive number of journeys made abroad for touristic purposes. For the first time in living memory, the number of package tours offered by Turkey's fast growing travel agencies attracted more willing Turks than ever before, despite the fact that the hard currency that can be taken out of the country for touristic purposes is limited to \$ 600 per person.

371. In 1976, Turkey's cash inflows and outflows amounted to \$3,303m and \$ 4,522 m respectively, compared with \$ 3,060 m and \$4,543m respectively in 1975.

Cash inflows (in \$ m.)

	<u>1975</u>	<u>1976</u>
1. Export Revenues	1,450	2,100
2. Workers' Remittances	1,312	983
3. Tourism and foreign Travel	46	-
4. Other invisibles	<u>252</u>	<u>220</u> (estimate)
TOTAL	3,060	3,303

Cash Outflows:

1. Import payments	4,250	4,100
2. Debt repayments for principal amounts	118	119
3. Interest payments	124	217
4. Profit repatriations	36	60
5. Payments for services from project credits	15	16 (estimate)
6. Tourism and foreign travel	<u>-</u>	<u>10</u> (estimate)
TOTAL	4,543	4,522

How the gap is bridged:

372. During 1976, Turkey's foreign exchange gap (the difference between cash inflows and outflows) amounted to \$ 1,219 million compared with \$ 1,483 million in 1975.

In 1975, the gap was bridged in the following manners:

- \$ 301 m through the IMF (\$ 47 m as Special Drawing Rights, \$ 45 m from the export facility and \$ 209 m from the oil facility).
- \$ 153 m through private suppliers credits
- \$ 975 m from convertible TL. deposits

These all add up to \$ 1429 m.

In 1976 the gap was financed as follows:

- \$ 149 m from the IMF (both export and oil facility)
- \$ 196 m through private foreign suppliers' credits,
- \$ 738 m through convertible TL. deposits
- \$ 410 m through bankers' credits.

These add up to \$ 1,493 m.

373. Two years ago, in 1975, Turkey was able to bridge her foreign exchange gap through several measures, but she had suffered a \$ 417 m decline in her foreign exchange reserves. But last year there was no way of resorting to the same sources of 1975, and as stop-gap measures, bankers' credits were utilized for the first time, which all amounted to \$ 410 m. Bond issues to Kuwait brought in \$ 24 m, and a consortium of private American Banks extended a \$ 149 m loan to the State Investment Bank, while the rest of the bankers' credits were secured from corresponding banks' over short term arrangements.
374. Several interesting facts are observed in Turkey's 1975 and 1976 exports and imports:
- a. In 1975, Turkey's total export revenues amounted to \$1576 m: \$ 1450 m through sales against hard currency, and \$ 126.5 m from clearing agreement countries under bilateral arrangements. But actual exports were valued at \$ 1401.1 million, which meant that the balance had been turned over to 1976 because of delays in transfers to the country.
- In 1976, while export revenues were valued at \$ 2,225 m (\$ 2,100 m in hard currency and \$ 125 m from the bilateral agreement countries), the actual export income stood at only \$ 1,960.2 m.
- Since foreign currency inflows are computed more precisely, it appears that export transactions are not being handled regularly and updated every time information comes in. This is the reason why the figure for actual export revenues is less than what Turkey has exported in 1975 and 1976.
- b. In 1975, a total of \$4,240 m in hard currency was transferred to other countries for imports under the Liberation Lists and the Quota List. But at the end of 1976, imports under the same lists were valued at \$ 4,082: which would appear to suggest that certain goods are still on their way to Turkey.
375. On the other hand, while \$ 4,100 m were transferred for imports under the Liberation Lists and the Quota List in 1976, imports under these lists were actually valued at \$ 4,463 m. The difference between the transfers and the value of actual imports reflected imports on a credit basis, for which payments will be effected in due time.

TABLE 114

TURKISH FOREIGN EXCHANGE RESERVES
(\$ million)

	1973	1974	1975	1976
January	1.398,1	2.085,4	1.586,1	1.170,6
February	1.520,9	2.129,2	1.395,3	1.114,6
March	1.629,0	2.169,0	1.321,2	1.118,3
April	1.622,6	2.146,5	1.130,0	1.061,8
May	1.666,2	2.161,8	1.029,9	1.031,7
June	1.725,9	2.079,0	1.171,5	964,3
July	1.880,1	2.170,3	1.225,5	826,1
August	2.010,8	2.136,7	1.201,8	1.146,8
September	2.011,0	2.039,2	1.271,5	1.052,1
October	2.012,0	1.951,9	1.307,0	880,7
November	1.980,4	1.830,7	1.250,8	746,0
December	2.039,7	1.608,8	1.201,6	1.076,7

376. The balance sheet of the Central Bank of Turkey shows all obligations and receivables which have been debited and credited from foreign exchange transactions in five different items. These balance sheets are published each week.

Foreign Transaction Accounts
Central Bank of Turkey- Situation as
of December 31, 1976
(million Turkish Liras)

ASSETS

LIABILITIES

Accounts Related to Reserves

Gold (107.8 net ton)	2.049	Foreign Exchange	
Foreign Exchange Assets		Liabilities	
(Convertible)	15.609	(Convertible)	1.799

Other Foreign Exchange Accounts

Gold(low quality 3.2 net ton)	61		
Foreign Exchange:		Foreign Exchange:	
Foreign Correspondents	306	Foreign Correspondents	219
Other Accounts	5.093	Other Accounts	68.946

Reserve Movements:

As the end of 1975, Turkey's foreign exchange reserves were as follows:

- \$ 194.4 m in authorized banks.
- \$ 860.8 m in the Central Bank.
- \$ 146.4 m as gold holdings.

Those all add up to \$ 1,201.6 m.

At the end of 1976 foreign exchange reserves stood at \$1,077 m on Dec. 31. The breakdown was as follows:

- \$ 88.7 m in authorized banks.
- \$842.6 m in the Central Bank.
- \$146.4 m as gold holdings.

The decline in the reserves is around \$ 123.9 m.

Developments in the Convertible TL. Accounts:

377. In 1976, inflow of foreign currency for convertible TL. accounts totalled \$ 1,296.5 m, against an outflow of \$ 558.3 m, the net balance being \$ 738.2 m, as compared with an inflow of \$ 1,029 m and an outflow of \$ 117.5 m in 1975. But because of the excessive inflows in the previous years, hard currency accumulated in TL. convertible accounts at the end of 1976 stood at \$ 1,771 m.

Prospects for 1977:

378. Realistically speaking, Turkey may expect foreign exchange revenue of \$ 3,575 m in 1977 against a \$ 5,175 m spending. This year's expected developments in currency inflows and outflows are as follows:

<u>Revenues</u>		<u>Expenditures</u>	
1. Export revenues	\$ 2,250 m	1. Imports	\$ 4,750 m
2. Workers' remittances	\$ 1,000 m	2. Debt repayments over principal amount	\$ 120 m
3. Tourism and Foreign travel	\$ 25 m	3. Interest payments	\$ 225 m
4. Other Invisibles	\$ 300 m	4. Profit repatriations	\$ 65 m
		5. Payments for services from project credits	\$ 15 m
TOTAL	\$ 3,575 m	TOTAL	\$ 5,175 m

379. This means that the foreign payments deficit will be in the range of \$ 1,600 m. And Turkey will again have to resort to loans from the IMF, bankers' credits, private foreign suppliers' credits and the increased inflow of convertible TL. deposits.
380. Turkey entered 1977 with \$ 1077 m reserves, and bleak prospects for increased earnings. Her foreign trade deficit is expected to grow from the estimated level of -\$ 3,168 m in 1976 to \$ 3,780 m in 1977, and her current account balance to record a higher deficit -- \$ 1,880 m in 1976 and \$ 2,675 m in 1977.
381. The 1976 deficit was financed by IMF loans of \$ 149 m, \$1,000 m of short term capital movements (convertible lira accounts), and a decline in reserves of \$ 241 m.
382. The deteriorating position of the balance of payments for 1977 will be financed partly through increased project credits (\$ 850 m in contrast to \$ 375 m in 1976), IMF borrowing (\$ 120 m), and more substantially through short term capital movements.
383. Although favorable relations with the Arab countries and the Eastern Bloc had been developed during recent years, the fruits of cooperation have yet to come. Foreign aid and the Congressional acceptance of the Turkish - US Defence Treaty probably remain as the most important issues in 1977.

CHAPTER VIII

FOREIGN INVESTMENTS

384. 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.
385. 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.
386. 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.
387. 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.
388. 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).
389. Criteria sought in allowing foreign capital to be invested in Turkey are summarized below:

- a. The area of the investment should be connected to industrial sectors that have been given priority in development plans.
 - b. The enterprise to be thus established should not be heavily dependent on imported raw materials.
 - c. It should import technology and create extensive employment opportunities for locals.
 - d. Its value added should be large.
 - e. Its existence should be conducive to development of side industries
 - f. It should be export oriented.
 - g. Establishment of companies that have specific activity areas rather than multi-operational ones should be preferred.
 - h. Companies should be at least 51 % Turkish owned, administration also predominantly Turkish.
 - i. Payments for rights and royalties should be made only on the basis of Turkish partnership.
 - j. Creation of monopolies should be ruled out.
 - k. Foreign employees should be allowed with the condition that they transfer knowledge within the minimum possible time.
 - l. Research and development efforts should be shifted to Turkey along with production to the extent possible, thus a specified portion of transferrable profits should be earmarked for investment in research.
 - m. Marketing opportunities possessed by the foreign partner should be fully and fairly utilised for all partners.
 - n. Foreign investment in pharmaceutical industry should be allowed only for the production of raw materials.
390. 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.
391. 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.
392. 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.
393. Except for state monopolies, foreign investment may be in any field, and even some of the monopoly fields have recently opened up to manufacturers who 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, except in export oriented industries.

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.

394. The following foreign-exchange savings percentages are applied to these industries for the years 1977-1980^{1/}

	1977	1978	1980
Agricultural tractors			
A. Trucks and pick-ups	% 67.5	% 75	% 100
B. Minibuses	% 65	% 75	100
C. Land vehicles	% 67.5	% 75	100
D. Trailer tandems	% 55	% 60	90
A. Intercity buses	% 52.5	% 57.5	80
B. Urban buses	% 78	% 80	90
Cars	% 70	% 75	90
Harvesters	% 72.5	% 75	% 100
Television sets	% 55	% 60	80
Radios	% 80	% 90	100
Record player	% 85	% 90	100
Tape recorder	% 85	% 90	100
Calculating machines	% 75	% 80	100
Automatic telephone exchanges up to 200	% 70	% 80	90
Automatic telephone exchanges bigger than 200	% 75	% 85	100
Semi automatics	% 75	% 85	100
Telephone sets	% 85	% 90	100
	% 80	% 95	100

^{1/} The foreign exchange savings percentages for 1979 are to be fixed and published later after taking into consideration the developments in 1977.

TABLE 115

FOREIGN INVESTMENT UNDER DECREE NO.17 (Art. 17)^x

Sectors	Operating Results Between 1960-1970				
	Number of Firms				
	TOTAL	Profit- ing	Los- ing	Retaining Profits	Transferring Profits
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, distribution)	2	2	--	2	--
Export-Import repre- sentation	5	2	--	2	--
Pharmaceuticals-Chemicals	11	10	1	7	4
Electricity-Gas	4	4	--	1	3
Representation-Distri- 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 116

FOREIGN CAPITAL (Shares in the Manufacturing Industry)

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

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

395. 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.
396. Most of the 109 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 the table 117 below.

TABLE 117

FIRMS UNDER LAW 6224 BY COUNTRY OF ORIGIN (As of Dec.31, 1977)

<u>Country of Origin</u>	<u>No. of Firms</u>	<u>Authorized Foreign Capital</u>	
		<u>(TL Millions)</u>	<u>% of Total Foreign Capital</u>
West Germany	24	326	15.00
U.S.A.	20	396	18.18
Austria	6	31	1.43
Belgium	5	77	3.56
Denmark	5	81	4.06
France	8	241	11.11
Holland	6	122	5.62
United Kingdom	5	62	2.90
Sweden	2	4	0.22
Switzerland	13	247	11.36
Italy	6	289	13.27
Japan	1	80	3.67
Canada	1	51	2.34
Kuwait	1	64	3.00
Venezuela	1	4	0.20
Mixed	5	88	4.08
TOTAL	109	2177	100.00

TABLE 118

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

Sector	No. of Firms	Capitalization		
		Total Capital (TL)	Foreign Capital TL.	% of Total
I. MANUFACTURING INDUSTRY				
Food, Liquor, Tobacco	9	256,479	148,294	57,81
Textiles	3	29,048	21,451	73,84
Paper	1	86,917	48,717	56,00
Rubber	3	378,000	222,480	58,85
Plastic Processing	1	9,867	3,841	38,93
Chemicals	25	548,563	297,720	54,27
Glass	1	350,000	45,544	13,01
Motor Vehicles	8	1,345,500	508,465	37,79
Metal Goods	11	368,685	85,520	23,20
Machinery Manufacturing	6	130,281	55,772	42,81
Agricultural Implements	4	274,200	74,318	27,10
Electrical Appliances and Electronics	16	568,867	310,864	54,64
Cement	3	200,000	54,692	27,35
Packing and wrapping	1	2,100	1,050	50,00
Construction Materials	1	12,000	57	00,48
T O T A L	93	4,560,508	1,878,786	41,19
II. AGRICULTURE	1	2,000	1,020	51,00
III. MINING	2	25,070	24,031	95,85
IV. SERVICES				
Tourism	7	372,785	213,070	57,16
Banking	2	435,425	51,637	11,86
Research and Engineering	3	17,500	6,625	37,86
Transportation	1	4,500	2,250	50,00
T O T A L	13	830,210	273,582	32,95
GRAND TOTAL.....	109	5,417,788	2,177,788	40,19

TABLE 119

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

<u>MANUFACTURING INDUSTRY</u>	<u>Gross Revenue</u>	<u>Employment</u>
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 120

FOREIGN CAPITAL FIRMS OPERATING

UNDER LAW 6224

(As Jan. 1976)

<u>Firms</u>	<u>Foreign Capital TL.'000</u>	<u>For.Capt/ Total Capt (%)</u>	<u>Total Capital TL.'000</u>
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 Ziraî 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
Beynelmilel 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 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 Capital TL.'000	For.Capt/ Total Capt (%)	Total Capital 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 Gülyacağı 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
Roché 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 Capital TL.'000	For.Capt/ Total Capt (%)	Total Capital 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 Islah 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 Tığlı	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

TABLE 121

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 Maden 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
Assicurazioni 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 Versicherungsgesellschaft-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 Viyana, (İstanbul Umum Sigorta A.Ş.)	1893
<u>BANKING</u>	
Banco Di Roma - Rome	1911
Deutsche Orientbankdresdner Bank Branch (İstanbul)-Berlin	1911

Deutsche Bank Istanbul Branch - Berlin	
Osmanlı Bankası (Ottoman Bank - London)	1863
Selanik Bankası T.A.Ş.-Paris Uluslararası Endüstri ve Ticaret Bank	1888
Hollantse Bank-Uni N.V. - Holland	1921
Bonka Komerçiyale 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
Geri 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
Yilbank 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. Elettrificazione (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 Mamulâtı 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

CHAPTER IX

FOREIGN DEBTS

397. Funds from abroad started coming in with the Marshall Plan aid following the Second World War. The US was the sole supplier of funds. In the beginning, significant grants were given. Gradually, however, grant amounts declined and loan amounts increased. After 1963, grants (other than military equipment and any remaining balance due from the earlier pledges) were cut.
398. During the Sixties, loans from other countries also started coming in through the "Consortium for Aid to Turkey" under the auspices of the Organisation of Economic Cooperation and Development (OECD). In the seventies such loans were also phased out. In the meantime, loans from international financial institutions gained significance. After the oil crisis, growing needs for finance forced practically every country including Turkey looking for additional loans in private markets. Favourable effects of the 1970 devaluation, which resulted in a jump in exports and in increased remittances from workers abroad, gave Turkey a breathing space between 1972 and 1974. Turkey's current account yielded a surplus in 1973, for the first time since the Fifties.

I. PRIVATE FOREIGN BORROWING

399. Private foreign borrowing in Turkey consists of:

- Convertible Lira Deposits
- Supplier's Credit
- Direct Loans

400. Supplier's credits and direct loans are subject to the approval of the Ministry of Finance. In addition to those, another kind of private foreign borrowing is now put into operation and regulated by the Government since May, 1976:

- Acceptance Credits

for financing import of certain investment goods and CKD part of automotive industry.

401. Both the supplier credit and direct loans are aimed at facilitating foreign borrowing for specified sectors and projects so that foreign exchange requirements of priority investments could be met through non-inflationary channels and without much drain on the country's reserves. Sectors to enjoy the benefit of such borrowing are determined annually and each credit requires the permission of the Ministry of Finance. The Ministry was authorized to give transfer guarantees when it was deemed necessary but these private credits could not be given treasury repayment guarantees.
402. Present ruling made transfer guarantee automatic as it enabled the Central Bank to assume responsibility for the funds. Attention needs to be turned to the organized private financial market. So far, two formal loans have been managed for Turkey. These were the \$ 150m and \$ 25m BOTAS (Petroleum Pipeline Co.) loans of Aug. 1975 and May 1976 respectively. Both were managed and syndicated by the MERRIL LYNCH group of the US. The second was mainly in Kuwaiti Dinars supplied by the Arab Financial Consulting Bank of Kuwait and the Libyan Arab Foreign Financial Bank. Two more loans are in the offing. One of these is the \$ 150m loan for the State Investment Bank (SIB) managed by a group of five banks; Chase Manhattan Bank, First National City Bank, Morgan Guarantee Trust Co., Chemical Bank and Hannover Trust Co.
403. The Industrial Development Bank of Turkey (TSKB) has in the past three years raised funds from international capital markets. This institution which has already gained considerable experience in its foreign borrowing operations plans to expand its borrowing activities in international capital market, including the newly developing Middle Eastern financial market.

Convertible Lira Deposit System (CLD)

404. Turkey started to make use of the Eurodollar Market through the convertible lira deposits accounts in 1967. Through these accounts the depositor receives an interest to a certain point above the going Eurodollar market rate. In fact, foreigners were prohibited use of these accounts in 1973 because the funds supplied cheap credit to the Turkish market, and the amount of available foreign exchange, at a time when workers remittances were also high, increased the inflationary pressures in the economy.
405. Since these funds had been a source for private credits and the elimination of the practice led to withdrawal of the deposits contributing to a decline in foreign exchange reserves, these accounts were reinstated on May 8, 1975.

406. Knowledgeable bankers say as much as 85 % of these funds are fairly stable for an average of three years, because the majority of depositors are foreign affiliates of Turkish banks.
407. From the date of the reactivation of this account on May 8th, 1975, which permits foreigners and foreign institutions to open foreign exchange accounts in Turkish banks, up to end of December 1976 \$ 1.7 billion has been accumulated as foreign exchange demand and time deposits.
408. The net increase for 1976 amounted to \$ 811 million as can be seen from the table below.

TABLE 122
CUMULATIVE FIGURES BY THE END OF YEARS
(Bounded Figures)

	<u>In flow</u>	<u>Out flow</u>	<u>US \$ m net balance</u>
1967	9	1	+ 7
1968	39	7	+ 31
1969	77	23	+ 54
1970	127	54	+ 72
1971	217	85	+131
1972	600	134	+465
1973	630	481	+148
1974	670	602	+ 68
1975	1.680	719	+960
(Monthly Figures)			
1976 - Jan.	75	6	+ 68
1976 - Feb.	145	13	+131
1976 - March	218	30	+188
1976 - April	285	31	+253
1976 - May	340	50	+290
1976 - June	458	118	+339
1976 - July	677	262	+414
1976 - August	819	350	+469
1976 - Sept.	941	405	+535
1976 - Oct.	1.037	452	+586
1976 - Nov.	1.137	487	+650
1976 - Dec.	1.321	510	+811
1976 Net Balance			1.771

409. The term structure of TL convertible foreign exchange deposits^{1/} is shown in the table below. Two thirds of the deposits are in the form of time deposits of more than 1 and less than 3 years.

^{1/} The convertible foreign exchange deposits, (CLD) or foreign exchange accounts (CLA) are identical terms.

CONVERTIBLE LIRA DEPOSITS
AS OF DEC. 31, 1976

	<u>£ million</u>	<u>%</u>
Sight Deposits	112.9	6.38
up to 1 year	373.7	21.10
up to 2 years	850.9	48.05
up to 3 years	342.8	19.35
up to 4 years	59.3	3.35
up to 5 years	13.3	0.75
more than 5 years	<u>18.1</u>	<u>1.02</u>
	1.771.-	100.00

New Measures for CLD

410. A Finance Ministry communique to that effect was published in the Official Gazette on March 1, 1977. As of this date, the shortest time a depositor residing abroad can enjoy the CLA scheme is three months. Previously, expatriate owners of demand deposits convertible to Lira have been given 6 months to convert their deposits to time deposits. If, by the end of the 6 months, the depositor has gone through the formalities, his foreign exchange will be returned to him. The previous rates of interest will be accrued for such accounts until the required change or withdrawal is made.
411. While the communique rules to increase the term of the accounts, it also introduces the floating interest rates in the Euro-market, to which varying increments (spreads) (depending on how long the time deposit is valid) are added for those residing abroad.

Spreads (or incremental interest rates)
over the Euro-Market Rates

<u>Time of Deposit</u>	<u>Spread (% addition)</u>
3 months ¹	+ 0.75
6 months	+ 1.00
12 months	+ 1.50
18 months	+ 1.75
24 months	+ 1.875
30 months	+ 2.00
48 months	+ 2.125
60 months	+ 2.25

¹ A month is calculated to be 30 days

412. If the validity of the deposit opened by a resident abroad is at least 18 months or over, the bank holding the CLA is authorized to issue a certificate of deposit or promissory note in

the particular foreign exchange deposited and in amounts not to exceed the deposited sum plus interest.

413. For persons residing in Turkey, the condition that the person should have been abroad for at least a fortnight and is in rightful ownership of foreign exchange has been removed. Anyone hiding his foreign currency under his pillow is now given the option to open CLA. The condition of minimum 3-months does not apply to new depositors residing in Turkey. However, such depositors are to be given the domestic rates of interest on the TL equivalent of their deposits.
414. If the person supplying the foreign exchange works abroad, but the account is owned by a local resident (like his family), the higher TL rates for remittances are applicable upon withdrawal of TL from the account - one way of encouraging the inflow of foreign currency rather than outflow. In several cases, persons sell their foreign currency at black market rates in Turkey and have the currency transferred to the buyer's account or address abroad.
415. To encourage the renewal of CLA owned by residents abroad, the communique rules that "accounts valid for 13 months or less which will mature on or after the day this communique becomes effective will continue to enjoy the +1.75% spread on condition that they are renewed (or extended) for a minimum of another year. For further renewals, the new spreads will be applicable".
416. In the case of time deposits under CLA owned by residents abroad, the new spreads are applied for renewals of at least 18 months. Thus, present owners of CLA are given the higher old rate of 1.75% spread, instead of the new 1.50%, to keep their foreign currency at the Central Bank of Turkey for another year. If they want to keep them longer, the higher (than 1.75%) new rates will be given.
417. Banks authorized to hold CLA were allowed to extend investment (up to 75% of the deposit) and operation credit (up to 25% of the deposit) in TL to designated persons in Turkey. With the new ruling, the ratio limits have been removed, but the field for which such TL credit can be used is specified.
418. The communique reads: "Authorized banks may extend medium-term project credit in TL for expansion, modernization and new investments in industry, mining, shipbuilding, and tourism as well as operating credit on the condition that the operation plan is based on a project. These banks may also give TL credit for export and import financing.
419. "Banks are obliged to send a list of such credit by sectors to the Central Bank at the end of each month." So the Ministry of Finance accordingly aim at controlling how Turkish Lira created via CLA will be used."

420. The TL counterparts of CLA held by the commercial banks are subject to legal reserve requirements; they always have been. The new communique rules that TL increments to accrue to these accounts when the parity of the TL changes will no longer be automatically credited to the commercial bank in question, but will be held by the Central Bank in the name of the commercial bank until the accounts are closed by their owners.
421. This way, an automatic increase in the money supply instigated by the presence of CLA when the TL is devalued is prevented. If the value of the TL appreciates against certain convertible currencies in which CLA are held, the Central Bank guarantees to make up for the difference at the times of transfer requests.

A Commentary Note of TUSIAD on the Prospects of CLD

422. Like many other developing countries, Turkey is also suffering from an acute balance of payments deficit and no early solution appears to be in sight to bridge this gap.
423. The world lending markets at the end of 1976 were very promising. Since new companies usually avoided requesting loans from EURO-MARKET, the liquidity situation appears to be very good. As a result, international finance institutions and lending agencies have reduced the rate of interest they have been charging over their loans and extended the repayment period. But in spite of this positive development, developing countries are likely to face increased hardships in obtaining loans from the EURO-MARKET. Since these countries will continue to suffer from an acute balance of payments deficit in the medium-run, they will find it increasingly difficult to pay the accrued interest, let alone the principal amount of their debts. As a result, foreign banks are more and more inclined to extend loans on a project basis instead of helping to finance the balance of payments deficit.
424. Although Turkey has made no great efforts to obtain loans from EUROMARKET, its prestige has been strained in the same markets because of the Convertible TL system. There are rumours that "irresponsible intermediaries" trying to persuade outsiders to deposit their funds in Turkish banks in the so-called convertible TL accounts have been promising the funders "generous advantages". On the other hand, the same system prevents Turkey from resorting to more sounder and healthier borrowing from the same markets.
425. Nevertheless, the fast development of the Turkish economy and its steady growth rate, which has averaged 6.5-7% a year, has compelled foreign financial institutions to pay great attention to Turkey.
426. In the past few years, Turkish financial institutions and heavily-developed industrial companies have increased their con-

tacts with the foreign financial agencies. Similarly, foreign agencies have come to know Turkey better than they used to a few years ago.

427. There are two main conditions for Turkey to secure a healthy external financing in 1977 and the years to follow:

a. It is absolutely necessary for Turkey to draft a timetable and a program for the repayments of loans in the medium and long-term. Assuming that Turkey borrows an average of \$2,000 million worth of loans a year from international money markets over the next three years, it will have to pay \$1,000 million in 1980 for a part of the loans and the accrued interest. This debt and interest payment will reach \$1,500 million in 1981. And since Turkey will continue to suffer from a balance of payments deficit in the same period, an additional borrowing will be necessary just to meet debt repayment obligations. At present, EUROMARKET loans are repayable over a period of 5-6 years, including a 2-year grace period. It is virtually impossible for a developing country to repay such a loan over such a short-term even for its most important investment projects.

The long-term development cannot be sustained through external borrowing over an indefinite period of time. And since this is the case, governments should consider several deep-rooted measures to decrease external dependency and to obtain self-sufficiency. These measures should include:

- Power production should be increased
- production of steel and chemical fertilizer should be increasingly dependant on domestically-produced raw materials
- agricultural surplus should be preserved for export possibilities
- domestic industries should account for a larger share of the capital goods

b. The ill-effects of the convertible TL accounts system should be offset through radical measures and every effort should be exerted to keep Turkey's prestige high in the international lending markets.

- As of 1977, convertible TL system should be handled by the Central Bank instead of commercial banks and the funds to be created should be made available to the commercial banks through the medium-term rediscount system.
- The existing convertible TL accounts should be replaced with the more advantageous medium term credits
- Provided that these two measures are implemented in full, it may be possible to obtain more loans through this system. And the State enterprises can obtain loans up to \$ 500 million a year from the same sources through the counter-guarantee of the Treasury.
- One other measure, that proved to be effective before, is to

seek suppliers' credits. This year, Turkey is expected to import \$ 2,000 million worth of machinery for her investment projects, and these could be financed through suppliers' credits under bilateral or multilateral arrangements.

More Measures to Encourage the Inflow of Medium and Long Term Credits

428. In a move to encourage medium and long-term credits and to reduce the inflow of short-term funds which are currently predominant, the Finance Ministry restructured the interest Turkey awards to credits given directly by international banks to Turkish companies.
429. Under a decree which is published in the Official Gazette, in March, 1977, the spread Turkey offers above the London Inter Bank Offered Rate of interest will increase according to the length of maturity.
430. The new decree realigned interests of the loans Turkish companies receive from international banks to the changable spread system introduced for the convertible Turkish Lira deposit accounts. Thus, international bankers will receive a higher interest from Turkey for private loans.
431. The rates of spread to be paid for short-term (i.e. less than 2 years) private borrowing from abroad whether in cash or in kind, the communique said, would be as follows:

Average life of loan: (inclusive)	(up to)	The maximum spread:
6 months	- 1 year	+1%
1 year	- 18 months	+1.5%
18 months	- 2 years	+1.75%

432. The rates of spread for credit with an average life of 2 years or more the communique ruled would be as follows:

Average life of loan: (inclusive)	(up to)	The maximum spread:
2 years	- 3 years	+1 7/8%
3 years	- 4 years	+2%
4 years	- 5 years	+2 1/8%
5 years and more		+2 1/4%

433. If the interest rate applicable to credits in kind are of a different kind than those of the Euro-Market (i.e. the London Interbank interest rate), the maximum spread will be subject to the special consent of the Finance Ministry. The communique also recognizes official payment for possible banking costs and to middlemen who negotiate such credit by saying: "in case the interest rate written in credit contracts is specified to be a net payment, gross rates are accordingly adjusted".
434. Moreover, although a temporary article of the communique rules that the above cited conditions are relevant for credits to be obtained after March 16, another temporary article says that these conditions may if wished be applicable for cash credits previously negotiated but for against which the foreign exchange has not arrived in either the Turkish Central Bank or authorized commercial banks, and for credits in kind that are being negotiated. Parties likely to refrain from using this right can only be foreign lenders oblivious of this ruling.

Exchange Rate Guarantee for Foreign Loans and Capital Injections

435. The government introduced a new exchange rate guarantee for foreign loans and foreign capital to be imported into the country.
436. According to the new ruling the foreign exchange rate to be applicable for all types of capital (in cash, in kind or as immaterial rights) and all types of loans (either in cash or as suppliers' credits) will be computed on the basis of the current rate valid at the time official government decrees on such loans and capital are published in the Official Gazette.
437. The new ruling invalidated a 1972 decree on foreign capital injections and loans. Under the previous ruling, the exchange rate was being computed separately for capital-in-cash, capital-in-kind and immaterial rights. For capital injections in cash, the current exchange rate at the time the imported amount was being registered into the Turkish Lira and/or convertible Lira accounts was being applied. For capital-in-kind injections, the exchange rate valid at the time the imported goods had been cleared from the customs was applicable, and for immaterial rights, the exchange rate at the time the government decree was promulgated was taken as the basis. The same were also valid for foreign loans.

Other Measures

438. In May 1976, the government ruled that a "certificate of deposit" could be issued against these accounts in the hope that this certificate would become a note acceptable for circulation in foreign financial markets. However, no Turkish bank has issued such a note because it is not the commercial bank that holds the foreign exchange. Since authorized banks were also prohibited from holding balances in foreign exchange around

the same time, it has become impossible for them to vouch for money held by the Central Bank. This spelled the end of hopes that the ruling would enable a large inflow of foreign exchange because a negotiable security would accompany the TL convertible accounts.

439. Another scheme to increase foreign exchange reserves was the Dresdner Bank - Central Bank arrangement designed specifically for Turkish nationals abroad. Depositors are offered high interest rates (about double those offered in Germany), all options under the TL convertible scheme plus the opportunity to withdraw money either in foreign exchange in Germany (this is speedier than with the TL convertible account in a Turkish bank) or in TLs in Turkey.

II. PUBLIC FOREIGN DEBT

440. The grace period for many of the long term debts of Turkey will soon be over increasing her annual debt service burden. The magnitude of yearly repayment of debt and interest is estimated at around 400-500 million dollars yearly for the next ten years, as can be seen from the table below:

TABLE 123
FOREIGN DEBT AND REPAYMENT SCHEDULE (\$ Mil.)

	<u>Principle</u>	<u>Interest</u>	<u>Total</u>
1977	217.6	192.8	410.4
1978	280.4	187.2	467.6
1979	374.5	173.0	547.5
1980	385.5	156.7	542.2
1981	299.1	140.7	439.8
1982	260.3	126.4	386.7
1983	227.3	113.6	340.9
1984	210.0	104.2	314.2
1985	198.2	94.2	292.4
1986-2022	<u>2.402.9</u>	<u>672.3</u>	<u>3.075.2</u>
TOTAL	4.855.8	1.961.1	6.816.9

Explanation:

1. The amount of the secured credit as of Sept. 1976.
2. 70% of this principle debt was supplied by Consortium member countries.
3. 32.3% of the debt outstanding at the end of 1976 has not been utilized; thus is still in the pipeline.

Outstanding Public Foreign Debt

441. The breakdown of external debts by debtors and by creditors is shown below.

442. At the end of September 1976, the foreign debt of Turkey stood at \$3.344 million excluding the TL convertible foreign exchange deposits. Around 65.1% of this amount is owed to governments or government agencies; 26.2% of it came from international organisations, and 8.5% from private firms and individuals. Foreign loans utilised by the private sector make up \$355 million of this amount. The remaining \$2.989 million have been utilised by the public sector.
443. In addition to the \$3.344 million already utilised, there were \$1.600 million of additional foreign loans in the pipeline by the end of September. Most of the latter amount was obtained from international institutions (\$840 million) for the public sector.

TABLE 124
PUBLIC DEBTS

	SEPTEMBER 1976		
	Utilized Credit (Amount of debt)	Amount of Unutilized Credit	Secured Credit Total
EXTERNAL DEBTS REPAYABLE IN FOREIGN EXCHANGE			
<u>A. By debtors, total (Mil.\$)</u>	3.344.0	1.598.9	4.942.9
a. Debts repayable by the State Budget	2.618.3	806.2	3.424.5
b. Debts of the public sector other than State Budget	370.6	671.8	1.042.4
c. Private sector debts	349.9	120.9	470.8
d. Consolidated commercial debts (1959 Paris agreement)	5.2	-	5.2
<u>B. By creditors</u>	3.344.0	1.598.9	4.942.9
a. International Institutions	875.9	758.7	1.634.6
- (IBRD)	320.2	567.6	887.8
- (IDA)	150.2	44.4	194.6
- (ERF)	48.7	6.0	54.7
- (EIB)	271.8	100.6	372.4
- (IFC)	85.0	40.1	125.1
b. Foreign Governments	2.178.5	464.8	2.643.3
- USA	1.194.1	58.5	1.252.6
- Federal Rep. of Germ.	492.3	208.1	700.4
- Great Britain	70.1	1.2	71.3
- Others	422.0	197.0	619.0
c. Foreign Private Firms	284.4	375.4	659.8
d. Consolidated Commercial debts	5.2	-	5.2

444. In the table below are figures of per capita foreign debt as of beginning of 1975 and per capita yearly foreign debt repayment.
445. Among 24 main debtor countries Turkey ranks 17th in per capita foreign debt.
446. Foreign debt repayment as percent of foreign exchange is shown in the last column. Turkey ranks 20th with only 4 of the 24 countries having a lighter load of foreign debt repayment in comparison with their foreign exchange earnings. The percentage for Turkey is 0.8

	Per Capita Foreign Debt (\$)	Per Capita Yearly Foreign Debt Repayment (\$)	Foreign Debt Repayment as Percent of Foreign Exchange Earnings
1. (Israel)	1.752	149.3	4.7
2. (Chile)	428	17.1	1.6
3. (Panama)	398	53.1	7.4
4. (Algeria)	397	26.4	6.1
5. (Greece)	303	28.4	1.7
6. (Tunisia)	264	16.4	2.3
7. (Jordan)	208	5.1	1.4
8. (Uruguay)	203	38.4	2.8
9. (Iran)	199	32.4	3.0
10. (Argentina)	197	26.4	1.5
11. (South Korea)	184	13.3	3.3
12. (Mexico)	169	18.6	1.8
13. (Yugoslavia)	163	14.4	1.4
14. (Venezuela)	159	29.7	2.0
15. (Morocco)	117	7.5	2.0
16. (Brazil)	115	9.3	1.3
17. (Turkey)	110	5.7	0.8
18. (Syria)	107	6.8	1.3
19. (Afghanistan)	95	1.9	1.8
20. (Pakistan)	93	2.6	2.1
21. (Egypt)	86	10.0	3.1
22. (Spain)	84	9.0	0.4
23. (Iraq)	62	7.2	0.9
24. (India)	24	1.1	0.9

Source: World Bank Annual Report 1976, pages 39, 44, 50, 102, 103.

447. At the second half of 1976 total debt amounted \$3.344 million.
448. Export estimates for 1977 range between \$ 2.170 and 2.500 million and represent 65-75% of total debt.
449. Workers remittances for the same year range between \$975-1.150 million and represent 29-34% of total debt.
450. As for the yearly debt service for 1977 it is around 19% of 1977 exports and 42% of workers remittances.
451. A number of countries are under heavy foreign debt. Brasil and Mexico, Great Britain and Italy and the East Bloc countries are under heavy debt.

Countries Under Heavy
Foreign Debt
(end of 1976)

<u>Countries</u>	<u>\$ billion</u>
Brazil	24.0
Mexico	21.0
Indonesia	12.3
South Korea	9.2
Argentina	7.3
Taiwan	4.7
Peru	4.6
Philippines	4.1
East Bloc (incl.USSR)	40.0
Great Britain, Italy	65.0
Turkey ¹	3.3

¹ Turkey has been included for comparison, it is not in the original document.

Source: IBRD

Public Sector Projects Under Realization Financed by External Credits

452. Foreign credits are mostly used in Agriculture, Mining, Manufacture and Transportation.
453. The total cost of the main 125 projects financed by external credits amounts to TL 115 billion, out of this amount TL 46 billion is external credits.
454. The distribution of foreign credits according to credit giving agencies or governments shows that USSR is to give 25.83% of total external credits in the form of two giant projects,

while the second in importance is IBRD with 14.47% in a total of 44 project, and the third with 11.82% is the Federal Republic of Germany in association with IBRD and EIB in two big projects.

Sectoral Distribution of 125 Public Sector Projects

Sectors	Number		External Finance		Total Cost	
	No.	%	(TL.m)	%	(TL.m)	%
Agriculture	33	26.61	7.817	16.84	23.602	20.48
Mining	16	12.90	9.634	20.76	25.896	22.47
Manufacture	41	33.06	22.862	49.26	54.401	47.20
Energy	1	0.81	780	1.68	1.636	14.19
Transportation	15	12.10	3.000	6.46	5.329	4.62
Tourism	1	0.81	416	0.90	1.384	1.20
Construction	2	1.61	22	0.04	65	-
Education	7	5.65	261	0.56	297	0.26
Health	6	4.84	36	0.08	42	-
Other Services	3	1.61	1.584	3.41	2.688	2.33
	125	100.0	46.412	100.0	115.258	100.0

Source: Prime Ministry Research Department

Main Public Sector Projects Receiving External Credits
According to Financing Agencies

	No. of Projects	Revised Cost Estimates (TL.m)			
		TL.	%	TL.	%
International Bank for Reconstruction and Development (IBRD)	44	6.721	14,47	15.618	13,55
United Nations Development Program (UNDP)	10	77	0,17	150	0,13
European Investment Bank (EIB)	12	2.263	4,88	5.292	4,59
International Development Association (IDA)	8	1.638	3,53	8.685	7,54
United Nations Fond for Population Assistance (UNFPA)	3	26	0,06	26	0,02
United Nations (UNFDAC)	2	33	0,07	36	0,03
Eximbank (U.S.A.)	3	2.000	4,31	3.381	2,93
IBRD, EIB, Federal Republic of Germany	2	5.487	11,82	11.511	9,99
IDA, IBRD	5	468	1,01	1.625	1,41
IBRD, EIB	2	1.014	2,19	4.619	4,01
World Health Organization (WHO), UNICEF	2	4		11	0,01
International Atomic Energy Agency (IAEA)/UNDP	1	10	0,02	20	0,02
International Development Association (IDA), DGP	1	506	1,09	2.379	2,06
European Money Market Kuwait	1	5.468	11,78	8.206	7,12
IDA, EIB, Federal Republic of Germany	1	1.344	2,90	4.602	3,99

(continued)

Revised Cost Estimates (TL. m)

	No. of Projects	TL.		%	
		TL.	%	TL.	%
Morgan Guarantee Trust Company	1	28	0,06	28	0,02
Eximbank USA, Exterior Bank Spain	1	131	0,28	206	0,18
Italian Government, NATO	1	80	0,17	90	0,08
Japan	5	2.457	5,30	4.475	3,88
Great Britain	1				
Iran	1	480	1,03	480	0,42
Poland	1	265	0,57	707	0,61
Federal Republic of Germany	8	1.269	2,74	3.989	3,46
Austria	2	71	0,15	650	0,56
Canada	1	837	1,80	2.963	2,57
France	1	293	0,63	771	0,67
Denmark	1	29	0,06	99	0,09
U.S.S.R.	2	11.988	25,83	31.408	27,25
Other Bilateral	2	1.418	3,06	3.228	2,80
	125	46.416		115.265	

Source: Prime Ministry Research Department

CHAPTER X

PUBLIC FINANCE

455. The 1977 Budget approved by the Parliament on February 27, 1977 calls for a total spending of 225.812 million TL. while the proposed bill was carrying an amount of 220.000 million TL.
456. The deficit of the budget is 23.906 million TL., which represents 10.9% of expenditures. Last year the same ratio was 6.4%, of a budget that was 37.130 million TL. smaller. The rise in the deficit is 145.5%.
457. Total regular revenues of the budget are estimated to increase by 37.3%, while the tax revenues that are expected to rise by 41.9% still finance less than 92% of total expenditures-which was the case in 1974. Tax revenues constitute 87.8 of total regular revenues after the deduction of foreign borrowing.
458. There is to be 19.000 million TL. of domestic long-term borrowing. The initial planned borrowing was 18.000 million TL.
459. A comparison of detailed allocations when the budget was proposed versus the final verdict indicates that the total consolidated expenditures were increased by a net amount of TL. 5.811 m. of the total published amount (TL. 225,811.8 m), TL 219.318.1 m is authorized for spending due to the 4% cut.

1977 CONSOLIDATED EXPENDITURES (TL m.)

	<u>Final</u>	<u>Proposed</u>
General Budget	222,949.0	217,436.2
Annexed Budgets	40,327.7	41,910.2
TOTAL	<u>263,336.3</u>	<u>259,346.4</u>
Less: transfers to Annexed Budgets	-37,524.5	-39,346.4
Consolidated Total	<u>225,811.8¹</u>	<u>220,000.0</u>

¹of which 4% excluding the figures included in the table below is cut.

1977 EXPENDITURE ALLOCATIONS
(TL m.)

TOTAL	225,811.1
Less:	
Defence	42,500.0
Security	4,938.5
Gendarmery	3,918.0
Intelligence	607.0
Debt service	11,504.0
	<u>-63,468.5</u>
Sub-total	162,343.3
of which less:	
4% cut	-6,493.7
Sub-total	<u>155,849.6</u>
plus:	
Not subject to cut	<u>63,468.5</u>
Final total	<u>219,318.1¹</u>

¹Of this total TL 2,909.9 m will be transferred (at a rate of 2% from which agency's budget excluding the ones listed above and the Min. of Rural Affairs) to the Min; of Finance for redistribution to meet increased salaries.

460. The increase in the Consolidated Budget compared with the previous year is 46.4%. The budget increases in the Third Plan period are as follows, 19.8% in 1973, 33.4% in 1974, 30.5% in 1975 and 42.2% in 1976. TL. 93 billion of the consolidated budget is set aside as current expenditures and 66.6 billion as investment spending and 68.3 billion as transfer payments. The total consolidated budget is TL. 225.8 billion. This means 41.1% for current expenditures, 29.5% for investments, and 29.3% for transfer payments.

TABLE 125

FINANCING OF THE BUDGET (TL Million-Percent)

	1975 ¹	1976 ¹	1977 ¹	% Change		
				1975/74	1975/75	1977/76
<u>A. Revenues</u>	<u>100,150²</u>	<u>142,253</u>	<u>195,412</u>	<u>43.5</u>	<u>42.0</u>	<u>37.3</u>
1. Direct taxes	40,800	55,900	80,105	37.0	37.0	43.3
2. Indirect taxes	48,290	65,100	91,595	38.3	34.8	40.6
Total Tax Revenue	89,090	121,000	171,700	37.7	35.8	41.9
3. Regular non-tax revenue	7,527	14,553	19,560	98.9	93.3	34.4
4. Special revenues and funds	1,233	4,167	1,652	- 6.4	237.9	-88.7
5. Annexed budget net receipts	2,300	2,533	2,500	42.3	10.1	- 1.4
<u>B. Expenditures</u>	<u>115,000³</u>	<u>151,990⁴</u>	<u>219,318</u>	<u>53.3</u>	<u>32.2</u>	<u>44.3</u>
<u>C. Deficit (A-B)</u>	<u>- 14,860</u>	<u>- 9,737</u>	<u>-23,906</u>	<u>184.7</u>	<u>-34.5</u>	<u>145.5</u>
Financing of Deficit:						
1. State bonds	3,000	12,000	19,000	-16.7	400.0	58.3
2. Short-term borrowing ⁵	11,860		10,537	633.9		
3. Residual		-2,263	-5,631			148.8
Tax Revenue as % of Expenditures	77.0	79.0	78.3			
Tax Revenue as % of GNP	16.9	20.8	24.4			
Expenditure as % of GNP	21.9	26.1	31.2			

¹1974, 1975 provisional data; 1976, 1977 Budget Laws.

²1975 budget revenue estimate was TL 102,460 m.

³This amount may be lower due to the 1% across the board reduction.

⁴Represents the deficit without the 2% expenditure cut.

⁵This may be deferred payments, Central Bank advances, Treasury bills and other undisclosed sources.

Review of Tax Revenues: 1973-1976

461. 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.
462. The tables below give detailed revenue figures for the last four years under five tax categories, as well as the tax burden for each of them.

TABLE 126
TAX REVENUES
(Consolidated Budget)
1973-1977

Tax Revenue	(Million TL.)				
	1973	1974	1975	1976 ¹	1977 ²
Income taxes	21.471	29.401	43.107	58.560	78.305
Wealth taxes	570	727	942	1.475	2.700
Taxes from goods	12.460	13.114	20.717	28.220	39.115
Taxes from services	5.843	7.343	9.829	12.940	17.530
Taxes from foreign trade	11.614	14.572	19.481	24.900	32.250
Total Tax Revenue	51.958	65.157	94.076	126.095	169.900
% Increases					
Income taxes	47.4	36.9	46.6	35.8	33.7
Wealth taxes	11.9	27.5	29.6	56.6	83.0
Taxes from goods	24.8	5.2	58.0	36.2	38.6
Taxes from services	25.2	25.7	33.9	31.6	35.5
Taxes from foreign trade	25.1	25.5	33.7	27.8	29.5
Total Tax Revenue	33.1	25.4	44.4	34.3	34.7

Source: Ministry of Finance, Budget Yearbook 1976

¹Estimate based on tax revenue collection as of end of Sept. 1976.

²Proposed estimates in 1977 Budget.

GNP, GDP AND TAX REVENUES
(Yearly % Increases)

	GNP	GDP (import taxes excluded)	Tax Revenues	Wholesale Price Index	GNP Deflator	Average wage per worker ¹
1973	28.7	28.6	33.1	20.5	22.1	20.4
1974	37.8	39.2	25.4	29.8	28.3	27.6
1975	25.3	26.5	44.4	10.1	16.0	29.7
1976	21.4	23.0	34.3	15.6	13.2	...

¹Percentages calculated from figures of the largest 100 firms.

TAX BURDEN AS % OF GNP, GDP

	1973		1974		1975		1976	
	GNP	GDP	GNP	GDP	GNP	GDP	GNP	GDP
Income Taxes	6.9	8.1	6.9	8.0	8.1	9.2	9.0	10.2
Wealth Taxes	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.3
Taxes on Goods	4.0	4.7	3.1	3.5	3.9	4.4	4.3	4.9
Taxes on Services	1.9	2.2	1.7	2.0	1.8	2.1	2.0	2.2
Taxes from Foreign Trade	3.7	4.4	3.4	3.9	3.6	4.2	3.8	4.3
Total Tax Revenues	16.8	19.6	15.3	17.6	17.6	20.1	19.4	21.9

TABLE 127
CONSOLIDATED BUDGET

	(Million TL.)					
	1976	1977	% Increase	% Distribution		
				1976	1977	
1. Current Expenditures	77.814.1	94.599.0	21.6	51.0	43.0	
2. Investment Expenditures	41.676.5	63.845.0	53.2	25.0	29.0	
3. Transfer Payments	34.750.8	61.556.0	77.1	24.0	28.0	
4. Total Expenditures	154.241.4	220.000.0	42.6	100.0	100.0	
5. General Budget						
Revenues	141.924.2	199.436.1	40.5	98.7	98.8	
Taxes	126.095.0	169.900.0	34.7	87.6	84.1	
Normal Revenues other than taxes	12.837.2	19.560.0	52.4	8.9	9.7	
Special Revenues and funds	2.992.0	9.976.1	233.4	2.1	4.9	

(Continued)

(Continued)

	1976	1977	%	% Distribution	
				1976	1977
6. Annexed Budget					
Revenues	2.000.0	2.563.8	28.2	1.3	1.2
7. Total Revenues (5+6)	143.924.2	202.000.0	-	100.0	100.0
8. Difference (7-4)	-10.317.2	-18.000.0			
9. Domestic Borrowing	12.000.0	18.000.0	50.0		
10. Deficit (8+9)	1.682.8	-			

1977 Expenditure Allocations

463. An in-service Finance Ministry circular ruled that budgetary investment allocations would be released when and if:
- the investment project is completed in detail,
 - the ratification of the agencies concerned is obtained,
 - the ratification of the State Planning Organization is obtained, so that the particular project is in harmony with the Annual Programme.
 - spending is compatible with the physical targets of the investment in question. This rule means that money would have to be spent either on new construction machinery and equipment, and services thereof, or on major repairs that affect the life of an investment.

1977 EXPENDITURE ALLOCATIONS

<u>General Budget Agencies:</u>	<u>(TL m.)</u>	<u>%</u>
Republican Senate	98.7	0.04
National Assembly	403.8	0.2
President's Office	37.3	0.02
Court of Accounts	131.0	0.1
Constitutional Court	10.0	-
Prime Ministry	1,228.5	0.6
State Planning Organization	200.0	0.1
Council of State	79.6	0.03
High Court of Appeals	87.9	0.04
State Institute of Statistics	171.9	0.1
Directorate of Religious Affairs	1,418.2	0.6
Land Registry and Cadastre	688.6	0.3
Ministry of Justice	2,780.5	1.2
Ministry of Defence	42,500.0	19.1
Ministry of Interior	1,025.5	0.4
Gen. Dir. of Security	4,938.5	2.2

(Continued)

(Continued)

<u>General Budget Agencies:</u>	<u>(TL m.)</u>	<u>%</u>
Germandary	3,918.0	1.8
Ministry of Foreign Affairs	1,533.9	0.7
Ministry of Finance	89,257.0	40.0
Ministry of Education	24,115.9	10.8
Ministry of Public Works	3,633.9	1.6
Ministry of Commerce	173.2	0.1
Ministry of Health	6,115.2	2.7
Ministry of Customs and Monopolies	351.3	0.2
Ministry of Agriculture	4,241.9	1.9
Gen. Dir. of Meteorology	249.0	0.1
Ministry of Transport and Communication	172.6	0.1
Ministry of Labour	261.0	0.1
Ministry of Industry and Technology	13,878.5	6.2
Ministry of Tourism and Information	780.8	0.3
Ministry of Reconstruction and Resettlement	2,544.7	1.1
Ministry of Rural Affairs	10,807.4	4.8
Gen. Dir. of Land and Settlement	916.3	0.4
Ministry of Energy and Natural Resources	2,193.3	1.0
Ministry of Forestry	874.1	0.4
Ministry of Youth and Sports	203.4	0.1
Ministry of Cultural Affairs	890.1	0.5
Ministry of Social Security	45.0	0.02
	<u>222,949.0</u>	<u>100.00</u>

1977 EXPENDITURE ALLOCATIONS

<u>Annexed Budgets:</u>	<u>(TL m.)</u>
Land Reform Commission	1,041.0
Gen. Dir. of Endowments	690.5
Gen. Dir. of Physical Training	1,142.4
Ankara University	859.1
Hacettepe University	806.4
Academy of Economic and Commercial Sciences	160.5
Istanbul University	1,094.3
Istanbul Technical University	443.5
Aegean University	634.1
Çukurova University	349.9
Diyarbakır University	267.9
Fırat University	126.0
19 May University	81.0
Bursa University	349.9

(Continued)

(Continued)

<u>Annexed Budgets:</u>	<u>(TL m.)</u>
Anadolu University	115.5
Cumhuriyet University	135.7
Gen. Dir. of Highways	12,408.0
Gen. Dir. of Hydraulic Works	13,567.0
Gen. Dir. of Frontiers and Coasts	26.7
Gen. Dir. of Monopolies	3,908.3
Gen. Dir. of Forestry	1,181.2
State Production Farms	126.8
State Airports Administration	353.0
Petroleum Administration	12.1
Atatürk University	336.8
Selçuk University	74.3
Inönü University	30.8
TOTAL	40,327.7

Public Sector Investments

464. In 1977, TL. 38.5 billion worth of public sector and TL. 31.4 billion worth of private sector investments are programmed.

465. The 1977 budget is the one of the five in the 3. Plan which contains the largest investment fund and the smallest current expenditure fund. The investments contain some social and interregional development and industry boosting project funds. These are as follows: TL 288 million for health, 288 million for natural disasters, TL 3,129 million for payments to people over 66 and to the disabled, TL 480 million for assistance to underdeveloped areas, and TL 13,610 million for industrial development funds.

TABLE 128

FIXED CAPITAL INVESTMENTS

	<u>1976</u>	<u>%</u>	<u>1977</u>	<u>%</u>	<u>% 1977/76</u>
Agriculture	7.813	10.2	15.562	11.5	99.2
Mining	5.329	7.0	9.000	6.7	68.9
Manufacturing	17.382	22.7	36.464	27.1	109.8
Energy	11.235	14.7	19.954	14.8	77.6
Transportation	19.305	25.2	25.414	18.9	31.6
Tourism	588	0.8	1.317	1.0	124.0
Residence	1.622	2.1	2.671	2.0	64.7
Education	4.509	5.9	9.724	7.2	115.7
Health	1.614	2.1	2.637	2.0	63.4
Other Public Services	6.891	9.0	11.831	8.8	71.7
TOTAL	76.528	100.0	134.574	100.0	75.8

Defence Expenditures

466. The new defence budget (TL 42,500m) is planned to constitute about 19.3% of the 1977 Budget bill (TL 220,000m), as opposed to the 21.8% (TL 33,500m out of a total TL 153,150m.) at the onset of the 1976 fiscal year. This probably is due to the increase in the share of the Ministry of Industry and Technology in the new bill. The Budget Commission added TL 7,200m. retroactively to the 1976 defence budget for reorganization and modernization expenditures (REMO), for which the initial budget had already included TL 6,040m. Thus the 1976 defence budget would be increased to TL 40,700m., and within it REMO expenses to TL 13,240m.

1944-1945

1. The first part of the report deals with the general situation in the country during the year 1944-1945. It is noted that the country has been through a period of great difficulty and that the people are now beginning to feel the effects of the war. The report also mentions that the government has taken certain measures to deal with the situation.

CHAPTER XI

LABOUR - EMPLOYMENT

Labour

467. 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.
468. 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.
469. 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.
470. 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 129

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)
Non-agricultural Labour Surplus	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 (<u>Unemployment Rate</u>)	8.1	10.7	11.0	10.66	12.29	13.02	12.90

Employment Structure

471. 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 1975, 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.
472. In 1976, 59.3% of the economically active population was working in agriculture, 18.5% in services, 12.6% in industry and the rest in other activities. The shares of these sectors in 1975 were 60.8%, 13.0% and 12.3% in the same order.

Unemployment

473. 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.
474. The previous 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.
475. 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 1976 this "unemployment rate" is 13 %.

Turkish Workers sent abroad through Government Offices

476. 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. Although the number is still low in 1976, it has shown an increase with respect to 1975. Total number of workers sent abroad in 1976 is 10,6 thousand. 39% of them have gone to Libya, and 20% to Federal Germany.

TABLE 130

Workers Sent Abroad
Through Government Offices^{1/}

	1971	1972	1973	1974	1975	1976	Change Between 1976/75
Federal Germany	65.684	65.875	103.793	1.228	640	2.101	1.461
Austria	4.620	4.472	7.083	2.501	226	672	446
Australia	879	640	886	1.138	401	339	-62
U.S.A.	10	50	21	10	5	4	- 1
Holland	4.853	744	1.994	1.503	32	98	66
Switzerland	1.342	1.312	1.109	770	225	281	56
France	7.897	10.610	17.544	10.577	25	6	-19
England	1.289	82	116	113	88	27	-61
Saudi Arabia	5	28	4	-	239	302	63
Belgium	583	113	265	555	59	72	13
Denmark	72	27	1.254	160	37	13	-24
Libya	15	86	664	1.015	1.128	4.098	2,970
Others	1.193	1.190	1.087	641	1.314	2.545	1,231
Total	88.442	85.229	135.820	20.211	4.419	10.558	6.139

^{1/} Workers who went abroad under a tourist visa are not included

477. The number of workers sent abroad through official channels have decreased considerably due to the recession in most labor importing countries of Europe. On the other hand the composition of Turkish workers sent abroad is changing gradually in favor of Libya, Saudi Arabia and other Middle East countries. Most of the workers sent to these countries are skilled workers. There are further potentialities both from the demand side as well as from the supply side for skilled worker.

478. Libya is reported to require around 300.000 Turkish workers to replace departing Egyptians and Tunisians. At the moment over 300.000 Egyptian and some 20.000 Tunisian workers are employed in Libya but about 30.000 Egyptians recently had to leave for political reasons. Libyan authorities say that they can employ the Turks only after all the others have left. More interestingly, Libya demands for planners, agricultural experts, experts in reconstruction, settlement and naval port management and also employees for posts in the government sector.

479. Saudi Arabia is another growing foreign labour market for Turkish workers. According to Saudi officials, their country will need around 500.000 foreign workers to implement their five-year development plan. But Saudi Arabia, like Libya, is looking for a large number of experts and skilled workers neither of which categories Turkey can spare. If, however, public sector wages continue to lag behind price rises, and if the Arab countries offer attractive remuneration there may well be a "brain drain" in the public sector.

Employment and Wages

480. With the enacting of the law on Collective Bargaining, Strikes and Lockouts in 1963 Turkey has moved into an era of collective bargaining with minimum wages and wage increases constituting the focal points.
481. Minimum wages are subject to official fixing through a tripartite committee composed of the Government, employers' and workers' representatives.
482. Official minimum wage determination in Turkey has existed since 1951 but has gained more importance in recent years. Actually the recent minimum wage fixing for the industrial sector, which took place in 1976, raised daily minimum wages to TL 60; a level representing a 50 % increase over the former level fixed in 1974.

Years	Min. Wage TL.perday	
1970	16-18,50	19.50(Istanbul)
1972	25	
1974	40	
1976	60	

483. 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 TL 85, in 1976. Average wage trends can be traced in the following table:

TABLE 131

AVERAGE DAILY WAGES IN TURKEY (TL.)

<u>Year</u>	<u>Average Wages</u>	<u>Year</u>	<u>Average Wages</u>
1963	17.91	1970	35.32
1964	19.50	1971	39.32
1965	21.64	1972	43.88
1966	23.28	1973	54.41
1967	25.83	1974	68.26
1968	28.27	1975	85.55
1969	32.13	1976	105.00

484. "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% to have a more accurate picture of average worker incomes in Turkey.

485. As can be seen from the table below wage increases have kept up with the cost of living and obtained roughly a quarter of the productivity increase between 1970 and 1976.

	<u>Wage Increase</u>		<u>Productivity Increase</u>		<u>Cost of living Istanbul workers</u>	
	<u>Index</u>		<u>Index</u>		<u>Index</u>	<u>Chain Index</u>
	<u>1970=100</u>	<u>Chain Index</u>	<u>1970=100</u>	<u>Chain Index</u>		
1970	100	100	100	100	100	
1971	111	111	105	105	117.1	117.1
1972	124	112	110	105	132.6	113.2
1973	154	124	114	104	151.6	114.3
1974	193	125	122	107	187.3	123.5
1975	242	125	128	105	227.9	121.7
1976	297	123	266.4	116.9

Workers covered by Social Insurance in Private Sector vs.Public

486. The following 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.

WORKERS COVERED BY SOCIAL INSURANCE

	<u>Private</u>		<u>Public</u>		<u>(000)</u>
	<u>(000)</u>	<u>%</u>	<u>(000)</u>	<u>%</u>	
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
1975	1.205.1	66	618.2	34	1.823.3

Social Security

487. 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.

488. 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.
489. 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.

BENEFITORS OF THE SOCIAL SECURITY PROGRAM^{1/}

(Thousand)

	1973	1974	1975	1976 ^{2/}
Social Insurance Institution	1.649	1.800	1.825	1.900
State Pension Fund	850	870	900	950
Self-employed ^{3/} Security Institution ^{3/}	755	820	850	890
Other ^{4/}	40	42	48	57
TOTAL	3.314	3.550	3.620	3.798

^{1/} Wives and children are not included.

^{2/} Year-end estimate

^{3/} A new social security institution offering social protection to tradesmen, handicraftsmen and similar self-employed persons.

^{4/} Social security and pension funds established by private banks and reinsurance companies.

Labour Law

490. 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.
491. 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.
492. 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.
493. 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.
494. 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.
495. 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.

496. 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.
497. 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.
498. 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:
 499. 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.
500. 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).

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	29,940	1.109.401
1975	116	5.601	13.878	668.833
1976	30	1.749	6.264	337.728
TOTAL	928	33.574	170.251	6.010.372

Source : Ministry of Labour

501. 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.

	1972		1973		1974		1975		1976	
	Quant.	%	Quan.	%	Quan.	%	Quan.	%	Quan.	%
Number of Collective Agreements	1.603		1.921		1.724		1.890		1.262	
Public	443	28	551	29	594	34	300	15		
Private	1.160	72	1.370	71	1.130	66	1.590	85		
Number of Job-sites	3.668		6.309		4.323		3.980		5.209	
Public	1.789	49	4.211	67	1.180	27	760	19	3.470	67
Private	1.879	51	2.098	33	2.443	73	3.228	81	1.739	33
Number of workers	426.445		443.290		601.779		404.370		267.033	
Public	278.017	65	249.901	56	427.300	71	93.461	23	130.833	49
Private	148.423	35	193.389	44	174.479	29	310.919	77	136.200	51

Trade Unions and Employer Associations

502. 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
503. Labour Confederations and a newly formed one which has, for the time being only a limited influence on industrial relations.
504. 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.
505. 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.
506. 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.
507. 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 111 employers' associations in Turkey according to the figures at the end of 1976. 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.
508. 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.

The number of recognized unions and union membership are shown below.

TABLE 132
LABOUR UNIONS AND UNION MEMBERSHIP

Years	Number of Unions	Number of Members
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
1974	675	2.878.624
1975	781	3.328.633
1976	888	3.624.791

Source: Ministry of Labour.

The Turkish Confederation of Employer Associations

509. 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.

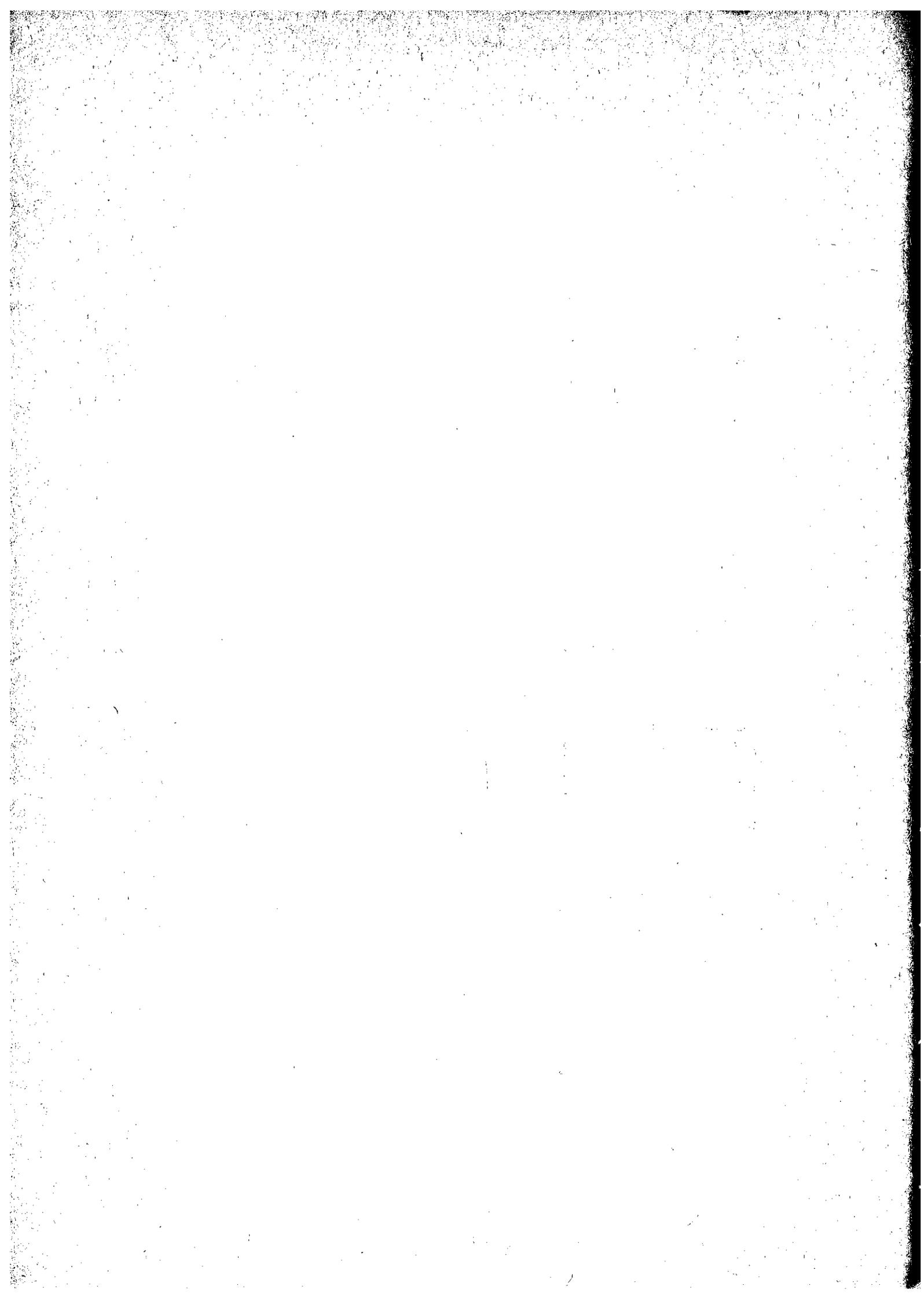
TABLE 133

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
1974	101	9.647
1975	107	8.943
1976	111	10.735

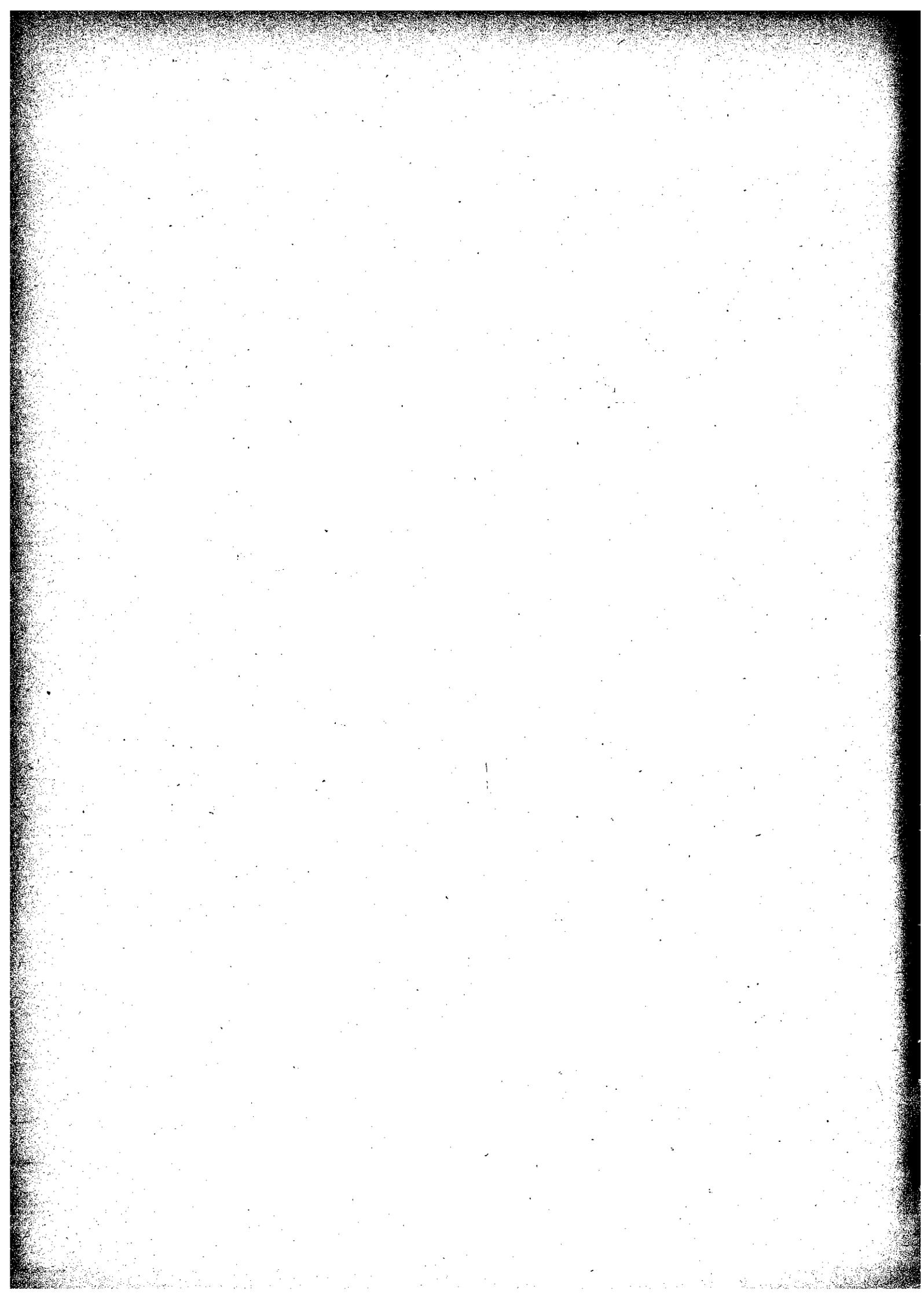
Source : Ministry of Labour.

510. 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.
511. 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.



A N N E X

ECONOMIC GROWTH OF TURKEY AND OECD COUNTRIES, 1966-1976



ECONOMIC GROWTH OF TURKEY AND OECD COUNTRIES, 1966-1976

This report assembles data on the gross national product and the economic growth of members of the Organization for Economic Cooperation and Development over the past 10 years. Calculations are measured in 1976 constant dollars, converted for all years by the average 1976 Par Rate/Market Rate, as published by the International Monetary Fund. Changes in growth rates owing to inflation or exchange rate fluctuations are therefore minimized.

The most important findings are:

- The US GNP rose by 6.1 percent in 1976 after having declined in both 1974 and 1975. The US ranked fourth in per capita GNP, after Switzerland, Sweden, and Canada.*
- Nearly all European OECD countries showed an increased growth rate in GNP in 1976, an aggregate increase of 3.9 percent compared with an aggregate decline of 1.8 percent in 1975. Only two countries, Iceland and Finland, showed declines in 1976.
- Of the 19 European OECD countries, 17 showed growth in GNP, which for 12 of them was between 3.0 percent and 5.5 percent. The

* Canada, in 1976, had a higher inflation rate than the United States (9.75 percent compared with 5.1 percent). Nevertheless, the yearly average exchange rate of the Canadian dollar rose by about 3.0 percent against the US dollar. These two factors raised the figure for Canadian GNP in terms of US dollars significantly in 1976. The subsequent decline in the Canadian dollar will probably correct this distortion in 1977.

SOURCES

GNP: US data are based on publications of the Council of Economic Advisers. All other data are from the OECD, from Embassy reports, or are INR estimates.

Population: US data: Council of Economic Advisers. For all other OECD countries, data are estimated, based on UN and OECD statistics.

II

increases ranged, however, from 0.5 percent (Switzerland) to 8.1 percent (Turkey).

--Japan showed a growth rate of 6.0 percent in 1976. Japan's average annual growth rate over the 10-year period was 8.0 percent, the highest of all OECD countries.

The countries with the highest growth rates over the 10-year period 1966-76 were:

Japan	116.7%
Turkey	90.1%
Greece	79.6%

During the same period, the countries with the lowest growth rates were:

Switzerland	23.3%
UK	21.5%
New Zealand	21.0%

These sequences change somewhat if the 10-year performance is divided into two 5-year periods. The countries with the highest growth rates over the 5-year period 1966-71 were:

Japan	69.0%
Greece	42.9%
Portugal	37.7%

During the same period, the countries with the lowest growth rate were:

US	13.0%
UK	12.2%
Iceland	10.4%

The countries with the highest growth rates over the 5-year period 1971-76 were:

Turkey	41.2%
Japan	28.3%
Spain	27.1%

During the same period, the countries with the lowest rate were:

UK	8.3%
New Zealand	7.0%
Switzerland	1.2%

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NOTES

- 1) This report is based on National Accounts data available in January and early February 1977. All data are preliminary.
- 2) Data are shown in constant 1976 dollars, converted for all years by the average 1976 Par Rate/Market Rate, as published by the International Monetary Fund.
- 3) Data are not adjusted for differences in the purchasing power of the dollar, which is lower in many countries outside the US.
- 4) Gross domestic product (GDP) data were adjusted to GNP by applying the ratio between GNP and GDP, derived from International Monetary Fund statistics.
- 5) Growth data are based on either GNP or GDP, and are completely revised. GNP data are expressed in billions of dollars, but all calculations are based on unrounded data.

TABLE I. GNP OF OECD COUNTRIES, 1966-1976
(In billions of 1976 dollars, at constant 1976 prices)

Country or Area	Currency Units per US dollar ^{a/}	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976
Belgium	36.6045	45.1	46.9	48.9	52.1	55.4	57.7	61.0	64.8	67.3	66.1	68.1
Luxembourg	38.6045	1.76	1.76	1.85	1.99	2.07	2.08	2.17	2.33	2.43	2.25	2.32
Denmark	6.045	26.6	27.7	28.8	31.3	32.1	33.2	34.7	35.9	36.1	35.8	37.4
France	4.7796	219.8	230.4	241.2	258.1	273.3	288.1	304.2	321.2	333.7	329.7	346.2
Federal Republic of Germany	2.518	320.7	320.1	342.8	370.9	392.8	404.2	417.9	439.2	441.9	428.2	451.7
Ireland	0.55657	5.5	5.7	6.2	6.6	6.8	7.0	7.4	7.8	7.8	7.7	8.0
Italy	832.285	111.5	119.3	126.8	134.0	140.7	143.0	147.4	156.7	162.0	156.2	163.2
Netherlands	2.644	56.8	59.8	63.8	68.2	72.9	76.1	79.0	82.4	85.2	84.2	87.2
UK	0.55651	178.3	182.8	189.0	191.0	195.2	200.1	205.3	216.6	218.3	214.5	216.6
Total EC of Nine	-	966.1	994.5	1,049.4	1,114.2	1,171.3	1,211.5	1,259.1	1,326.9	1,354.7	1,324.7	1,380.7
Greece	36.579	13.0	13.7	14.7	16.1	17.4	18.6	20.2	21.7	21.0	22.2	23.4
Iceland	182.172	1.06	1.04	0.98	1.01	1.06	1.17	1.25	1.33	1.37	1.34	1.33
Norway	5.4565	19.8	20.9	21.7	22.8	23.6	24.7	25.9	26.9	27.9	28.5	30.2
Portugal	30.2226	10.3	11.0	12.1	12.4	13.3	14.1	15.3	16.5	16.8	15.3	15.8
Turkey	16.053	21.7	22.6	24.2	25.4	26.6	29.2	31.1	32.5	35.3	38.1	41.2
Total European NATO b/	-	1,026.5	1,058.0	1,116.9	1,185.3	1,246.5	1,292.3	1,345.5	1,418.0	1,449.3	1,422.7	1,484.6
Austria	17.9397	26.2	26.9	28.1	29.7	32.0	33.7	35.9	38.0	39.6	38.9	40.4
Finland	3.8504	18.6	19.1	19.6	21.6	23.4	23.9	25.6	27.3	28.4	28.5	28.3
Spain	66.9031	61.5	64.2	67.9	73.1	77.5	80.9	88.6	95.2	99.9	100.7	102.8
Sweden	4.3559	54.8	56.7	58.9	61.9	65.0	65.5	67.2	69.5	72.5	73.0	74.1
Switzerland	2.4998	48.2	49.0	50.8	53.5	56.5	58.8	60.7	62.5	63.7	59.2	59.5
Total European OECD	-	1,241.3	1,279.6	1,348.4	1,431.7	1,507.7	1,562.1	1,630.9	1,718.3	1,761.2	1,730.7	1,797.7
US	-	1,310.2	1,345.5	1,404.7	1,441.2	1,436.9	1,480.0	1,564.4	1,650.4	1,622.9	1,594.2	1,691.4
Canada	0.98604	122.8	127.0	134.1	141.1	144.8	153.3	162.2	173.4	178.2	179.3	187.8
Total NATO ^{c/}	-	2,459.5	2,530.5	2,655.7	2,767.6	2,828.2	2,925.6	3,072.1	3,241.8	3,250.4	3,196.2	3,363.8
Japan	296.550	253.9	286.7	325.4	360.5	399.8	429.0	467.1	512.9	508.3	519.0	550.2
Australia	0.81828	60.0	64.2	67.8	72.4	76.1	80.2	82.6	87.9	89.0	89.5	92.2
New Zealand	1.0048	9.3	9.2	9.4	9.8	10.2	10.5	10.9	11.6	11.9	11.6	11.2
Total OECD ^{d/}	-	2,997.5	3,112.2	3,289.8	3,456.7	3,575.5	3,715.1	3,918.1	4,154.5	4,171.5	4,124.3	4,330.5

a. Converted by the average 1976 Par Rate/Market Rate, as published by the International Monetary Fund.

b. Total of countries listed above, except Ireland.

c. Total European NATO plus the US and Canada

d. Total European OECD plus the US, Canada, Japan, Australia, and New Zealand.

Please see page 5 for notes.

TABLE II. ANNUAL GROWTH OF GNP FOR OECD COUNTRIES, 1966-1976
(percentage changes over previous year, based on Table I)

Country or Area	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976
Belgium	4.0	4.3	6.6	6.3	4.1	5.7	6.3	3.9	-1.8	3.0
Luxembourg	0.2	5.3	7.7	4.2	0.6	4.1	7.5	4.4	-7.8	3.3
Denmark	4.2	3.8	8.6	2.7	3.4	4.6	3.3	0.5	-0.7	4.5
France	4.8	4.7	7.0	5.9	5.4	5.6	5.6	3.9	-1.2	5.0
Federal Republic of Germany	-0.2	7.1	8.2	5.9	2.9	3.4	5.1	0.6	-3.2	5.5
Ireland	5.3	7.4	6.9	2.9	3.5	4.7	5.4	0.4	-0.5	3.3
Italy	7.0	6.3	5.7	5.0	1.6	3.1	6.3	3.4	-3.7	4.5
Netherlands	5.3	6.7	6.8	6.9	4.4	3.9	4.3	3.3	-1.1	3.5
UK	2.5	3.4	1.1	2.2	2.5	2.6	5.5	0.8	-1.8	1.0
Total EC of Nine	2.9	5.5	6.2	5.1	3.4	3.9	5.4	2.1	-2.2	4.2
Greece	5.5	6.7	9.9	7.9	7.0	8.7	7.2	-3.1	5.5	5.3
Iceland	-1.7	-5.7	3.1	5.2	10.1	6.4	6.2	3.2	-2.1	-0.9
Norway	5.7	3.9	5.0	3.5	4.6	4.9	4.1	3.7	3.0	5.0
Portugal	7.5	9.7	2.2	7.9	5.8	8.7	7.6	2.0	-10.0	3.0
Turkey	4.5	6.7	5.3	4.7	9.5	6.7	4.5	8.5	8.0	8.1
Total European NATO <u>a/</u>	3.1	5.6	6.1	5.2	3.7	4.1	5.4	2.2	-1.8	4.4
Austria	2.4	4.4	5.9	7.8	5.3	6.4	5.8	4.4	-2.0	4.0
Finland	2.6	2.4	10.4	8.3	2.4	7.0	6.5	4.2	0.1	-0.5
Spain	4.3	5.7	7.8	6.0	4.3	9.6	7.4	5.0	0.8	2.0
Sweden	3.4	4.0	5.1	5.0	0.7	2.6	3.5	4.2	0.8	1.5
Switzerland	1.6	3.6	5.4	5.6	4.0	3.2	3.1	1.8	-7.6	0.5
Total European OECD	3.1	5.4	6.2	5.3	3.6	4.4	5.4	2.5	-1.8	3.9
US	2.7	4.4	2.6	-0.3	3.0	5.7	5.5	-1.7	-1.8	6.1
Canada	3.4	5.6	5.2	2.6	5.9	5.8	6.9	2.8	0.6	4.8
Total NATO <u>b/</u>	2.9	5.0	4.2	2.2	3.4	5.0	5.5	0.3	-1.8	5.2
Japan	12.9	13.5	10.8	10.9	7.3	8.9	9.8	-0.9	2.1	6.0
Australia	6.9	5.6	6.8	5.2	5.3	3.0	6.4	1.3	0.6	3.0
New Zealand	-0.9	2.2	5.0	3.7	2.5	4.3	6.4	2.2	-2.0	-4.0
Total OECD <u>c/</u>	3.8	5.7	5.1	3.4	3.9	5.5	6.0	0.4	-1.1	5.0

a. Total of countries listed above, except Ireland.

b. Total European NATO plus the US and Canada.

c. Total European OECD plus the US, Canada, Japan, Australia, and New Zealand.

Please see page 5 for notes.

TABLE III. TOTAL GROWTH OF GNP FOR OECD COUNTRIES,
1966-1976, 1966-1971, and 1971-1976

Country and Area	Percentages		
	1966-1976	1966-1971	1971-1976
Belgium	51.1	28.0	18.1
Luxembourg	31.8	18.2	11.5
Denmark	40.6	24.7	12.7
France	57.5	31.1	20.2
Federal Republic of Germany	40.9	26.0	11.8
Ireland	46.8	28.8	14.0
Italy	46.5	28.3	14.2
Netherlands	53.5	33.9	14.6
UK	21.5	12.2	8.3
Total EC of Nine	42.9	25.4	14.0
Greece	79.6	42.9	25.7
Iceland	25.5	10.4	13.7
Norway	52.9	24.8	22.5
Portugal	53.9	37.7	11.8
Turkey	90.1	34.6	41.2
Total European NATO a/	44.7	25.9	14.9
Austria	54.0	28.5	19.8
Finland	52.1	28.6	18.3
Spain	67.0	31.4	27.1
Sweden	35.3	19.5	13.2
Switzerland	23.3	21.8	1.2
Total European OECD	44.8	25.8	15.1
US	29.1	13.0	14.3
Canada	52.9	24.8	22.5
Total NATO b/	36.8	19.0	15.0
Japan	116.7	69.0	28.3
Australia	53.6	33.6	15.0
New Zealand	21.0	13.1	7.0
Total OECD c/	44.5	23.9	16.6

a. Total of countries listed above, except Ireland.

b. Total European NATO plus the US and Canada.

c. Total European OECD plus the US, Canada, Australia, and New Zealand.
Please see page 5 for notes.

TABLE IV. AVERAGE* ANNUAL GROWTH OF GNP FOR OECD COUNTRIES,
1966-1976, 1966-1971, and 1971-1976

(Percentages arranged in order of magnitude, based on Table III)

1966-1976		1966-1971		1971-1976	
Japan	8.0	Japan	11.1	Turkey	7.1
Turkey	6.6	Greece	7.4	Japan	5.1
Greece	6.0	Portugal	6.6	Spain	4.9
Spain	5.3	Turkey	6.1	Greece	4.7
France	4.6	Netherlands	6.0	Canada	4.1
Austria	4.4	Australia	6.0	Norway	4.1
Portugal	4.4	Spain	5.6	France	3.8
Australia	4.4	France	5.6	Austria	3.7
Netherlands	4.4	Ireland	5.2	Finland	3.4
Canada	4.3	Finland	5.2	Belgium	3.4
Norway	4.3	Austria	5.2	Australia	2.8
Finland	4.3	Italy	5.1	Netherlands	2.8
Belgium	4.2	Belgium	5.1	US	2.7
Ireland	3.9	Fed. Rep. of Germany	4.7	Italy	2.7
Italy	3.9	Canada	4.5	Ireland	2.7
Fed. Rep. of Germany	3.5	Norway	4.5	Iceland	2.6
Denmark	3.5	Denmark	4.5	Sweden	2.5
Sweden	3.1	Switzerland	4.0	Denmark	2.4
Luxembourg	2.8	Sweden	3.6	Fed. Rep. of Germany	2.3
US	2.6	Luxembourg	3.4	Portugal	2.3
Iceland	2.3	New Zealand	2.5	Luxembourg	2.2
Switzerland	2.1	US	2.5	UK	1.6
UK	2.0	UK	2.3	New Zealand	1.4
New Zealand	1.9	Iceland	2.0	Switzerland	0.3
<u>GROUP OF COUNTRIES</u>					
European OECD	3.8	European NATO	4.7	Total OECD	3.1
European NATO	3.8	European OECD	4.7	European OECD	2.9
Total OECD	3.8	EC of Nine	4.6	Total NATO	2.8
EC of Nine	3.6	Total OECD	4.4	European NATO	2.8
Total NATO	3.2	Total NATO	3.5	EC of Nine	2.7

* Compound annual growth rates.

VIII

TABLE V. GNP OF OECD COUNTRIES, TOTAL AND PER CAPITA, 1976

Country or Area	Population <u>a/</u> (millions)	GNP (billion dollars)	Per Capita GNP (dollars)
Belgium	9.83	68.1	6,927
Luxembourg	0.36	2.3	6,444
Denmark	5.08	37.4	7,364
France	53.17	346.2	6,512
Federal Republic of Germany	61.58	451.7	7,336
Ireland	3.17	8.0	2,524
Italy	56.20	163.2	2,905
Netherlands	13.76	87.2	6,336
UK	55.96	216.6	3,871
Total EC of Nine	259.11	1,380.7	5,329
Greece	9.13	23.4	2,559
Iceland	0.22	1.3	6,046
Norway	4.03	30.2	7,494
Portugal	9.69	15.8	1,628
Turkey	40.90	41.2	1,007
Total European NATO <u>b/</u>	319.91	1,484.6	4,641
Austria	7.43	40.4	5,437
Finland	4.73	28.3	5,985
Spain	35.75	102.8	2,874
Sweden	8.23	74.1	9,009
Switzerland	6.36	59.5	9,349
Total European OECD	385.58	1,797.7	4,662
US	215.12	1,691.4	7,863
Canada	23.20	187.8	8,096
Total NATO <u>c/</u>	558.23	3,363.8	6,028
Japan	112.28	550.2	4,900
Australia	13.66	92.2	6,752
New Zealand	3.15	11.2	3,552
Total OECD <u>d/</u>	752.99	4,330.5	5,751

- a. Except for the US, all 1976 population data are estimated, based on UN and OECD statistics.
- b. Total of countries listed above, except Ireland.
- c. Total European NATO plus the US and Canada.
- d. Total European OECD plus the US, Canada, Japan, Australia, and New Zealand. Please see page 5 for notes.

"REAL" GROWTH OF GNP FOR EUROPEAN OECD, THE EC OF NINE, THE US, AND JAPAN, 1966-1976

PERCENTAGES 1966=100

